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Retail and Consumer Team
Electricity Authority
By email: policyconsult@ea.govt.nz

Tēnā koutou,

Evolving multiple trading arrangements (MTR) and switching – revised proposal fails to achieve objective

Powerco welcomes the opportunity to submit on the Electricity Authority's (**Authority**) supplementary consultation. We acknowledge that the Authority has taken note of industry feedback regarding the original proposal, specifically that the costs of full "behind-the-meter" implementation would vastly outweigh the benefits. We support the intention for a revised proposal to lower implementation costs; good quality regulation must be proportionate to the harms and opportunities it addresses.

The revised proposal and the accompanying Sapere cost-benefit analysis (**CBA**) fail to address fundamental issues raised in our original submission. The CBA relies on a theoretical "breakeven" analysis regarding battery uptake that misattributes the benefits of emerging technology to MTR regulation rather than retail competition.

Since the original consultation, the Government has announced that the electricity retail sector will be designated for a consumer data right (**CDR**). It is CDR, rather than MTR, that is the "fundamental basis for improvements in retail competition" and the appropriate mechanism to unlock the innovation and flexibility benefits the Authority seeks.

The revised proposal also leaves material operational risks unaddressed, specifically the lack of contractual frameworks (Default Distributor Agreements) for generation traders and it retains costly, unproven requirements for intraday switching.

We have significant concerns about the costs the revised proposal will impose on the industry (and therefore on all consumers) for no *additional* benefit. The proposal is unlikely to achieve the policy objective. The Authority should pause Code amendments and instead use its Power Innovation Pathway to trial these arrangements, in the context of the new CDR, to ensure that they really are in the long term benefit of consumers.

We unpack our arguments on this in sections 2 to 5 below and link to the Authority's consultation questions in section 6.

We are always keen to meet with the Authority to discuss and develop the ideas in our submissions. In the meantime, if you have any questions or would like to talk further on the points we have raised, please contact Emma Wilson (Emma.Wilson@powerco.co.nz).

Nāku noa, nā,

Emma Wilson
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POWERCO

1. Benefits identified by Sapere result from improved retail competition, not MTR

The Authority's objective is to enable consumers to "compare and switch plans and providers easily, choose different providers for different services, and use and manage electricity in ways that best meet their needs". Sapere argues that MTR is required to lower barriers for "new retailers and innovators" to enter the market.

We don't believe this is the case. The Government's recent announcement "making it easier to find cheap power plans"[1] is the primary driver of these benefits. MTR will make a second order change to consumer switching and choice at best.

The CDR is designed to reduce friction in data sharing, allowing consumers to easily authorize third parties (such as aggregators and app developers) to access their consumption data to offer better deals and services. As noted in our original submission, and reinforced by this announcement, the CDR is "the fundamental basis for improvements in retail competition". The CDR discussion does not mention enabling multiple trading relationships at scale.

Sapere claim benefits from MTR arise from "improved consumer experience through better switching processes" and lowering barriers for innovators. As we note in our original submission, the Australian Energy Market Commission (**AEMC**) found that these specific benefits are better achieved by reducing frictions in customers shopping around, rather than splitting the ICP:

> *Implementing the proposed framework... is unlikely to materially reduce costs for customers seeking to engage with multiple retailers. It is therefore unlikely to... drive demand for new energy service providers or stimulate service innovation[2].*

The AEMC rejected MTR because the benefits could be achieved through "private, off-market solutions offered by service providers who are not [retailers]... avoiding the need for two [retailers] at a premises"[3]. The CDR is the regulatory vehicle to remove barriers to these off-market solutions. By focusing on MTR, the Authority is attempting to regulate for a complex settlement structure when data portability (CDR) offers a more direct, lower-cost route to the same customer benefit.

Sapere's analysis draws from their 2021 work for the Authority[4] however, this original report does not mention MTR once.

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[1] Making it easier to find cheap power plans | Beehive.govt.nz

[2] *Final Rule Determination - National Electricity Amendment (Multiple Trading Relationships) Rule 2016*, Australian Energy Market Commission. p. i-iii

[3] Ibid. References changed to NZ market participant types

[4] *Cost-benefit analysis of distributed energy resources in New Zealand.* Figure 1. this is *an Illustration of total economic surplus where DER is fully harnessed*.

2. Retail competition already exists for dynamic load control and battery export

The Authority relies on Sapere's CBA, which estimates that the proposal breaks even if 0.36% to 1.77% of residential battery capacity is deployed to reduce peak consumption. While the quantification of this benefit is plausible, these incremental benefits are not attributable to MTR. Sapere acknowledges a "risk of double-counting costs" and notes that current battery forecasts may have already internalised these benefits. There is no evidence that a regulatory intervention to split the ICP is required to unlock this value when retailers and aggregators are already competing to internalise this complexity.

The Sapere analysis provides no evidence that such an increase in battery efficiency is attributable to MTR rather than improvements in retail competition. In our original submission, we noted:

> *Most 'behind the meter' MTR benefits can be realised without changing central settlement... Powerco already has off-market flexibility agreements with behind-the-meter flexibility provider*

We provided evidence of this, citing our work with SolarZero in the Coromandel and Z Energy in Waiouru to support the network using virtual power plants and controllable chargers. These mechanisms utilise the existing market structure where retailers internalise complexity, rather than requiring multiple traders at the ICP.

Our previous submission mentioned Powerco's success with trialling retailer control of hot water and how retailers already offer incentives to customers to maximise the value of their batteries, much as they have by directly controlling hot water heating[5]. This doesn't require MTR, it just requires effective retail competition.

There are at least six retail options and incentives for dynamic load control available for customers as of early 2026. None of these require MTR yet all of them relate to the benefits that Sapere identify in their analysis:

Retailer	Programme Name	Benefit to customers
Contact Energy	Hot Water Sorter	Part of "Good Plans" (Free power windows). Reduces peak usage to keep you in lower price brackets.
Meridian Energy	Smart Hot Water	$10 monthly bill credit ($120/year) just for being signed up.
Octopus Energy	Hot Water Control	Up to $150/year savings via 4 different "Control Levels" (Flex to Ultra).
Mercury	Dynamic Load Control	Integrated with their smart platform to shift 30% of household load away from peaks.
Genesis Energy	Energy Tech/AI Trial	Uses AI to manage 17k+ customers; focuses on ~10% overall bill reduction.

[5] Powerco's 30,000 ICP retailer hot water trial is a great example of how retail competition has shared these benefits with consumers https://www.powerco.co.nz/news/media/residential-hot-water-control-trials

Retailer	Programme Name	Benefit to customers
Electric Kiwi	MoveMaster Control	Designed to shift ~3.3kWh/day to off-peak/half-price overnight rates.

3. Without DDA changes, MTR introduces liability and safety risks

The Authority claims that the revised approach "would not involve any significant changes to the proposed Code amendment".[6] This ignores material feedback provided by Powerco, along with the Electricity Networks Association (**ENA**), and Chapman Tripp regarding the treatment of the "generation trader" in Option 1.

The revised proposal fails to clarify how the generation trader would be contractually bound to the distribution business. As Chapman Tripp advised in the legal review appended to the ENA submission:

> *Only retailers are obliged by the Code to enter into a DDA [Default Distributor Agreement] with a distributor. A generation trader is not so obliged by the current Code arrangements... even if a distributor sought to enter into a contract with a generation trader, that trader could refuse and the distributor would be unable to disconnect the ICP because of its obligations owed to the consumption trader.*

This creates a critical gap where the distributor cannot enforce payment for services or safety standards. As Chapman Tripp further noted:

> *Generation traders will not be similarly obliged to comply, or ensure that consumers comply, with network connection standards. We would also expect consumption traders to object to an attempt by distributors to enforce network connection standards against them in circumstances where the breach is attributable to the generation trader.*

The ENA submission further notes that without a DDA, distributors "will have no mechanism to enforce critical obligations including... prudential security requirements... liability and indemnity protections... or access to premises and equipment damage responsibilities". The Authority's revised proposal does not address this point or provide a mechanism for distributors to manage these risks.

4. Sapere does not calculate costs and benefits of Intraday Switching

The revised proposal retains requirements for intraday switching (time-stamped switches). As we previously submitted, the costs of moving from daily to trading-period-based switching are material and the benefits implausible.

[6] In paragraph 2.16 of the Supplementary Consultation https://www.ea.govt.nz/documents/9204/Evolving_multiple_trading_and_switching_-_supplementary_consultation_paper.1.pdf

Sapere estimates the costs of Code amendments related to switching at $12.0m – $12.7m. However, as we noted in our original submission, implementing intraday switching requires changes to "all participant systems... from being day-based to trading-period-based," a change that would likely cost "tens of millions of dollars to implement across the industry".

There is no evidence of consumer demand to switch retailers multiple times a day. As we note in our original submission:

> *The requirement to allow intraday switching is not one that has been raised by industry participants – it anticipates a time when consumers switch retailers more than once a day... This change would be particularly expensive to implement ... for a capability for which there is no evidence of market demand.*

5. No acknowledgement of consumer sentiment

The Authority claims MTR will be a "key enabler" for consumers. However, this ignores clear feedback from consumer advocates. Consumer NZ's submission on the original proposal is stark:

> *"**Let us be clear: multiple trading relationships are not what the vast majority of consumers are asking for**... Consumer NZ has a reputation for being fair, impartial and providing comprehensive consumer information and advice... We hear directly from thousands of consumers each year, and multiple trading relationships (MTR) are not even on the radar for most households".*

Consumer NZ further highlight equity risk with the proposal:

> *MTR, as proposed, stands to benefit a tiny minority (wealthier households with solar and batteries) while adding complexity, and additional operational and administrative costs, that all consumers will end up paying for.*

Orion's submission points to the Wellington Multiple Trading Trial, which struggled to recruit participants (achieving only 174 of 200 targeted), as evidence that the Authority is solving a problem that does not exist for the vast majority of New Zealanders.

It is difficult to see how the Authority can conclude that the benefits of its proposal are "material" in the face of this feedback and the shortcomings of the cost benefit analysis, particularly now that the government has confirmed its commitment to progress the CDR for electricity which is an initiative that will target the same benefits.

6. Response to Consultation Questions

Q1. Do you have any comments on our revised proposal for MTRs?

Powerco supports the pivot to the lower-cost Option 1 model as a "least regrets" approach if the Authority is determined to proceed. However, the proposal is fundamentally flawed because it fails to mandate a contractual relationship (DDA) between the generation trader and the distributor.

As Chapman Tripp have advised, "without a DDA between the distributor and the generation trader, there is currently no mechanism for the distributor to levy charges on the generation trader at all, nor any way to compel generation traders to pay for network services".

Q2. Is there further information you can provide that may improve the evidence base for our assessment of (a) costs and/or (b) benefits?

The Authority must consider the Government's announcement regarding the CDR. The benefits Sapere attributes to MTR—competition, innovation, and service differentiation—are the primary objectives of the CDR. As the AEMC noted in its 2016 determination, "off-market arrangements are capable of delivering similar services and value to customers as those otherwise provided by engaging with multiple [retailers]".

With the government now actively developing regulations and standards for the electricity CDR, the case for MTR at the moment is further weakened. The CDR provides the data portability required for innovation without the costly re-engineering of settlement and registry systems required for MTR. MBIE has indicated decisions on regulations are likely around July 2026, and that MBIE will work alongside the Authority to coordinate with the Authority's consumer mobility work. While the CDR details are developed, there is significant rationale to pause the further development of MTR, pending the ability to understand costs and benefits in the context of the final CDR.

Orion's submission, identified implementation costs ranging from "$2.79m – $3.89m" for a single EDB. The Sapere CBA likely underestimates the total industry cost by failing to fully account for the complexity of intraday switching changes required across all participant systems.

Q3. Do you agree the benefits of the proposed Code amendments are likely to outweigh the costs? If not, please explain why not.

No. The Sapere CBA rests on a "breakeven" assumption that requires battery owners to respond to MTR incentives. However, Powerco has demonstrated that these battery benefits are already being realised through off-market arrangements and will be further accelerated by the CDR.

If the benefits of battery orchestration can be achieved via CDR and retail competition, then the MTR proposal imposes a net cost on the industry ($22.8m - $25.4m) for no *additional* benefit. Furthermore, as Consumer NZ notes, these costs will be socialised across all consumers, while the benefits accrue only to the wealthy few with distributed generation.

Rather than deciding on a standalone rule change now which is unlikely to achieve the policy objective, the Authority should use its Power Innovation Pathway to run trials under Code exemptions. This would allow the industry to test whether MTR offers any value *above and beyond* what is achievable through the emerging CDR framework. Ideally this trial could occur once the regulations and standards for the electricity CDR are developed, mid 2026, to test the costs and benefits of MTR in the context of the known CDR framework.