Electricity Authority
via email
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29 July 2025

Consultation paper – Evolving multiple retailing and switching

Thank you for the opportunity to submit on the "Evolving multiple retailing and switching" consultation paper (Consultation).

Mercury's answers to the Consultation questions are attached at the Appendix to this letter.

You will see from our responses that we would like to work with the Authority to develop a greater understanding of the consumer need being addressed and greater evidence of the anticipated risks and benefits of multiple trading relationships (MTR) before any decision is made on any potential solution, a Code amendment or implementation.

In our view there is a risk that we pursue fundamental change that only benefits a small subset of consumers and yet will drive greater costs into the system. To ensure we deliver the best outcomes for all consumers, understanding the benefits across a range of consumer types (personas) will be important. This requires comprehensive research to help determine the customer appetite for, and uptake of, MTR. To date only discrete use cases and limited trials have been explored and it is vital that we better understand the implications for all consumers of MTR. This should include further exploring what information is required to support informed consumer choice under MTR, while also ensuring that they indeed benefit from having multiple traders. For example, a consumer who gets a better tariff offer from a trader for their solar export may find that their standard supply arrangement then changes from their existing trader to reflect their different profile. Ensuring they have sufficient information to make an informed decision around these arrangements, particularly if they may indeed cost them more overall, will be critical.

We strongly support the evolution of a smarter more flexible electricity system but to achieve the savings identified by the Boston Consulting Group in 2022[1], and to ensure that electricity is affordable for all consumers, we must focus on solving clearly defined problems with least cost initiatives. Further research and a cost benefit analysis will confirm whether MTR will unlock the greatest value for consumers.

We look forward to collaborating with the Authority to develop opportunities for further investigation of the issue.

Yours sincerely

Jo Christie
Regulatory Strategist

[1] the-future-is-electric-full-report-october-2022.pdf, at page 181 the Boston Consulting Group identified that under their preferred pathway, a smarter, more flexible electricity system will save ~$10 billion on an NPV basis to 2050.

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Appendix: Mercury submission

Question	Comments
Questions on the Authority's vision	
Q1. (Paragraph 2.20) Do you agree with the Authority's vision for consumer mobility? If not, what would you change and why?	Mercury agrees in principle that greater mobility can empower consumers however we have not seen evidence to enable us to agree or disagree with the proposed approach and anticipated benefits of the Authority's vision. We support the Authority undertaking further work to establish that there are benefits of consumer mobility to the overall system. For example: • A solar only customer (with no battery) selling export to a different trader as envisioned in the current proposal does not change the physical system i.e. there is no direct benefit to generation or the network. In this case, enabling multiple trading relationships (MTR) would add retail cost (administration, sales, and marketing) resulting in a more expensive system overall for which the consumer ends up paying. • If, however, the customer has a battery, the generation/export trader could operate the battery at various times creating more benefit to the physical system. The business case in this example rests on the generation/export trader creating sufficiently more physical value than the trader to cover the additional retail costs. A cost benefit analysis is required to ensure that the investment to enable multiple trading relationships (MTR) will deliver a net benefit to consumers. The Authority has concluded that "the benefits of the proposed Code amendments are **expected** to outweigh the costs"[2]. It would be helpful to understand how the Authority has reached this conclusion. A regulatory sandbox[3], would provide the Authority, innovators, and participants a safe space to evaluate proposed Code changes whilst gathering evidence for cost benefit analyses and consumer appeal. The Authority's Innovation Pathway is an ideal platform from which to develop a sandbox. The Innovation Pathway already offers a mechanism for providing innovators with regulatory support, including access to the Code exemptions process. We understand however that obtaining regulatory exemptions remains a time-consuming and resource-intensive process for both the Authority and trial participants.[4] Now could be an opportune time to create a safe environment for testing new policy and regulatory innovations with real households. This would help the Authority to understand whether MTR will produce intended outcomes for consumers and quantify the costs and benefits of the proposal.

[2] Evolving multiple retailing and switching page 63

[3] Examples include:

- The Financial Markets Authority recently established a regulatory sandbox to gain greater insights into the benefits and risks of financial innovation and new technologies – see Outcomes-focused regulation March 2025.
- Energy Systems Catapult in the UK have established Whole Energy Systems Accelerator (WESA), a "world-first energy innovation test environment that transports real households into future energy systems…[and] enables interactions between homes, energy networks, and market policy frameworks to be tested in real-time, assessing impact across the whole system"

[4] Are_Ake_-_Decentralisation_green_paper_submission_91AyIxd.pdf

Q2. (2.20) Do you have any comments regarding future stages of multiple trading, whether the proposal provides optionality for the potential future stages, and the options the Authority should consider?	We do not think that the current proposal provides sufficient optionality for potential future stages of multiple trading. Future optionality depends on regulatory settings that unlock opportunities for diverse types of innovation. In the current proposal, the changes to settings are focused on enabling MTR alone without contemplating other options to support consumer mobility. Without evidence that MTR is what consumers want or that it can be commercialised, we believe that the current proposal will restrict and/or complicate future optionality.
Questions on Multiple trading	
Q3. (3.26) Do you agree with the proposed solutions? If not, what would you change and why?	We do not agree with the proposed solutions. In our view, all options are unnecessarily complex. They involve continually changing the tradable unit i.e. the ICP, meter register, meter channel etc. This makes static, easy to manage data, dynamic and complex. Creating and destroying the tradeable MTR "unit" does not solve any of the underlying complexities. Subject to further testing and compelling cost benefit analysis, we would recommend the Authority consider the following changes to create an alternative "Option 4": • Issue a permanent identifier for every tradable unit (e.g. a new identifier for combined import registers for each ICP and a new identifier for combined export registers for each ICP). These identifiers remain static. • Create a grouping to represent those tradeable units with a common isolation point to aid administration (e.g. trade grouped import registers and/or export registers). This would mean you would no longer switch the ICP, you would simply switch the tradeable units. Even with the simplification suggested in our "Option 4", there are still numerous problems to solve. These problems exist in all options 1, 2 and 3, and we believe are inherent in MTR: 1. Rights and process to disconnect as there is not a single disconnection point for each tradable unit. Traders need this for vacant units as they are liable to pay for any energy consumed. This is the process that ensures coverage (all active connections have a trader) as traders work to discover new customers in vacant sites and disconnect when needed. 2. Use of a meter shared across traders needs to be resolved (cost, field work coordination etc). 3. Ensuring costs are suitably assigned to each tradable unit and the customer is not disadvantaged. By leaving the tradable units static this is much easier to manage and keep fair (it does not change based on customer MTR choices) 4. The actions of one trader managing appliances can impact the cost to another trader (assuming import / export split). For example, a generation trader may be able to take advantage of high peak energy prices and recharge during high network price periods which

	are paid for by the consumption Trader. This will be reflected in customer prices. We disagree with the Authority at paragraph 3.47(a) that Option 1 mitigates all the identified risks and complexities. Our reasons for this are as follows: • 3.14c(iv) does not cover the rights of the trader to charge the customer for an activity that is incurring a cost. How is the customer informed of the full cost of the change prior to commencement? It would be reasonable for the trader to charge the generation trader a fee to create a quote (this activity is for the benefit of the generation trader and incurs cost on the trader). • 3.14(viii) is problematic as not every retailer pays the same price to every metering equipment provider (MEP) and terms vary. Pricing is commercially sensitive and could be exposed through this sort of process. Who negotiates the generation trader's share / contract with whom? MEP – trader – generation trader? We have also identified missing disadvantages for Option 1 as follows: • Option 1 does not resolve the scenario where a customer moves in, no switching is required as the ICP is already with the retailer, and the MTR channel is missed; • Option 1 does not resolve the scenario where a customer cancels supply with one Trader and not the other. No switching is required, and the MTR channel is missed; • Option 1 involves a huge administrative burden with any change to channel traders needing to be updated by MEPs, distributors, and traders (this disadvantage applies to every option); • Effective replacement of an extensive list of continually changing ICPs with harder to track "decommissioned channels" that might be recommissioned for a subsequent contract or customer. As illustrated above, we do not believe any of the current options solve the inherent challenges of MTR. We urge the Authority to take the time to fully test and consider the impacts and best approach before determining the direction of travel.
Q4. (3.26) Do you agree with the benefits anticipated from the proposed solutions? Are there other benefits you can anticipate or improvements to operational effectiveness and efficiency? Can you quantify these benefits?	Mercury does not consider sufficient evidence of the consumer desirability or benefits anticipated from the proposed solution has been presented to date. This needs to be explored before proceeding, preferably via further research. As we have already mentioned in our responses to questions 1, 2 and 3 above in our view: • There are risks/costs associated with proceeding with MTR that need to be better understood by undertaking a comprehensive CBA; • The current proposal may limit future optionality for innovation; • Neither the preferred Option 1 nor options 2 or 3 or our suggested "option 4" mitigate the issues that could arise from multiple traders supplying services to a property. Further, other system improvements are necessary prior to introducing the proposed solutions to realise the anticipated benefits. As an example, the

	current registry system was designed as a non-half hour (HHR) platform, to accommodate more complexity the base design of this system and Participants' connecting systems should be first improved. Last year the Australian Energy Market Commission (AEMC), as part of wider rule changes to unlock the value of consumer energy resources (CER)[5], determined not to progress the option of enabling multiple Financially Responsible Market Participants (FRMPs)/retailers for small customers. They decided that other reforms such as "Empowering consumers with real-time data" need to be progressed before multiple FRMP trials can be considered.[6] We recommend the Authority consider this more holistic approach, prioritising changes that will unlock system-wide benefits rather than ones that may accrue to only a small percentage of consumers.
Q5. (3.26) Do you anticipate the proposed solutions will introduce cost into your organisation, and if so, can you quantify this cost and/or provide a high-level description of the changes that need to be made?	Yes, we anticipate the proposed solutions will introduce cost into our organisation. Since the creation of the market the ICP has been the unit switched and traded. All of Mercury's systems, processes, and contracts work on this inherent assumption. Changes to the ICP equate to changes to the foundations of retail capability. Such a monumental architectural shift requires a review of all retail processes, with redesign of many. Without a proper understanding of the scope of the work it is hard to make a realistic estimate. As the scope goes beyond registry changes and will impact our core switching, data, and billing systems, it is possible that costs for Mercury will be in seven figures. We conservatively estimate that for each participant impacted by the proposed changes the average cost to implement might be $500k. If we multiply this by circa 75 market participants (every network company, metering equipment provider and retailer) and add the Authority's projected $700k that is a total of ~$38 million direct spend.
Q6. (3.47) Do you agree options 2 and 3 are not preferred? If not, evolving multiple retailing and switching why not and how would you overcome the disadvantages?	Yes, please see our response to question 3 above.
Q7. (3.47) Do you agree that option 1 is the preferred option over options 2 and 3 and the reasons for preferring option 1? If not, why not?	No, please see our response to question 3 above.
Questions on trader switching	
Q8. (4.55(q)) Should the provision of the average daily consumption remain mandatory, or should it be optional? If optional, please explain why?	Yes, the provision of the average daily consumption should remain mandatory. Further, average daily consumption should be at channel level to enable the attaining retailer to bill and reconcile more accurately (especially with TOU offerings for residential customers being introduced in the market).
Q9. (4.55(q)) Do you agree with the proposal to align timeframes to	We agree in principle, but the overall timeframe of the switch is more important than the individual steps such as either NT or AN notification.

[5] Unlocking CER Benefits rule change
[6] Ibid at summary page v

a maximum of two business days for NT and AN notifications, and to reduce timeframes for the CS file?	
Q10. (4.55(q)) Do you agree with the proposed solutions? If not, what would you change and why?	We are concerned that the proposed solutions will not address all the issues required to achieve the benefits listed. We believe there are other system improvements that will be necessary prior to successfully introducing the proposed solutions, such as, addressing system limitations due to the current design as a non HHR platform. The danger is that we introduce complexity to industry systems that were not designed to accommodate the innovation we all would like to achieve. We would like to fully assess the proposed solutions prior to their implementation.
Q11. (4.55(q)) Do you agree with the benefits anticipated from the proposed solutions? Are there other benefits you can anticipate or improvements to operational effectiveness and efficiency? Can you quantify these benefits?	We do not agree that the proposed solutions will deliver the anticipated benefits. System and process change require validation plus a clear demonstration of the value add before we can agree that the benefits will be achieved.
Q12. (4.55(q)) Do you anticipate the proposed solutions will introduce cost into your organisation, and if so, can you quantify this cost and/or provide a high-level description of the changes that need to be made?	Yes, although without a system design, we cannot accurately quantify costs. Given the extent of what is being proposed and our experience, we estimated the introduction of the proposed solutions will cost in the region of $2 million.
Questions on MEP switching	
Q13. (5.34) Are there any other files that should be added to this list?	We do not believe the files proposed will address the underlying limitations within the current non HHR eco system logic.
Q14. (5.38) Do you agree with the proposed solutions? If not, what would you change and why?	No, the proposed solutions are targeted at a specific area of the overall eco system but will have a substantial impact across industry processes and systems. The proposed solutions require big industry change to systems and processes thus require robust testing prior to implementation.
Q15. (5.38) Do you agree with the benefits anticipated from the proposed solutions? Are there other benefits you can anticipate or improvements to operational effectiveness and efficiency? Can you quantify these benefits?	We do not envisage that the proposed solutions will deliver the anticipated benefits. Please see above at question 11.
Q16. (5.38) Do you anticipate the proposed solutions will introduce cost into your organisation, and if so, can you quantify this cost and/or provide a high -level description of the changes that need to be made?	Yes. Please see our response to question 12 above.

Questions on distributor switching	
Q17. (6.13) Do you agree with the proposed solutions? If not, what would you change and why?	We support the proposed solutions.
Q18. (6.13) Do you agree with the benefits anticipated from the proposed solutions? Are there other benefits you can anticipate or improvements to operational effectiveness and efficiency? Can you quantify these benefits?	The benefits seem sensible but in the context that Distributor switching is uncommon in the overall registry activity.
Q19. (6.13) Do you anticipate the proposed solutions will introduce cost into your organisation, and if so, can you quantify this cost and/or provide a high -level description of the changes that need to be made ?	Distributor switching, especially if at scale, does introduce cost into our organisation, primarily due to pricing adjustments, related customer communications, line charge reconciliations and other reporting adjustments. The proposed solutions may help with reducing switch exceptions but will not reduce the flow on process costs (although in this case the proposed solutions do not introduce significant additional cost).
Questions on implementation	
Q20. (7.4) Would you prefer a single implementation or a staged implementation? Please give reasons for your preference	Mercury recommends the Authority undertake further research and consideration of suitable designs following that research before considering any type of implementation. Also, without a full system-design for all market participants and further trials it is too early to comment on implementation. We request that this be addressed once research is completed and system design agreed.
Q21 (7.4) Do you agree with the suggested implementation timeframes? If not, please state your preferred timeframes and give reasons for your preference	See above.
Questions on the regulatory statement	
Q22. (8.6) Do you agree with the objectives of the proposed MTR amendment s? If not, why not?	We disagree with the objectives of the proposed amendments to enable MTR. As previously discussed in this submission, we believe that the Authority needs to further explore whether enabling MTR will best achieve the statutory objective, before regulating for its implementation. If the Authority conducts further MTR research and gathers evidence to support anticipated benefits, then the objectives at paragraphs 8.2-8.6 would be valid. At present however the objectives are based on assumptions, the most obvious being that MTR is the thing that will unlock the greatest value for consumers and innovators. There is currently no evidence to support this. We support the Authority conducting further MTR research and pilots via a regulatory sandbox to gather the necessary evidence to support its objectives before deciding on the future of MTR.

Q23 (8.11) Do you agree with the objectives of the proposed amendments to the switching process? If not, why not?	We do not agree in with the objectives of the proposed amendments to the switching process. Whilst in principle the objectives are desirable, in our view there are other initiatives that the Authority should be addressing ahead of this. For example, the Authority should address system limitations due to the current design as a non HHR platform before introducing complexity to industry systems that were not designed to accommodate the innovation we would all like to achieve. Further, we do not agree that MTR should be implemented until there has been further testing and evidence gathering and therefore it would not make sense to require changes to switching processes that lay the foundations for MTR before such evidence is available.
Q24 (8.17(q)) Do you agree the benefits of the proposed amendment outweigh its costs?	No detailed cost benefit analysis has been provided so it is not possible to agree that the benefits of the proposed amendments outweigh its costs. The Authority lists 'expected' benefits at 8.17 however there is no evidence provided to support the claims. Take for example, the assumption at 8.17(b) that MTR will bring increased value to consumers for their distributed generation. We do not know what the value of distributed generation is to consumers yet. There has only been one small MTR trial (that we are aware of) to date in New Zealand and it is unclear whether any commercial value has been unlocked[7]. The Australian Energy Market Commission (AEMC) in 2016 determined against a rule change to enable multiple trading relationships[8] on the basis that: • *"Implementing the proposed framework may deliver some cost savings to a small number of customers who seek to set up very specific MTR arrangements. However, it is unlikely to deliver cost savings to most customers seeking to engage with multiple retailers. It is therefore unlikely to materially reduce costs for customers generally, and so unlikely to drive demand for new energy service providers or stimulate service innovation and competition in the retail electricity market.* • *Implementation of the proposed framework would require retailers and distributors to modify a number of IT systems and operational processes. These changes are significant, and the implementation costs would be passed on to all customers through increased electricity prices. As a result, while only a small subset of customers may receive a direct benefit from the changes, all other electricity customers would likely face increased retail electricity prices."*[9]

[7] The Wellington Multiple Trading Relationships Trial Report #2 for the period from 1 July 2024 to 31 December 2024 shows revenue significantly below forecast.
[8] Multiple-Trading-Relationships-Final-Rule-Determination.pdf
[9] Ibid at summary page ii

	We are not convinced that the situation is any different in New Zealand today and believe that the Authority needs to further explore this via further research.
Q25. (8.21) Do have any comments on the preferred and alternative options discussed in the 2019 Issues paper?	No comment.
Q26. (8.22(d)) Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010.	No we do not agree that the proposed amendment Option 1 is preferable to the other options 2 and 3. We have set out our reasons for this in detail at question 3 above but in summary, all are unnecessarily complicated and MTR requires further consideration before any decisions are made on a solution or implementation. In terms of the Authority's statutory objective, we believe that the current proposal is unlikely to promote: • competition in the electricity industry for the long-term benefit of consumers because there is no evidence that MTR yet has sufficient consumer appeal or commercial value; and • the efficient operation of the electricity industry for the long-term benefit of consumers because the proposal will introduce enormous cost that would be passed on to consumers with no evidence of benefits to justify that cost.
Q27. (8.25) Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?	No comment.
Question on Code drafting	
Q28. (Appendix A) Do you have any comments on the drafting of the proposed amendment?	No comment.