9 June 2021

Vector Limited
101 Carlton Gore Rd
PO BOX 99882
Auckland 1149
New Zealand
+64 9 978 7788 / vector.co.nz

Energy Security Board
Energy Ministers Coordination
Department of Industry, Science, Energy and Resources
Canberra ACT 2601

By email: info@esb.org.au

Submission on the ESB's Post-2025 Market Design Options Paper

Introduction

1. This is Vector Limited's (Vector)[1] submission on the Energy Security Board's (ESB) *Post 2025 Market Design Options* paper (the Options Paper), dated 30 April 2021.

2. This submission is focussed on the "flexible trading arrangements" being considered by the ESB that are intended to provide customers with an interface and greater access to energy service providers and markets. The arrangements are designed to enable a customer to choose additional energy service providers for their flexible demand while remaining on their current retail plan for all other energy the customer produces or consumes.

3. Vector generally supports arrangements that create new options for consumers and industry participants and promote greater participation in energy markets. Well designed and cost-effective flexible trading arrangements could incentivise greater competition, innovation, and the efficient integration of renewable distributed energy resources (DER) into the grid.

Responses to selected consultation questions

4. Our comments below broadly respond to selected questions on flexible trading arrangements in Part B, section 3.3 of the Options Paper.

Q21. Do stakeholders have any feedback on the approach for developing the trader-services model pathway?

Q26. Are there other options the ESB could consider on the path to support more flexible trading for end-users?

5. The ESB is considering two flexible trading arrangement models – one that creates a second connection point via two metering installations (Model 1) and another that establishes a Private Metering Arrangement with a sub-meter connection point (Model 2). As a metering service provider and one of the parties envisaged to play a key role in the implementation of

[1] Vector's Australian and New Zealand advanced metering business – Vector Metering – is an accredited Metering Provider and Metering Data Provider, and a registered Metering Coordinator, in Australia's National Electricity Market and the equivalent in New Zealand. Vector Metering provides a cost-effective end-to-end suite of energy metering and control services to energy retailers, distributors and consumers.

Vector is an innovative New Zealand energy company which runs a portfolio of businesses delivering energy and communication services to more than one million homes and commercial customers across Australasia and the Pacific. Vector is leading New Zealand in *creating a new energy future* through its Symphony strategy which puts consumers at the heart of the energy system.

either, both, or other models, we suggest that the ESB also ensure that any preferred option(s):

a. are practical, low-cost, and would not be onerous on industry participants and consumers. Any preferred options should therefore be supported by robust cost-benefit analysis;

b. promote choice of technology solutions and service providers that can deliver the best value for consumers;

c. ensure that the appropriate privacy and security settings are in place, and existing contractual rights and obligations are upheld;

d. will be widely understood by consumers. For instance, subtractive metering is prevalent in New South Wales, but is poorly understood in places, creating unnecessary additional costs; and

e. are informed by the discussions and issues raised in the Australian Energy Market Commission's ongoing review of the regulatory framework for metering services (AEMC Metering Review). We encourage the ESB to coordinate with the AEMC on these flexible trading models in the context of the AEMC Metering Review which is also considering future smart metering services.[2]

6. In our view, based on our experience providing smart metering services, the most common reason for the use of two metering installations (Model 1) instead of a single multi-element meter is if the customer still has a dedicated circuit for load control (e.g. hot water). Model 1 can be cost effective when and where:

   a. the DER is not within close distance of the main load meter board (e.g. the rooftop solar PV is on the garage or farm shed rather than the house); and

   b. depending on the site, a mix of main supply phase (1 or 3) and DER phase (1 or 3) can cause multi-meter arrangements but still use a single connection point.

7. We do not foresee annual meter charges for customers doubling for a second connection. It is relatively common to charge the second meter installation cost at a lower rate than the full rate, reflecting the efficiency of installing two meters at once where that occurs.

8. Under Model 2, sub-meter arrangements with multiple traders is possible because the downstream unit can be subtracted from the main supply installation. It is not uncommon for metering service providers to perform subtraction for commercial and industrial premises as a back-office activity. This approach is not unique to Australia or New Zealand.

9. A sub-meter arrangement can be complicated by control loads and is not useful if the customer wishes to export maximum energy and use none at the premise. In some scenarios, we have solved this by having a second meter simply recording the sub-metered load and the data collected by the main meter and reporting this to our back office individually, i.e. using two meters but with single communications, which can generate a small saving. We do this with gross solar in Australia and for commercial and industrial customers in New Zealand, on occasion.

---

[2] Vector is actively involved in the AEMC Metering Review as a member of the Review's Reference Group and Sub-Groups. Our submission on the Review consultation paper recommends that the rollout of smart meters needs to be accelerated to meet broader policy objectives and cannot be achieved by relying solely on customer driven demand. We recommend the implementation of a package of changes to create certainty for industry participants (including electricity retailers and distributors), re-assess some aspects of regulated cost recovery, and address operational issues. Our submission is available at https://vectormetering.com/assets/docs/market-engagement/Vector_Submission_on_AEMC_Metering_Review.pdf.

Concluding comments

10. We are happy to discuss flexible trading approaches further with the ESB. Please contact Paul Greenwood (Industry Development Australia - Vector Metering) at 0404 046 613 or Paul.Greenwood@vectormetering.com in the first instance.

11. No part of this submission is confidential, and we are happy for the ESB to publish it in its entirety.

Yours sincerely

Mitch Webster
General Manager – Commercial and Service Development
Vector Metering