

Appendix B Submission form

Evolving multiple trading relationships and switching – supplementary consultation

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Questions	Comments
General comments	<p>Our primary concern is whether the EA has thoroughly considered the risk management, operational and pricing implications of MTR. When MTR trials have come up, we've suggested that the risk management aspect needs more attention and exploration of how it will work in practice.</p> <p>Many of the benefits presented in the CBA rest on the idea that there will be additional benefit from separation of export and import elements. However, as soon as you start separating import and export you introduce risk into the profile of that customer that will ultimately end up getting priced, thereby reducing the level of benefits that can be achieved from MTR.</p> <p>If you have a customer choosing MTR with solar and battery driving export, but import with another retailer, that retailer will be exposed to unpredictability as to when that customer will be charging their battery, in addition to the normal volatility on the solar. Taking this into account, the customer may be charged more overall for splitting the services.</p> <p>Solar/battery export offers currently offer significant value for export with both peak/off peak and flat export offers available, and it is unclear where additional value will be derived from. Retailers are unlikely to value the export above their view of the forward market value, and many of the in-market offers already exceed this. The Authority needs to identify explicitly how value beyond what is currently available will be realised.</p> <p>We believe there are other projects that the EA has in progress which will deliver greater benefits and should be focussed on first, with MTR sitting well down the pecking order. Our concern is that the benefits of this proposal are overstated, and it is a small cohort of customers that would potentially benefit. If this does progress, we do not think the stated pricing benefits to consumers with solar will be realised.</p> <p>We do agree that solar and battery penetration is growing, but we are not convinced that MTRs will further accelerate uptake.</p>
Q1. Do you have any comments on our revised proposal for MTRs?	<p>We think it would be better to not progress the MTR aspect now. The problem statement is not clear, and we do not believe that this proposal is the best way to address the EA's objectives.</p> <p>In terms of consumer benefits, MTR is likely to benefit only a small cohort of consumers with distributed generation. Those customers who have battery systems can switch and take advantage of higher peak export rates already - and they do.</p>

	<p>The MTR trials so far have demonstrated the relatively simple parts of the MTR proposition; namely how value can be transferred across sites or consumers. The operational and system implications, in particular how MTR impacts settlement, prudential requirements and competitive dynamics, have not been tested through trials.</p> <p>We would prefer that the EA thinks about ways to further test MTR to flush out the indirect and unintended consequences before enacting code changes.</p> <p>The operational implications across pricing, settlement and reconciliation are significant.</p> <p>We also believe that the EA would be better to prioritise other initiatives that will deliver greater consumer benefits.</p>
<p>Q2. Is there further information you can provide that may improve the evidence base for our assessment of (a) costs and/or (b) benefits?</p>	<p>Our view is that solar exports are currently priced competitively, and there is little consumer benefit at stake from splitting import and export. Our own analysis suggests that consumers are currently paid 'over the odds' for their export. For example - we have paid 17c for anytime export, the time weighted value of this in the market would be less. We expect export rates to shift and have a more significant intraday time differential in the future.</p> <p>Most of the benefit to consumers from investing in solar is in their self-consumption. Currently the benefits from export are significant and consumers do switch retailers to get these. However we're not convinced that a significant number of consumers will want two retailers or that such high export rates would be maintained in an MTR market. Both of these factors suggest that the consumer benefits from MTR may be overstated.</p> <p>We would suggest that the EA pause development of MTR to consider the likely market dynamics. This would entail an analysis of current import and export rates, assessed against wholesale market rates, to determine the level of competitiveness and therefore the potential consumer value from MTR.</p>
<p>Q3. Do you agree the benefits of the proposed Code amendments are likely to outweigh the costs? If not, please explain why not.</p>	<p>No, we do not agree that the benefits are likely to outweigh the costs.</p> <p>We think the MTR changes are of limited value to consumers. Without the cross-subsidisation of import and export, and without visibility of how the other retailer on the meter may incentivise a different consumption profile, retailers have additional risks to manage. They would likely change their pricing structures accordingly and therefore reduce the ultimate benefits that consumers would see.</p> <p>We are not convinced that MTR will drive an increase in distributed generation uptake. It will only do so if it delivers more value, it's not clear where additional value will come from, consumers are already getting highly competitive buy back rates. The most significant benefit and fastest ROI comes from self-consumption, not export. Oversizing solar is likely to have diminishing returns as there is increased penetration and wholesale prices during sunshine hours fall.</p> <p>The costs to retailers are also underestimated. Operational process adaption and costs – such as managing the impacts on settlement and prudential requirements - will be significant. The system costs are not scalable; they will have to be borne by retailers once MTR is enacted, regardless of the level of MTR uptake. There appears to be a lack of consideration around how industry processes will need to adapt to facilitate MTR.</p>