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27 February 2018

Submissions
Electricity Authority
P O Box 10041
Wellington 6145

By email: submissions@ea.govt.nz

Dear John,

Re: Multiple trading relationships consultation paper

Pioneer Energy (Pioneer) welcomes the opportunity to make submissions to the Electricity Authority (Authority) on the multiple trading relationships consultation paper.

In principle, Pioneer believes it would be beneficial for consumers if the market arrangements enabled multiple trading relationships. More innovation in, and wider range of, the offerings of products and services to all consumers would be expected. However, in our view, the following changes must occur first (regardless of whether the Code is changed to enable multiple trading relationships):

- implementation of a centralised hub for consumption data; and
- the Low fixed charge regulations are replaced with a fit-for-purpose mechanism.

In addition, simplicity is critical if consumers are to be able to engage with multiple parties at their premise – simplicity in the rules/Code as well as simplicity in the relationships multiple parties would have with an individual consumer. If the consumer faces complicated or onerous contracts or conditions this is likely to impact uptake.

Our comments are provided in response to the Authority's questions in Appendix 1.

The consultation paper appears to identify a wide range of issues that need addressing to enable multiple trading relationships and seeks feedback on this range of issues. Pioneer submits that the Authority must consult again on any proposal or draft decision to implement any changes to enable multiple trading relationships (including if there is a decision not to make any changes). A cost benefit analysis will be challenging as it will be difficult to predict uptake or to value any consumer benefits. There will also be significant costs across a wide range of industry systems and processes to enable multiple parties to transact electricity with a single consumer.

We would welcome the opportunity to discuss this submission with you.

Yours truly

Fraser Jonker

Chief Executive

Appendix 1: Pioneer Energy's response to questions

Question		Comment
Q1	How material are the constraints to consumers establishing multiple trading relationships at a single connection identified above?	We assume this question relates to section 3 of the paper. Pioneer disagrees with the Authority's assertion that "Retailers control the meter data required for electricity services" While "MEPs generally collect meter data on behalf of a retailer" (paragraph 3.31) Pioneer's experience is that the MEP determines the formats and communication channels for data collected by the meter. Firstly, the retailer must have a relationship with a MEP in order to get access to meter data. And, to compound the workload of a retailer, each MEP has a different contract or relationship with its retailers, including different data formats and communication channels. Pioneer submits that there must be consistency in the data format and form of communication of meter data before any attempt is made to enable multiple trading relationships. As discussed in our cover letter, Pioneer submits that establishing a centralised dataset of meter data and one form of communication is a prerequisite to any other change to the Code to enable multiple trading relationships. We query whether a fundamental review of the definition of electricity retailer or 'electricity retailing' is required. Some of the services provided may not be 'electricity retailing' and so the Authority has no relevant interest. Pioneer considers the constraints to consumers establishing multiple trading relationships at one point of connection are 'reasonably material'. It is important the Authority thoroughly understands the information architecture, system and process changes required by service providers and industry participants to include a credible cost estimate in any CBA.
Q2	Are there other constraints that prevent multiple trading relationships from efficiently occurring? If so, please describe them.	There are a number of statutory obligations, costs and practices that a retailer has to perform – the cost of which is incorporated in its tariff for customers. Examples include: • Medically dependent and vulnerable consumer obligations • Low Fixed charge tariffs • Consumer conservation compensation • Outage notifications • Network charges and network rebates managed through the retailer's bill • Meter costs • Market reconciliation compliance • Network data exchange compliance It makes sense for only one of the multiple traders at an ICP to perform these tasks. However, the cost of providing these services might mean the tariff offered by this retailer is uncompetitive with other potential traders at that ICP. Options for covering these industry wide not-insubstantial costs could be: • A standard levy across all consumers for the industry cost of these services;

		• Introducing a system of primary retailer – who undertakes these functions – with the other traders / retailers at a given ICP being secondary traders. The primary retailer can bill the secondary traders at the ICP for these services. A primary retailer relationship is not appropriate if other (secondary) retailers are able to 'cherry pick' consumers without facing the same statutory and industry costs. We are concerned that multiple relationships with a consumer might enable a consumer to take the same service at the same time from two providers. For example, contracting for the supply of electricity (the service) on a fixed price contract and at the same time contracting with another provider for the supply of electricity at the spot price. The consumer could arbitrage the price while the service providers are both covering the cost of the supply of electricity at the same time.
Q3	What do you consider to be the benefits of multiple trading relationships?	Pioneer suggests the benefits arise from enabling innovation in the offering of products and services that different consumers will value. It would be useful to see examples of cases enabled by this type of change to the Code. We have no view on consumer appetite or uptake.
Q4	What other services could be enabled by reducing or removing the barriers to multiple trading relationships?	As discussed in Q3, this would be an enabler for the introduction of new commercial products and services. It is difficult to forecast what these services / products could be.
Q5	What changes, if any would be needed to the switching and disconnection/reconnection processes if a consumer were able to have multiple retailers?	The switching and disconnection/reconnection processes would have to be redesigned. For example, a consumer could be a bad debtor to supplier A and be a good payer to supplier B at its connection point. If supplier A disconnected the consumer this would obviously impact on delivery of supplier B's products. Implementing communications protocols between supplier A and B introduces an additional step / cost.
Q6	What other data exchange processes that have not been identified in this paper need to be changed to accommodate multiple trading relationships?	No additional suggestions.
Q7	How could the data exchange processes be modified to accommodate multiple trading relationships?	Pioneer submits a 'modification' approach is not appropriate. As discussed in our cover letter and in response to Q1, a centralised dataset is essential before any other changes are made to enable multiple trading relationships at a connection point. Bilateral exchange of data is unwieldy. A thorough analysis and review of the data architecture, systems and processes is required.
Q8	What other services, if any, would have to share costs between multiple users?	We discuss these costs in our answer to Q2. With multiple traders at one connection point there will also be the need to 'reconcile' the data on the meter to allocate it to the multiple traders (and how will the party doing the reconciliation be compensated?).
Q9	How could the cost of these services be shared amongst multiple users?	These costs must be shared by the multiple traders at the one connection point. We suggest options for sharing in answer to Q2.

		Any sharing of costs must appear simple from the consumers' perspective otherwise this will be a barrier to uptake.
Q10	Could consumer data be more efficiently shared with service providers that have a legitimate claim for access to their consumer's data? If so, how?	Yes – by implementing a centralised dataset for meter data.
Q11	How much value is there in making it easier for appropriately authorised firms to access information such as a consumer's tariff structure, the smart meter functionality that is used by the consumer's MEP, a consumer's controllable appliances?	There is value. Retailers currently grapple with varied and various origins of meter data – both in terms of the format of data and the way it is communicated. Access to meter and consumption data is critical for service providers to operate and innovate. A centralised dataset could be designed to enable a consumer to give approval for access to their data.
Q12	Are there other industry participants that may need to amend their systems to operate in an environment with multiple trading relationships?	Any new service providers that appear as a result of enabling multiple trading relationships must be compliant with any new system and the Code.
Q13	What are the costs of the above changes recognised in questions 10- ~~13~~ 12?	The Authority needs to be very clear about the costs of any change. It is too early to estimate what the costs might be before a solution is designed. There are multiple parties across the whole sector that will need to make changes to their systems, information architecture and processes. A credible estimate of these costs is a critical input into a robust CBA.
Q14	What other obligations need to change if multiple traders can serve an ICP?	Disconnections and reconnections need to happen safely and honour credit control policies.
Q15	How could the obligations discussed above be amended to accommodate multiple traders at an ICP?	As discussed above, an option of a primary retailer could be investigated. Other traders at that point of connection would pay the primary retailer a fee.
Q16	What costs would be involved in amending consumer-related responsibilities to accommodate multiple traders at an ICP?	See answer to Q15.
Q17	What additional matters would need to be considered if we were to introduce multiple trading relationships? What amendments would need to be made to the Code to facilitate multiple trading relationships?	Currently most retailers design their tariffs to reflect average usage profiles and usual consumption behaviours. Multiple trading relationships may result in changes to the assumptions that the retailers have made to create these tariffs. Retailers may need to introduce a policies and terms to protect their tariff position. Otherwise consumers are able to cherry pick. For example, a 'fair user policy' is used for broadband packages. An 'all you can eat' package includes commercial terms about what is and isn't allowed under this tariff. Retailers may have to review their contracts with certain customers.
Q18	What is the cost of the changes needed to enable multiple trading relationships?	No idea. However, a credible estimate of costs is a critical input into a robust CBA.