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TRUSTPOWER SUBMISSION: MULTIPLE TRADING RELATIONSHIPS

1 Introduction

- 1.1.1 Trustpower Limited (**Trustpower**) thanks the Electricity Authority (**the Authority**) for the opportunity to provide a submission on *Multiple Trading Relationships – How can consumers choose multiple electricity service providers* (the **Consultation Paper**¹).
- 1.1.2 We understand the trigger for the Consultation Paper is a desire on the part of the Authority to proactively facilitate increased consumer choice, including the choice to receive multiple electricity services from different providers at the same time and in the same location.
- 1.1.3 The Authority is aware that current market rules, systems and processes have been developed around a single consumer-retailer relationship and seeks feedback on the costs and benefits of change from this model to a multi-provider model.

2 Trustpower's views

- 2.1.1 The Authority is asking an important question: will there be net benefits to consumers if the Authority mandates new rules, systems, and processes to accommodate multiple retailers at ICPs?
- 2.1.2 In general, we think there is a case for some caution in changing the current rules, systems, and processes until there is more clarity about the world we are moving to.
- 2.1.3 However when considering our response we have found it difficult to provide the Authority with any specific advice on the costs of change in the absence of a more specific vision of how the Authority sees a multiple-trading world developing and evolving over time.

¹ Available online at: <https://www.ea.govt.nz/development/work-programme/evolving-tech-business/enabling-mass-participation/consultations/#c16454>

2.1.4 For this reason we have responded to this paper in general terms, rather than answer the detailed questions set out in the paper.

2.1.5 We advised the Authority's staff of this prior to filing this submission.

3 Process

3.1.1 We note that the Authority operates under wide-ranging and flexible regulatory powers, which include the power to conduct market studies and convene ad hoc advisory groups.

3.1.2 We would have found it a more efficient if the Authority had used either or both of these powers to develop a "scene setter" or open problem definition paper, rather than launch into a formal round of consultation requiring submitters to identify "end to end" changes to the Code, assess the "materiality" of constraints and/or propose alternative cost allocation approaches for a particular form of future trading (ICP-based multiple trading).

4 Nature of new world

4.1.1 Under the current rules we are already seeing:

- a) new players entering the market offering a range of services;
- b) consumers become prosumers; and
- c) significant innovation in the service offerings of existing participants (networks, generators and retailers).

4.1.2 The future could include:

- a) new business models which provide low-cost, off-market methods of matching buyers and sellers;
- b) more extensive use of remote-controlled equipment beyond the meter to change fundamental aspects of the demand/supply relationship;
- c) bundled services offerings, for example, where electricity is a by-product to the main sales opportunity such as an EV;
- d) global data companies trading on the basis of data analytics rather than on the basis of individual metered quantities.

4.1.3 It is possible that smart phones, energy management systems, devices on appliances and digital assistants, as well as many other things yet to be invented, could leapfrog over the current ICP-based delivery model to provide services sold on entirely different systems.

4.1.4 We were therefore surprised that the Consultation Paper appears to have a narrow focus on the need to promote competition by changing single-retailer-based ICP trading to accommodate multiple-retailer-based ICP trading.

4.1.5 We also think the Authority's focus on the assumed "strategic" use of customer privacy obligations by existing retailers to delay sharing consumer data to potential retail competitors is misplaced and unfortunate.

5 Degree of change required

5.1.1 The Consultation Paper highlights the extent of the responsible retailer's current obligations. These include responsibility for managing on behalf of consumers the:

- a) information held by the registry;

- b) switching process;
 - c) person tasked with providing metering service and data; and the
 - d) supply of data to the reconciliation manager and distributors from invoice calculation.
- 5.1.2 Sitting below each of these broad tasks is a vast range of allocated roles, functions and tasks which would need to be reallocated, reassigned or replicated in a multiple-retailer ICP environment.
- 5.1.3 For example, in Appendix A to this submission we identify some of the changes which might be needed to the switching and disconnection processes to accommodate a multiple-retailer environment.
- 5.1.4 With some of these matters it might be possible to develop “work around” solutions if only one other retailer was to share the ICP (and in a relatively discrete role), but if the expectation is that there will be a multitude of service providers coming and going, with multiple product offerings, then more complex solutions will be required.
- 5.1.5 This is why we think a cost analysis will need a more complete vision from the Authority.

6 Lessons from the past

- 6.1.1 We think it is important when thinking about the potential scale of changes required to consider past projects.
- 6.1.2 In 2012, the Authority implemented new metering rules and a new class of service provider (Metering Equipment Providers, or **MEPs**).
- 6.1.3 This project required a significant upgrade to the registry and also changes to the operations of most participant in the sectors.
- 6.1.4 Post-implementation feedback noted that the degree of change, time required and cost impact across the industry was not well understood.
- 6.1.5 These lessons need to be considered if another programme of major reform is to be warranted.
- 6.1.6 Trustpower also expects that a number of industry participants have entered into bespoke contracts with MEPs to enable them to meet the new Part 10 requirements.
- 6.1.7 It is important that the costs and risks of change to these contracts are taken into account in the Authority’s analysis if we are now to move to a rulebook which mandates a different set of retail requirements.

7 Perception of data access issue

- 7.1.1 A particular focus in the Consultation Paper appears to be a *perceived barrier* provided by Privacy Act compliance timeframes, which the Authority *speculates* could be used to impede the timely transfer of data by responsible retailers to an alternative service provider.
- 7.1.2 There are competing consumer interests in play here:
- a) the need for retailers to satisfy themselves their consumers have consented to their private data being accessed by a potential service provider; versus
 - b) the benefit to potential service providers of having speedy and low-cost access to consumer data to grow their businesses.
- 7.1.3 The Consultation Paper does not discuss recent case law which places a responsibility on the entity which holds private information to satisfy themselves as to the permissibility of release.

- 7.1.4 Instead, the Authority seems to be strongly influenced by emhTrade Limited's submission that *"the lowest cost way to obtain consumption data from potential customers is to become a retailer and acquire those customers"*². We note that no evidence is presented by emhTrade Limited to support this statement.
- 7.1.5 Of particular concern is the fact that the Authority does not present any factual information about the actual time taken by retailers to meet Privacy Act compliance requirements and/or explain why those timeframes are adversely affecting competition.
- 7.1.6 This is despite that fact that it collects from retailers information about data requests. It is our understanding that this data shows there is no pattern of strategic delays.
- 7.1.7 This shows the risks of consulting on significant change proposals on the basis of incentives analysis unsupported by empirical work.
- 7.1.8 We would like to have seen a more balanced discussion of these matters in the Consultation Paper.

8 Scale of benefits

- 8.1.1 We also note that there is very little discussion in the Consultation Paper about the scale of the benefits which are expected to accrue from a multiple-retailer ICP environment and, importantly, to whom and when these benefits are expected to accrue.
- 8.1.2 This will be an important part of the benefits analysis for reform, as we presume the Authority will not want to mandate major reforms to the market design – at significant cost – if only a small percentage of customers actually took up the opportunity to have multiple trading relationships in the short-medium term?
- 8.1.3 If the Authority had scoped out the scenarios it is concerned with we would have found it easier to identify some "no regret changes" that could be made now, and also been able to share our views on the priorities.

9 Consumer preferences

- 9.1.1 Looking forward,
 - a) It is expected that while some customers will have the means and desire to become prosumers, competing with traditional retailers, others will look to existing industry participants to use new and existing technologies to lower the costs of, or extend the range of services, offered.
 - b) It is likely that some consumers will be happy to trade data in return for lower-cost services, whereas other will value their privacy more.
- 9.1.2 It is not yet clear to us how regulators will be able to understand and keep pace with these different preferences amongst consumers, and over time as preferences change.
- 9.1.3 In these circumstances we think there is merit in the Authority monitoring market conditions and only making incremental change when there is strong evidence of a harmful barrier rather than endeavouring to lead the market in a particular direction at a time of considerable uncertainty.

² emhTrade submission to the Authority, 10 July 2017, page 5. Available online at <https://www.ea.govt.nz/dmsdocument/22327>

10 Impact of Electricity Pricing Review

- 10.1.1 One thing we would be keen to understand when the Authority responds to submissions is how the Authority sees this workstream fitting in with the government's Electricity Pricing Review.
- 10.1.2 The Electricity Pricing Review is tasked with examining whether the price paid by end consumers for electricity is *fair and equitable*, considering both geographical and regional as well as customer segmentation differences.
- 10.1.3 This will include consideration of the existence of, or potential for, factors that may form a *barrier to entry or limit competition* across the supply chain and the existence of, or potential for *informational asymmetries* and *the effectiveness of current regulatory structures*.
- 10.1.4 In this context we would encourage the Authority to:
 - a) focus on initiatives which would lower rather than raise the cost to serve;
 - b) be conservative in its assessment of the value of early change for very uncertain future benefits;
 - c) be mindful of the burden regulatory processes place on industry participants and of the end-to-end costs of rulebook changes; and
 - d) defer any work which might duplicate or be overtaken by recommendations of the Electricity Pricing Review.

11 Concluding remarks

- 11.1.1 The motivation for this paper seems to be a desire to change the rule book so no innovation is lost as a result of the rules, rather than a balanced assessment of where consumer interests might lie.
- 11.1.2 We think of this as the regulator "leading" the market, rather than responding to market failures as they arise.
- 11.1.3 The risk is that the resulting regulatory uncertainty stifles innovation from those who already have expertise and experience with the current rules and have developed or are in the process of developing innovative products to supply customer preferences under the existing regulatory framework.
- 11.1.4 A cautious and balanced approach is required.

If you have any questions relating to the material in this submission, please contact me on 07 572 9888.

Regards,



ANNABEL DAVIES
RISK, REGULATORY, & STAKEHOLDER MANAGER

Appendix A

Aspects of the switching and disconnection processes that would require further consideration in a multiple-trader environment

Disaster management

MEP switching – It is conceivable that there could be multiple MEPs at one ICP, for example one MEP for Hot Water and another for main supply.

Timeframes for the switch process – Both the timeframe for the overall switch process and the individual parts will require consideration. To enable multiple retailers the length of the duration of a switch is likely to need to increase to allow all participants equal time to complete the necessary actions for their part of the overall switching process.

Visibility of vulnerable and medically-dependent customers on the registry - Currently at ICP level there is some visibility of these customers, however this may need to be at a meter level if one ICP has multiple retailers associated with it.

Visibility of customer disconnection reason - With multiple retailers at an ICP, transparency of the reasons for disconnection by one retailer will be required, along with the broader consideration of how the disconnection and reconnection processes would work in practice, i.e. would it be possible to disconnect one aspect of supply to a customer (hot water) but not the other (main supply)? Similarly the credit processes may need to be adjusted to account for multiple retailers.

Hierarchy of trader participants – With multiple retailers potentially supplying an ICP, consideration will need to be given to the order in which switching occurs. For example which retailer would go first in completing the relevant action, or they could be combined to occur on the same date for both traders. Likewise consideration of the hierarchy for deciding when a disconnection/reconnection can occur will be required.

Management of different event dates across multiple metering points/registers for reconciliation – It is conceivable that an ICP could have multiple MEPs which would then mean that there would be potential multiple event dates which would add to the complexity of compliance requirements, billing and switching.

Compliance and audit requirements – There will need clear delineations around which participants are responsible for which aspects of supplying a customer and that all parts of process work logically together. We suggest that the end-to-end process would need to be mapped to ensure a logical flow and that all participants are fully aware of their compliance obligations. The changes to enable multiple-trading relationships are major from a compliance and audit perspective and so it would be appropriate for the Authority to consider a compliance amnesty for a period. Following any amnesty, equal emphasis on compliance at all aspects of the end-to-end process will be required. We suggest an industry working group should be established to provide advice in the lead up to the commencement of such major changes to the overall market design.

Alignment of registers between participants – With multiple retailers the question of how to reconcile the data will need consideration. For example if two retailers supply an ICP, one for export and one for import, the data will need to be reconciled in some way to ensure customers are not over or under charged.

Withdrawal process – With multiple retailers the timeframe for withdrawing a switch may need to be lengthened due to multiple participants being involved in the process. For example a number of parties might need to be notified if a switch is withdrawn.

Start read amendments – Consideration will need to be given around how to manage multiple sources of start read amendments between traders.

Switch details required down to meter serial and register level – The register UI would need to record and display switch details down to the meter serial and register level.

Data quality – There should be a continual focus on data cleansing and ensuring the registry reflects what is onsite, with respect to the address right through to meter asset details.

Disconnection for non-payment – Consideration needs to be given to how this would work for multiple traders and ultimately who is responsible. Note that this overlaps with consideration of the visibility of customer disconnection process.

Ownership and responsibility – Really clear rules around ownership and responsibility of ICP and meters will be required.

ICP Status – Details of ICP status would need to be provided at a register level, not an ICP level, and would need to be available in real time.

Outages – Consideration of the processes for managing planned and unplanned power outages will be required. This is particularly relevant for medically-dependent customers.

Meter changes or reprogramming – Consideration of the timeframes, event dates and compliance requirements will be required.

Decommissioning processes and meter recovery – These process will need consideration.

ICP ownership – Consideration will need to be given to who exactly owns an ICP and is ultimately responsible for that ICP. For example MEP rules for changing out a meter may need to be reviewed.