

Multiple Trading Relationships

Frequently Asked Questions for Participants



Ara Ake is pleased to coordinate the Multiple Trading Relationships (MTR) pilot and provide answers to frequently asked questions for participants.

1. Are there any processes/plans in place to monitor the performance of the suppliers to ensure that they are complying with the Code and the Privacy Act? Will the suppliers be audited independently during the pilot run?

The pilot will not duplicate existing mechanisms for ensuring compliance with legislative and regulatory requirements.

The [MTR Pilot Participation Agreement](#) (clause 8) includes that “Your participation in the Pilot does not exempt you (or any other Participant) from your obligations under the Code, Electricity Industry Act 2010, Privacy Act 2020 or any other relevant legislation or law, to the extent you have any such obligations.”

Information and data will be collected from pilot participants to assist in identifying and mitigating harms to consumers and participants through the operation of the pilot. Traders and suppliers will be expected to collect and report monthly on customer feedback and complaints. The allocation agent and connection agent will be expected to provide anonymized monthly reports on pilot operation.

Ara Ake and the pilot advisory group will use this information to monitor progress, identify and respond to systemic issues throughout the pilot.

2. Are suppliers allowed to offer services to the reserves markets or are they restricted from doing so during the pilot?

The pilot terms and conditions and operational requirements place no restrictions on how traders and suppliers use the electricity services transacted as part of the pilot. Therefore, there is no restriction on suppliers offering services to the reserves market.

3. Will the suppliers hold separate contracts with the MEP’s and get their portion of consumption sent to them from the MEP directly?

The operational requirements specify that a trader and the supplier(s) to a customer in the pilot must collect half-hourly volume data for each delivered service for the customer for reconciliation, settlement, and reporting purposes.

The supplier may contract with the metering equipment provider (MEP) for relevant metering services. The trader nominating the MEP for that location must agree to the MEP providing metering services to the supplier without imposing any conditions on that agreement, including requiring a payment from the supplier or MEP.

Alternatively, the supplier may choose to obtain volume data from a device other than the meter. The supplier must ensure the device is located to measure the relevant service, and can measure and transmit, half-hourly consumption data appropriate for reconciliation, settlement, and reporting purposes.

Refer [MTR Pilot Operational Requirements](#) section 5.3 for more detail.

4. Will the registry have a separate code to identify if an ICP is in the pilot? This will assist the retailers when a request comes through for switching.

It is not expected that the market registry will incorporate information from the pilot on it. However, the pilot will support a basic level of switching primarily to provide a safety net to manage adverse customer impacts of inadvertent trader switches.

The pilot switching arrangements provide two separate methods for identifying and responding to a customer switch.

- The losing trader must inform the connection agent as soon as possible after it receives a switch request (an NT) for an ICP participating in the trial.
- The connection agent must check switch status of participating ICPs and advise a gaining trader that an ICP is part of the pilot.

If the gaining trader is also part of the pilot, the connection agent will confirm with the gaining trader that the ICP is part of the pilot, then will confirm with the gaining trader and supplier that arrangements are in place to continue to include the ICP in the pilot. A gaining trader involved in the pilot will assume the pilot-related reconciliation and settlement responsibilities of the losing trader.

If the gaining trader is not part of the pilot, the connection agent will confirm with the losing trader whether the switch is not in error.

- If the switch is in error, the losing trader can withdraw the switch using the withdrawal process after confirming the error with the customer.
- If the switch is not in error, the losing trader must inform the customer and the supplier that the customer can no longer be part of the pilot, and the reason.

Switching of supplier during the pilot is not explicitly prohibited, however functionality to support supplier switching is not included in pilot arrangements.

Refer [MTR Pilot Operational Requirements](#) section 5.4.1.3 for more detail.

5. In the example: How and when will retailer B know that the EV used 100kWh so they don't charge the customer (as the supplier will charge for that volume)? What about any variable distribution charges?

Based on the example outlined in the MTR webinar presentation, Retailer B will receive volume information relating to the services it supplied through the process for invoicing and payment of financial obligations.

As part of that process, the allocation agent will provide the relevant service provider a tabulation of financial obligations for the specific services delivered to each ICP in the pilot in the prior month by the 10th day of the month. The tabulation would be in a form which could be used by the service providers as the basis for a pro forma invoice or tax invoice.

Based on the example in the MTR webinar presentation, Retailer B will receive sufficient information to know the EV used 100kWh in the prior month by the 10th day of the month.

The frequency of volumes submission and financial obligation reporting can be re-evaluated if most participants find it fundamental for a minimum viable product operation.

Refer [MTR Pilot Operational Requirements](#) section 5.4.2.3 for more detail on the process for calculating financial obligations relating to the wholesale market and distribution charges.

6. In scenarios where Ara Ake feels the need to change the operational requirements (which Ara Ake has reserved the right to do), or the trial is extended beyond the 18 month time frame, will participants be allowed to leave the trial at that time without repercussions?

The successful operation of the pilot relies on the collaboration between the participants, particularly between the trader and supplier for each customer.

The [MTR Pilot Participation Agreement](#) (clause 2) includes “We and you agree to cooperate and work collaboratively with each other, other Participants, the Connection Agent and the Allocation Agent to achieve the Pilot’s objectives.”

To recognise the importance of collaboration, a key requirement for joining the pilot is a commitment to participate for the initial duration of the pilot of 18 months from the start date of 4 October 2021.

However, the pilot arrangements recognise that circumstances may change and provide mechanisms for responding to changing circumstances.

Circumstances may require a change to the operational requirements, particularly to correct a systemic issue affecting pilot participants, parties outside the pilot, or consumers.

For this circumstance, the [MTR Pilot Participation Agreement](#) (clause 4) includes, “We may change the Operational Requirements at any time by publishing new Operational Requirements on our website, and will notify you if we do. We will consult with the Pilot Advisory Group before changing the Operational Requirements, unless the change is minor or corrects an error or we consider there are extenuating circumstances that require us to change the Operational Requirements urgently.”

Circumstances require an early conclusion or extension of the pilot for example, due to fundamental systemic problems (requiring early termination) or such obvious success that customers would benefit by continuing the pilot during a transition to permanent arrangements (warranting extension).

For this circumstance, the [MTR Pilot Participation Agreement](#) (clause 14) includes “If we extend the Pilot under clause 11, you may withdraw from the Pilot by notifying us of your withdrawal within 10 Business Days of our notice of extension...”

Circumstances require a participant to exit the pilot early. Early exit of a trader or a supplier would have adverse implications for other parties (i.e., trader or supplier) and the customers. The flow on effects of a participant’s early exit is the reason the [MTR Pilot Participation Agreement](#) (clause 14) includes, “You cannot otherwise withdraw from the Pilot without our prior approval, which we may provide or withhold in our sole discretion.”

The discretion provided Ara Ake to respond to changing circumstances is intended to provide flexibility to respond to the circumstances without prescribing the response to all events. Ara Ake will exercise its discretion to be consistent with the overarching commitment to cooperate and work collaboratively with each other to achieve the Pilot's objectives. Consistent with this commitment, decisions will, unless not possible for example due to some urgent circumstance, be informed by the pilot advisory group and engagement with participants.

Customers have the ability to exit the pilot at any time.

7. Has there been any long-term thinking about how this market structure might impact grid stability (e.g. DR services are normally controlled centrally to support grid stability, but this market seems independent of any central oversight)? A better way to phrase this is how does MTR function to support grid stability?

The [MTR Pilot Operational Requirements](#) section 5.2.1 expects that traders and suppliers participating in the pilot should meet relevant operating and connection standards of the networks on which they are operating (and delivering services as part of the pilot).

The potential implications – both positive and negative – on network performance of unbundling of the electricity services of a customer are to be explored as part of the pilot. Technical information to be collected during the pilot includes customer information, consumption data and power quality data, if available. Refer [MTR Pilot Operational Requirements](#) section 7.2, tables 6 and 7.

Distributors supplying distribution services to customers participating in the pilot can access pilot information, including consumption and quality of supply data if available, subject to agreeing to the pilot terms and conditions.

8. Will the suppliers have their own customer service centres where retailers can direct customer queries regarding suppliers' services?

The [MTR Pilot Participation Agreement](#) and [MTR Pilot Operational Requirements](#) do not specify any requirements regarding the operating practices of traders or suppliers participating in the pilot except to the extent these relate to giving effect to the operational requirements.

9. How many retailers have signed up?

As of 22 October 2021, eight participants that have expressed interest in being a retailer, having signed the [MTR Pilot Participation Agreement](#), with conversations ongoing with other organisations interested in participating in this role.

10. How might a solar provider participate?

A solar provider could participate as a supplier or by collaborating with a supplier or trader. Ara Ake may be able to assist connecting prospective participants.

The Sustainable Electricity Association of NZ is assisting collaboration between SEANZ members.

11. Will there be any dispute resolution process for disputes between the supplier and the retailer? This would be useful especially when the retailer decides to disconnect a property due to non-payment, but the supplier does not have any issue with the customer for their services.

The pilot arrangements do not include an explicit dispute resolution process. The preferred approach is to manage concerns consistent with the overarching commitment to cooperate and work collaboratively with each other to achieve the Pilot's objectives.

The [MTR Pilot Operational Requirements](#) are drafted to set expectations for key interactions between a trader and supplier, for example relating to the disconnection of a customer due to non-payment.

12. Will there be any scenarios where the suppliers could hold more market share of a particular ICP than the retailer?

Customers participating in the pilot may make choices which result in a supplier supplying more electricity services to the customer than the trader.

The implications of this scenario will inform conclusions regarding the prospects of commercial prospects of new business models and what additional value is available from providing households and businesses with the ability to contract with multiple electricity suppliers.

13. [The operational requirements note that] distributors will not hold any direct relationship with the suppliers, but suppliers would be trading in their network areas. Are there any plans to advise the distributors of the MTR project and what would this mean for them?

The [MTR Pilot Operational Requirements](#) section 5.2.1 expects that traders and suppliers participating in the pilot should meet relevant operating and connection standards of the networks on which they are operating (and delivering services as part of the pilot).

Distributors supplying distribution services to customers participating in the pilot can access pilot information, including consumption and quality of supply data if available, subject to agreeing to the pilot terms and conditions.

A representative from the Electricity Networks Association is a member of the Pilot Advisory Group. Several distribution companies already expressed interest in the project and its outcomes.

14. Will the retailer only get reads/data from the MEPs for the portion of electricity they supply and not have to deduct the supplier's consumption from this?

For the pilot, the trader will remain the party interfacing with the market and receive the invoicing information from the reconciliation manager, clearing manager and distributor.

The trader – as a reconciliation participant – is required to provide the reconciliation manager with aggregated volume information (submission information) for each connection point it is responsible for (as recorded in the registry) for the prior month, plus historic volume information. As such, the trader will continue to receive metering data it requires to meet its reconciliation obligations.

A separate reconciliation process will be undertaken for the pilot by the allocation agent. The allocation agent will allocate volumes to the specific services being delivered to the customer at the ICP to calculate the wholesale and distribution-related financial obligations of the trader and the supplier(s) using volume information provided by the trader and the supplier.

Refer [MTR Pilot Operational Requirements](#) section 5.4.2.2-3 for more detail on the reconciliation process and requirements relating to submission of volumes.

15. Will the retailers hold a copy of the agreement between the supplier and the customer for reference?

The agreement or contract between the customer and supplier will not be available to the trader. Similarly, the agreement or contract between the customer and the trader will not be available to the supplier.

Relevant information regarding the type of services exchanged at a connection point will be included in the pilot registry.

Refer [MTR Pilot Operational Requirements](#) section 5.4.1.4 for an overview of connection data to be held in the pilot registry.

16. How do the operational arrangements ensure participants comply with the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004?

The [MTR Pilot Operational Requirements](#) include a condition (7) that customers in the pilot must choose to be supplied on a standard tariff option by their retailer. That is, the customer cannot be supplied on a low fixed charge tariff option offered under the LFC Regulations.¹

This condition exists because regulation 21 of the LFC Regulations says customers receiving a low fixed charge tariff product cannot be charged for electricity services provided by a party other than their electricity retailer or distributor. A customer receiving a low fixed charge tariff product may not be charged by a supplier participant in the MTR pilot.

This is not to say retailers cannot offer low fixed charge tariff products to their customers, and in fact, they are obliged to do so under the LFC Regulations, however customers who take up the offer cannot participate in the MTR pilot.

We note that including retail offers based on low fixed charges in the MTR pilot would likely obscure or distort the learnings from the pilot because they do not accurately reflect the cost of electricity services. This is a secondary reason for the condition.

The LFC Regulations are being phased out over 5 years from 1 April 2022.²

¹ Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004.

² <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-consultations-and-reviews/electricity-price/phasing-out-low-fixed-charge-tariff-regulations/>