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Submissions
Electricity Authority
PO Box 10041
WELLINGTON 6143

Email: submissions@ea.govt.nz

UNISON SUBMISSION – MULTIPLE TRADING RELATIONSHIPS CONSULTATION PAPER

Introduction

Unison welcomes the opportunity to provide a submission to the Electricity Authority (the Authority) on the consultation paper, *Multiple Trading Relationships*. Unison has refrained from responding directly to the Authority's questions as we believe there needs to be further consideration of the actual problem and potential solutions before assessing the constraints, costs and obligations should MTRs be introduced. Unison has also contributed to and supports the Electricity Networks Association (ENA's) submission.

The Authority defines the problem and the purpose of the paper in the following way:

*Current market rules, systems and processes were not designed for consumers to use multiple electricity services at the same time at the same location. We are concerned that they prevent or constrain new ways of doing business from operating efficiently. If this is the case, it would unnecessarily limit choice and consumers' ability to use multiple electricity services at the same time, at one location. We define this as a consumer establishing multiple trading relationships. **The purpose of this project is to identify whether barriers exist that inefficiently limit a consumer's ability to consume electricity or electricity services provided by more than one party at the same time, at the same location** (page iii of the consultation paper)*

The Authority proposes that two key barriers exist to allowing MTR's – (a) current industry rules (Code – limited to one retailer); and (b) electricity service providers face barriers to obtaining the data to provide the service the consumer has chosen (e.g. meter data is channelled via the consumer's retailer).

Unison's Submission

Unison considers that in the absence of transaction and administration costs, multiple trading relationships have the potential to increase competition and reliability in the market. However, we are highly concerned that introducing MTRs into the market at this stage would create additional complexities and costs for distributors and retailers, that would substantially exceed any benefits. Specifically, Unison submits that the Authority should fully explore the following points before making any decision about implementing MTRs:

(a) Problem definition

Unison observes that electric vehicles (EVs) represent the most significant change in how consumers in New Zealand will use energy representing both a significant increase in individual and system level consumption, but also making energy consumption “mobile”. If the Authority seeks to ensure market rules, systems, and processes keep pace with changing consumer needs for choice about how they purchase, sell, store and use energy and with whom they contract with for these services/transactions, then it must also consider the implications of mobile energy consumers, storers and sellers. While Unison is not advocating the development of a mobile, subscriber-based electricity market at this point in time (given EVs are still in the early stages of adoption), we think that overlooking these aspects highlights that further consideration is required to define the actual problem.

(b) Costs and benefits

Unison submits that the Authority has understated the costs and overstated the potential benefits of MTRs. Regarding the costs, these are likely to be significant to redesign retailer systems and the Registry. In addition to system changes, there are other costs (e.g. multiple ICPs requiring multiple meters, Code amendments and other IT costs) that need exploration. Unison also considers that the initial take-up of MTRs is likely to be very low, should this be implemented at this stage (this is expanded further in (b) below). With low take-up, the costs will be paid for by the rest of the industry, resulting in the potential for high cost cross-subsidisation for MTRs.

As noted above, Unison believes that MTRs are likely to be of interest for a small number of consumers, at least initially. The Authority therefore needs to be realistic about the benefits of this proposal. It is also unclear why separation of electricity sales for different activities would lead to better competitive outcomes? Additionally, it is not clear that allowing for multiple retailers at an ICP is required to achieve particular benefits. For example, a provider of home energy management services can work behind the meter to optimise use / storage / generation without the requirement to be a trader at the ICP. We think the Authority needs to look more closely at different market models for the provision of services to consumers, beyond the simple conception of multiple trading relationships. That said, key to any new service activity is access to metering data to enable providers to assist consumers, which we comment further on below.

(c) What do consumers want?

Consumer research regarding electricity pricing highlights that consumers prefer simplicity and convenience, rather than complex pricing arrangements¹. The example that the Authority sets out in Paragraph 5.39(a) is overly complex, involving three retailers. Separation to this extent seems to go against the current industry trend to bundle services (e.g. telecommunications, electricity, gas, LPG etc). Unison envisages that most consumers would not likely want to add complexity to their electricity buying arrangements. Therefore, the take-up of MTRs is likely to be only with a very small number of consumers.

¹ Commonwealth Scientific and Industrial Research Organisation: <http://www.csiro.au/en>

(d) Access to information is key

Unison considers that the key issue in this paper is consumer access to data to manage electricity use, storage and generation. For some consumers, having real-time data would assist them to optimise their electricity bills (e.g. ideal times to charge EVs, use of batteries at peak periods etc). Currently, retailers are limited and not incentivised to provide consumers with this information in its completeness and in a timely manner. Unison submits that the Authority could consider enabling MEPs to share this information directly with consumers. If the consumption data was unbundled from retailers, consumers could acquire data directly from the source (MEPs), provided they gave their authorisation to the relevant MEP.

(e) Distributor pricing review and Government Review may change the landscape

Unison submits that network (distribution) pricing reform is a critical enabler of mass-participation. Having a clear approach for distributors will provide a value proposition for other market participants to develop product offerings. This should be the industry's primary focus, prior to implementing further alternative arrangements such as MTRs.

For any questions relating to this submission, please contact Roanna Vining, Senior Regulatory Affairs Advisor, by phone (06) 873 9329 or email Roanna.Vining@unison.co.nz.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nathan Strong'.

Nathan Strong

GENERAL MANAGER, BUSINESS ASSURANCE