Permitting ATHs to amend certification reports

Consultation paper

Submissions close: 5pm, 5 June 2018

24 April 2018

Market Services

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Executive summary

In December 2017, the Electricity Authority (Authority) made an urgent amendment to the Electricity Industry Participation Code 2010 (Code), which came into force on 12 January 2018. This amendment enables an approved test house (ATH) to amend a certification report for a metering installation or a metering component, in certain circumstances, thereby avoiding the need to recertify the metering installation/component.

The urgent Code amendment expires on 12 October 2018.

We propose amending the Code so the policy intent of the urgent Code amendment continues beyond 12 October 2018.

Under the Code, metering equipment providers (MEPs) are responsible for providing metering installations and for ensuring they comply with various requirements set out in the Code. MEPs contract ATHs to test and certify the components of, and the whole of, a metering installation, to ensure the metering installation complies with the Code.

Certification is similar to a vehicle's warrant of fitness. It provides a snapshot view of a metering installation's, or a metering component's, compliance with the Code. Certification takes into account how long the ATH expects the metering installation/component to meet the Code's requirements.

Prior to the urgent Code amendment coming into force, the Code provided for a metering installation to be modified without having to be recertified in only limited circumstances. We believe the Code was too restrictive in this regard, resulting in ATHs needing to recertify metering installations unnecessarily.

Retaining the policy intent of the urgent Code amendment beyond 12 October 2018 would avoid returning to this situation. The proposed Code amendment would mean that various industry participants, such as retailers, MEPs, and ATHs, would continue to face the lower metering-related costs that currently exist under the urgent Code amendment.

We consider this, in turn, would promote competition in, and the efficient operation of, the electricity industry.

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1 What you need to know to make a submission

What this consultation paper is about

1.1 The purpose of this paper is to consult with interested parties on a proposed Code amendment. Under the proposed amendment, an ATH would be allowed to amend a certification report for a metering installation, or a metering component, in certain circumstances.

1.2 The Authority considers the proposed amendment would promote our statutory objective, by promoting competition in, and the efficient operation of, the electricity industry.

1.3 The proposed amendment would continue the policy intent of an urgent Code amendment that came into force on 12 January 2018, and which automatically expires on 12 October 2018. This urgent amendment inserted a new clause 8A into Schedule 10.7 of the Code.[1]

1.4 We must follow the process set out in sections 38 and 39 of the Electricity Industry Act 2010 (Act) to make a replacement Code amendment.

How to make a submission

1.5 Our preference is to receive submissions in electronic format (Microsoft Word) in the format shown in Appendix A. Submissions in electronic form should be emailed to submissions@ea.govt.nz with "Consultation Paper—Amending ATH certification reports" in the subject line.

1.6 If you cannot send your submission electronically, post one hard copy to either of the addresses below, or fax it to 04 460 8879.

Postal address	Physical address
Submissions Electricity Authority PO Box 10041 Wellington 6143	Submissions Electricity Authority Level 7, ASB Bank Tower 2 Hunter Street Wellington

1.7 Please note we want to publish all submissions we receive. If you consider that we should not publish any part of your submission, please:

(a) indicate which part should not be published

(b) explain why you consider we should not publish that part

(c) provide a version of your submission that we can publish (if we agree not to publish your full submission).

1.8 If you indicate there is part of your submission that should not be published, we will discuss with you before deciding whether to not publish that part of your submission.

1.9 However, please note that all submissions we receive, including any parts that we do not publish, can be requested under the Official Information Act 1982. This means we would

[1] The urgent Code amendment can be viewed at https://www.ea.govt.nz/dmsdocument/22946.

be required to release material that we did not publish unless good reason existed under the Official Information Act to withhold it. We would normally consult with you before releasing any material that you said should not be published.

When to make a submission

1.10 Please deliver your submissions by **5pm** on Tuesday **5 June 2018**.

1.11 We will acknowledge receipt of all submissions electronically. Please contact the Submissions' Administrator if you do not receive electronic acknowledgement of your submission within two business days.

2 Following an urgent amendment to Part 10 of the Code we propose a permanent solution

We have made an urgent amendment to Part 10 of the Code

2.1 As noted in section 1, we made an urgent amendment to Part 10 of the Code, which will expire on 12 October 2018.[2]

2.2 We made this urgent Code amendment because it furthers our statutory objective in the following ways:

(a) It removes an inefficient barrier to competition by increasing the likelihood that new entrant (and current) retailers will gain access to half hour (HHR)[3] metering data that has been validated in accordance with the Code (Code-compliant HHR data).

(b) It increases economic efficiency by removing the unnecessary cost of recertifying a metering installation in situations where the accuracy of the meter is not compromised by a change to one or more of the metering installation's components.

(c) It increases economic efficiency by facilitating the introduction of new, innovative products and services to consumers, who would otherwise be denied these because their HHR metering data is not Code-compliant HHR data.

What are metering installations and metering components?

2.3 For the purposes of this paper, it is helpful to describe what we mean when we refer to a metering installation or a metering component.

2.4 Under the Code, MEPs are responsible for providing metering installations and for ensuring they comply with various requirements set out in the Code. MEPs contract ATHs to test and certify the components of, and the whole of, a metering installation, to ensure the metering installation complies with the Code.

2.5 The Code defines "metering installation" to mean:

(a) equipment, including all metering components, used, or intended to be used, for metering:

(b) in the context of unmetered load, the calculation process used to derive the quantity of unmetered load:

(c) in the context of instances of both metered electricity quantities and unmetered load, both (a) and (b).

2.6 The Code defines "metering component" to mean:

a component of a metering installation including—

(a) a measuring transformer:

(b) all wiring and intermediate terminals in the metering installation:

(c) a control device:

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2 Under section 40(2) of the Act, an urgent amendment to the Code expires nine months after the date on which it comes into force.

3 Half hour means a 30 minute period ending on any hour or half hour, and half hourly has a corresponding meaning.

(d) a meter:

(e) a data storage device:

(f) a test facility:

(g) a fuse:

(h) a circuit breaker:

(i) communication equipment:

(j) an error compensation device.

2.7 A metering installation can have metering components that are not located at the site of the meter. A metering installation with a remotely-read HHR meter includes the following components that are located away from the meter:

(a) the communications equipment linking the meter to the MEP's back office systems

(b) the MEP's back office system that forms part of the MEP's interrogation system for the remotely-read HHR metering installation.

ATHs are responsible for certifying metering installations and metering components

2.8 Under the Code, ATHs are responsible for certifying metering installations and their metering components. Part 10 of the Code sets out ATHs' obligations, and the processes they must follow.

2.9 Certification is similar to a vehicle's warrant of fitness. It provides a snapshot view of a metering installation's, or a metering component's, compliance with the Code. It also shows how long the ATH expects the metering installation, or metering component, to meet the Code's requirements.[4]

2.10 The Code requires MEPs to obtain and maintain certification of metering installations by contracting an ATH to perform the certification.[5] This means an MEP must ensure that an ATH certifies a metering component or a metering installation before it becomes active, and then recertifies the metering component or metering installation before the existing certification expires.

2.11 Under the Code, if a metering installation is modified, an ATH must recertify it in order to prevent the automatic cancellation of the installation's certification, unless:

(a) the only modification to the metering installation is the ATH, that is responsible for certifying the metering installation, replacing a modem in the installation[6]

(b) a change is made to a metering installation and the requirements in clause 19(3) of Schedule 10.7 are met

(c) persons authorised by the MEP responsible for the metering installation replace a malfunctioning control device that does not switch meter registers, with a certified control device, and the requirements in clause 19(3A) and (3B) of Schedule 10.7 are met

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4 When certifying a metering installation or metering component, the ATH sets an expiry date for the certification.

5 Refer to clause 10.38 of the Code.

6 Refer to clause 19(2A) of Schedule 10.7.

(d) for a category 1 metering installation, either the meter, or the existing metering installation enclosure, is repositioned in a minor way and the requirements in clause 19(4) of Schedule 10.7 are met.

The Code will require recertification in instances where no benefit arises

We believe the Code's recertification requirements after 12 October 2018 would, in some circumstances, provide no benefit to consumers

2.12 We believe the above list of exclusions from the obligation to recertify a modified metering installation is too restrictive. The effect of this is that, if the urgent Code amendment were left to expire without a relevant change being made to Part 10, metering installations would once again sometimes have to be recertified for no benefit to consumers.[7]

2.13 More specifically, if an applicable amendment to Part 10 were not to be in force before the urgent Code amendment expires, then from 13 October 2018, the requirements in clause 19 of Schedule 10.7 would quite significantly restrict the instances when a metering installation could be changed without recertification. These requirements would require the ATH to recertify a metering installation for relatively simple changes such as:

(a) adding remote communications capability to the metering installation

(b) removing remote communications capability from the metering installation

(c) adding, or permanently removing, a load control device that does not switch meter registers

(d) moving the metering installation's services access interface.[8]

2.14 Changes such as these do not affect the accuracy of the metering installation, which means they have no effect on the accuracy of electricity market settlement and customer invoicing. Therefore, recertifying the metering installation in these instances, as opposed to amending the certification report for the metering installation, would deliver no benefit to consumers.

We believe the post-12 October 2018 recertification requirements would hinder competition and efficiency

2.15 We believe that, once the urgent Code amendment expires and in the absence of the proposed replacement amendment, the Code's recertification requirements would hinder competition and efficiency in the electricity industry. The following examples highlight this.

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7 For the purposes of this discussion, we refer only to recertifying metering installations, since recertifying a metering component in a metering installation requires the metering installation to be recertified.

A modification to a metering component represents a modification to the metering installation the component is part of, which typically requires recertification of the metering installation (refer to clause 19 of Schedule 10.7). When the certification of a metering component expires, so too does the certification of the metering installation the component is part of (refer to clause 17(2) of Schedule 10.7). This requires the MEP to have an ATH recertify the metering installation.

8 The services access interface is the point, at which access may be gained to the services available from a metering installation, that is—

(a) recorded in the certification report by the certifying ATH for the metering installation

(b) where information received from the metering installation can be made available to another person

(c) where signals for services such as remote control of load (but not ripple control) can be injected.

Example 1

2.16 A retailer wanting to provide a service based on HHR data to a customer with a HHR meter, but whose metering installation is classified as non-half-hour (NHH), would need to:

(a) build a system that validated the HHR data in accordance with the Code, to enable the retailer to provide the HHR data from the customer's metering installation to the reconciliation manager as Code-compliant HHR data;[9] or

(b) replace the MEP with an MEP that had a metering installation certified[10] to provide Code-compliant HHR data for reconciliation and settlement.

2.17 Either of these options would represent a material transaction cost for the retailer, which would be a disincentive for the retailer to:

(a) compete for the customer, if the retailer did not supply the customer

(b) innovate its service offering to the customer, if the retailer already supplied the customer.

2.18 Continuing with this example, if the incumbent MEP for the metering installation wanted to avoid being replaced, it would need to:

(a) amend its back-office systems to validate the HHR data from the metering installation

(b) get the metering installation recertified to provide Code-compliant HHR data.

2.19 The incumbent MEP would have to get the metering installation recertified because the installation is certified to produce only NHH data, despite the meter being capable of delivering Code-compliant HHR data.[11] The NHH status of the metering installation has nothing to do with the HHR meter. Instead, the NHH certification stems from the MEP's back-office systems being unable to validate the metering installation's HHR data,[12] to ensure the data is Code-compliant HHR data. Therefore, the only cost the MEP should need to incur is for an ATH to confirm the MEP's back-office data validation system and processes appropriately test the accuracy of the HHR data. The MEP would be incurring an unnecessary cost getting an ATH to do any other part of the certification (eg, visiting the site of the meter).

Example 2

2.20 Vector Limited is no longer maintaining the pilot wire load control system on its North Shore network. If a pilot wire failed on this network, the control device, and therefore the metering installation, would no longer be fit-for-purpose. This is because the control device would no longer be able to control electricity supplied to the installation control

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9 The validation is necessary to ensure any missing or erroneous data read from the absolute registers in the HHR meter is corrected.

10 The incoming MEP could either:

(a) contract with the losing MEP to use its meter and then have an ATH certify the metering installation to provide Code-compliant HHR data; or

(b) install its own meter and then have an ATH certify the metering installation to provide Code-compliant HHR data.

We estimate the cost to the retailer under either option would be approximately $120-$150. The gaining MEP, rather than the retailer, would be responsible for the capital cost of a new meter.

11 Ie, data that spans a time period greater than one trading period.

12 By comparing the sum of the HHR data to the increment of the meter register.

point (ICP),[13] and the metering installation would not be recording conveyed electricity in accordance with its certification. The Code[14] would require the MEP to contract an ATH to:

(a) remove the control device from the metering installation

(b) recertify the metering installation.[15]

2.21 This is despite a failure of the pilot wire having no implications for the accuracy of data from the metering installation, or for the accuracy of market settlement and customer invoicing. This Code requirement would hinder the efficient operation of the electricity industry by imposing unnecessary metering-related costs on industry participants.

Example 3

2.22 As technology evolves and the cost of remotely communicating with HHR meters falls, an MEP that manually reads HHR meters may want to install the necessary systems and processes to enable remote communications with all of its HHR meters. From 13 October 2018, the Code would require the MEP to recertify each metering installation to demonstrate the installation produced Code-compliant HHR data. This would be despite the newly-installed communications capability having no effect on the accuracy of each metering installation.

2.23 The recertification would be an unnecessary cost for the MEP.

Example 4

2.24 A participant (eg, a distributor or a retailer) may elect to deploy new communications technology to assist with managing controllable load. An example would be replacing a pilot wire relay with a radio receiver.

2.25 From 13 October 2018, without this proposed Code amendment, the Code would require each affected metering installation to be recertified. This would be because the control device in the metering installation would have been replaced with a metering component that had different characteristics.[16] However, such a change to the metering installation would not affect its accuracy. Again, the MEP would be incurring an unnecessary cost.

Amending the Code to enable ATHs to amend certification reports would improve competition and efficiency

2.26 We propose amending the Code so that, from 13 October 2018, in certain circumstances an ATH would be allowed to amend a certification report it has prepared for a metering installation or metering component, rather than the MEP being required to arrange the recertification of the metering installation/component.

2.27 Specifically, an ATH would be permitted to amend a certification report it has prepared for a metering installation/component if either of the following situations meant the ATH would have reached a different conclusion in its certification report:

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13 A consumer's point of connection to an electricity network.

14 Clause 20(1)(b) of Schedule 10.7.

15 Clause 19(3A) of Schedule 10.7 does not apply because the pilot wire is not a control device, or part of a control device. The pilot wire is a means of sending control signals to the control device.

16 Under clause 19(3A)(a) of Schedule 10.7, the certification of the metering installation would not be cancelled if the replacement control device had the same characteristics as the control device it was replacing and if it met the other requirements of clause 19(3A).

(a) the ATH received, or became aware of, new information relevant to the certification; or

(b) the ATH became aware of a change to the metering installation or metering component, other than a change that affected the accuracy of the metering installation or metering component.

2.28 To ensure, as far as practicable, that an amended certification report did not lead to less accurate metering data from the metering installation or metering component, under the proposed Code amendment:

(a) an ATH could not, when amending a certification report:

(i) change the category of the metering installation;

(ii) extend the certification expiry date; or

(iii) change a calibration report in the certification report.

(b) an ATH that amended a certification report would have to advise the relevant MEP of the changes to the certification report

(c) an MEP that had been advised of a change to a certification report, would have to update the relevant metering records in the registry, in accordance with Part 11 of the Code.

2.29 Appendix B contains the proposed Code amendment.

2.30 We consider the proposed Code amendment would better promote competition in the supply of electricity to consumers than would reverting to the pre-12 January 2018 Code when the urgent Code amendment lapses. It would lower some potential, or actual, metering-related transaction costs faced by retailers.

2.31 We expect the proposed Code amendment would also improve the efficient operation of the electricity industry by removing unnecessary metering-related costs faced by industry participants.

2.32 We believe the proposed Code amendment would have no costs, because it would impose no additional obligations on industry participants.

2.33 Therefore, we consider the proposed Code amendment would have a positive net benefit.

2.34 The regulatory statement in section 3 sets out our analysis more fully.

Q1. Do you agree there are adverse effects on retail competition and market efficiency from the Code's metering recertification requirements in the absence of the urgent Code amendment that came into force on 12 January 2018?

Q2. Do you agree with our proposed approach to addressing these adverse effects?

3 We have prepared a regulatory statement for the proposed amendment

3.1 Section 39(1)(b) and (c) of the Act requires us to prepare and publish a regulatory statement on any proposed amendment to the Code, and to consult on the proposed amendment and regulatory statement.

3.2 Section 39(2) of the Act provides that the regulatory statement must include:

(a) a statement of the objectives of the proposed amendment

(b) an evaluation of the costs and benefits of the proposed amendment

(c) an evaluation of alternative means of achieving the objectives of the proposed amendment.

3.3 This section contains the regulatory statement for a proposed Code amendment (the proposal) that would enable an ATH to amend its certification report for a metering component or a metering installation in certain situations.

The proposal's objective is to promote competition and efficiency in the electricity industry

3.4 The proposal's objective is to promote retail competition in the electricity industry and remove operational inefficiencies caused by overly restrictive metering certification requirements in the Code.

3.5 The proposal would further the competition and efficiency limbs of the Authority's statutory objective.

Q3. Do you agree with the proposal's objective? If not, why not?

We have analysed the proposal's benefits and costs

3.6 We have assessed the proposal's expected benefits and costs, using a combination of qualitative and quantitative analysis. We have compared the proposal against a counterfactual of making no Code amendment following the expiration of the urgent Code amendment (ie, the proposal's counterfactual is the Code prior to clause 8A of Schedule 10.7 coming into force on 12 January 2018).

We believe the proposal would impose no costs on participants

3.7 The proposal is permissive in nature—an MEP would be allowed to choose whether to get an ATH to amend a certification report. Therefore, implementing the proposal would not, in and of itself, impose any costs on participants.

3.8 However, a participant might still incur a cost in order to obtain one of the proposal's benefits. We have discussed this type of cost alongside the benefit that it relates to.

We have assessed the proposal's competition benefits using a qualitative analysis

3.9 The proposal's first key benefit, compared with the counterfactual, would be to promote competition in the supply of electricity to consumers. This would further the competition limb of the Authority's statutory objective.

3.10 Fringe players often generate competitive pressure in a market, and the innovation and investment benefits that come with this. In the retail electricity market, smaller new

entrant retailers are often the fastest to develop new business models, find niches in the market or adopt new technology.

3.11 The rollout of HHR meters to residential and small commercial consumers in New Zealand provides a platform for increased retail competition, and its associated benefits. Examples of this include the use of HHR data to:

(a) support Flick Energy Limited's, and Paua to the People Limited's, business model of offering tariffs based on spot prices to residential and small commercial consumers

(b) support Electric Kiwi Limited's free hour of power each day.

3.12 To provide for accurate market settlement and customer invoicing, these retailers must provide Code-compliant HHR data to the reconciliation manager. If a metering installation is not certified to provide Code-compliant HHR data, these retailers, and any others that rely on HHR metering information, must:

(a) build and operate workarounds to transform the raw (as-read) HHR data into Code-compliant HHR data, which could cost from several thousand dollars to tens of thousands of dollars, depending on the retailer's back-office systems; or

(b) replace the MEP responsible for the metering installation with one that has a metering installation certified to provide Code-compliant HHR data to the reconciliation manager, at an estimated cost of $120 to $150 per installation for residential and small commercial consumers.[17]

3.13 These transaction costs dampen competitive pressure in the retail electricity market.

3.14 Compared with the counterfactual, the proposal would significantly lower the cost of getting some existing HHR metering installations certified to provide Code-compliant HHR data. This would make it more likely that an MEP with these metering installations would get the installations certified to provide Code-compliant HHR data, which would in turn enable retailers to offer a larger pool of consumers innovative products and services that relied on HHR metering. This would facilitate retail competition.

3.15 We have not quantified the economic benefit from improved retail competition under the proposal, due to the uncertainty of the numbers we would use in that analysis. However, we believe the benefit would be material because of the important role retail competition has in promoting dynamic economic efficiency in the electricity industry.[18]

We have assessed the proposal's efficiency benefits using qualitative and quantitative analysis

3.16 The proposal's second key benefit, compared with the counterfactual, would be promoting the efficient operation of the electricity industry. This would further the efficiency limb of the Authority's statutory objective.

3.17 The proposal would give participants the option of using a lower cost approach to maintain a metering installation's, or a metering component's, compliance with the Code, should there be a change to the installation or component that does not affect the

[17] Noting the MEP, rather than the retailer, would be responsible for the capital cost of a new meter, if the MEP chose to replace the existing meter.

[18] Dynamic efficiency is achieved by firms having appropriate (efficient) incentives to innovate and invest in new products and services over time. This increases their productivity, including through developing new processes and business models, and lowers the relative cost of products and services over time.

accuracy of the installation's data. We estimate this benefit would range in value from a few dollars to several hundred dollars per affected metering installation. Table 1 summarises our workings.

Table 1: Cost of maintaining certification (per affected metering installation)

Identified cost	Cost per affected metering installation	Supporting information
Counterfactual		
Onsite recertification of a category 1 metering installation	\$120 - \$150	• Estimated effort of 2 - 2.5 hours for: ○ MEP and ATH liaison ○ ATH to visit site and recertify metering installation ○ MEP to update the registry
Recertifying category 1 metering installations using statistical sampling – used only when economic (minimum of 20 metering installations to be recertified)	\$140 - \$155 for 20 metering installations (using a sample size of 10)[19] \$3 - \$3.30 for 150,000 metering installations (using a sample size of 1,600)[20]	• Estimated effort of 2 - 2.5 hours per meter used in sample, for: ○ MEP and ATH liaison ○ ATH to undertake statistical sampling ○ MEP to update the registry • Assumed depreciated value of each meter that must be replaced by a sample meter is \$160
Recertifying category 2 - 5 metering installations	\$500 – \$620	• Estimated effort of 3 - 5 hours for: ○ MEP and ATH liaison ○ MEP to arrange power outage at site of meter ○ MEP to replace meter ○ ATH to test metering installation ○ MEP to update the registry • Estimated cost of meter is \$320 • Assume that current transformers (CTs) and voltage transformers (VTs) would not be tested for category 3-5 metering installations[21]

19 Table 8 of Schedule 10.1 sets out the minimum sample size for category 1 metering installation inspections required under clause 45(2)(c) of Schedule 10.7. To be conservative, we have doubled the minimum required sample size, in case statistical sampling is done by meter make and model.

20 See footnote 19.

21 CTs and VTs are expensive to certify and have a reasonably long validity period of 10 years under the Code (refer to clause 3(c)(ii) of Schedule 10.8). We believe an MEP and/or trader would not want to recertify the CT and VT at a metering installation, if possible, should an ATH amend its certification report for the metering installation.

Identified cost	Cost per affected metering installation	Supporting information
Proposal		
Amending certification of an individual category 1 metering installation	$30 - $60	• Estimated effort of 0.5 - 1 hours for: ○ MEP and ATH liaison ○ ATH to amend certification report ○ MEP to update MEP asset register and the registry
Amending certification of category 1 metering installation – batch of ≥1,000 metering installations	Approximately $0.70 for 1,000 metering installations Approximately $0.05 for 150,000 metering installations	• Estimated effort of 12 hours for: ○ MEP and ATH liaison ○ ATH to maintain a list of amendments to ≥1,000 certification reports ○ MEP to update MEP asset register and the registry • Assume an ATH does not need to make a system change
Amending certification of individual category 2 - 5 metering installations	$30 - $60	• Estimated effort of 0.5 - 1 hours for: ○ MEP and ATH liaison ○ ATH to amend certification report ○ MEP to update MEP asset register and the registry

Source: Electricity Authority

3.18 We also expect the proposal would facilitate MEPs maintaining more accurate ICP information in the registry than under the counterfactual. The proposal would do this by reducing the time period for which ICP information was incorrect, following a change to a metering installation at the ICP.

3.19 Take the example of a communications failure to a category 2 HHR metering installation certified to provide Code-compliant HHR data in respect of an ICP. Under the proposal, the ICP information in the registry would be wrong for a smaller period of time than under the counterfactual. Under the proposal, the MEP would be able to get the ATH to simply amend its certification report for the metering installation. Under the counterfactual, the ATH would need to physically remove the meter and test it in the ATH's laboratory as part of recertifying the metering component and the metering installation.

3.20 Taking the example further, if the customer at the ICP was seeking quotes from potential retailers, under the proposal the likelihood of the quotes being based on incorrect metering data would be less than under the counterfactual.[22]

We consider the proposal would have a net benefit

3.21 Having assessed its benefits and costs, we believe the proposal is likely to offer a net benefit over the counterfactual.

[22] For completeness, we note there may be some competition benefit here, although we do not consider it sufficiently large to include in our discussion of key competition benefits.

3.22 We note that, since the urgent Code amendment came into force on 12 January, we have received only positive feedback on the new Code provision. Those participants who have discussed the amendment with us have been unanimous in their support of the amendment and its benefits.

Q4. Do you agree the proposal's benefits outweigh its costs? If you disagree, please provide reasons.

We have not identified an alternative to the proposal

3.23 We have not identified any alternatives that would meet the objective of the proposed Code amendment.

3.24 For the reasons set out in this paper, allowing the urgent Code amendment to expire, so that the Code returned to how it was before the urgent Code amendment, would not meet the proposal's objective.

Q5. Do you agree there are no viable alternatives to addressing the problem we have identified? If you disagree, please provide reasons.

The proposed amendment complies with section 32(1) of the Act

3.25 The Authority's objective under the Act is to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers. The Act says the Code may contain any provisions that are consistent with the Authority's objective and are necessary or desirable to promote one or all of the matters set out in Table 2.[23]

3.26 As discussed above, we consider the proposal would deliver a net benefit through its promotion of competition in, and the efficient operation of, the electricity industry. Therefore, the proposal complies with the competition and efficiency limbs of the Authority's objective and is for the long-term benefit of consumers. The proposal also complies with section 32(1) of the Act.

Table 2: Proposal's compliance with section 32(1) of the Act

(a) competition in the electricity industry;	The proposal is expected to have a positive effect on retail competition. The proposal would be more likely than the counterfactual to lead to retailers offering more consumers innovative products and services that rely on HHR metering.
(b) the reliable supply of electricity to consumers;	The proposal is expected to have a negligible effect on the reliable supply of electricity to consumers.
(c) the efficient operation of the electricity industry;	The proposal is expected to have a positive effect on the efficient operation of the electricity industry. In particular, the proposal would give participants the option of using a lower cost approach to maintain a metering installation's compliance with the Code, should there be a change to one or more components of the installation that does not affect data accuracy.

[23] Refer to section 32(1) of the Act.

(d) the performance by the Authority of its functions;	The proposal would not materially affect the performance of the Authority's functions.
(e) any other matter specifically referred to in this Act as a matter for inclusion in the Code.	The proposal would not materially affect any other matter specifically referred to in the Act for inclusion in the Code.

We have given regard to the Code amendment principles

3.27 When considering an amendment to the Code, we must have regard to the Code amendment principles in our consultation charter, to the extent that we consider them applicable.[24] Table 3 describes our regard for the Code amendment principles during our consideration of the proposal.

Table 3: Regard for Code amendment principles

Principle	Comment
1. Lawful	The proposal is lawful and consistent with the empowering provisions of the Act. The proposal is consistent with the Authority's objective because it would promote competition and efficiency in the electricity industry, for the long-term benefit of consumers.
2. Provides clearly identified efficiency gains or addresses market or regulatory failure	The evaluation of the proposal's benefits and costs in section 3 sets out the proposal's efficiency gains. We consider the proposal would deliver a net efficiency gain over the counterfactual.
3. Net benefits are quantified	Our evaluation of the proposal's benefits and costs in section 3 sets out the extent to which we have been able to quantify the proposal's net benefit. We consider the proposal's benefits would outweigh its costs.
There is no need to apply Code amendment principles 4-9 because principles 1 and 2 are satisfied, and the CBA shows the proposal delivers a clear, positive net benefit.	

Q6. Do you agree that the proposed Code amendment complies with section 32(1) of the Act, and with the Code amendment principles, and should therefore proceed? If you disagree, please provide reasons.

[24] The consultation charter is one of our foundation documents and is available at: http://www.ea.govt.nz/about-us/documents-publications/foundation-documents/.

Appendix A Format for submissions

Submitter	

Question		Comment
Q1.	Do you agree there are adverse effects on retail competition and market efficiency from the Code's metering recertification requirements in the absence of the urgent Code amendment that came into force on 12 January 2018?	
Q2.	Do you agree with our proposed approach to addressing these adverse effects?	
Q3.	Do you agree with the proposal's objective? If not, why not?	
Q4.	Do you agree the proposal's benefits outweigh its costs? If you disagree, please provide reasons.	
Q5.	Do you agree there are no viable alternatives to addressing the problem we have identified? If you disagree, please provide reasons.	
Q6.	Do you agree that the proposed Code amendment complies with section 32(1) of the Act, and with the Code amendment principles, and should therefore proceed? If you disagree, please provide reasons.	

Appendix B Proposed Code amendment

B.1 We propose to almost entirely replicate clause of Schedule 10.7, which was inserted in the Code under the urgent Code amendment referred to in sections 1 and 2.

B.2 We propose the following minor changes:

(a) minor clarifications to subclauses (1)(c) and (2)(b)

(b) a minor amendment to clause 19 of Schedule 10.7 to cross-refer to the proposed new clause 8A.

8A ATH amends certification reports

(1) Subject to subclause (2), an **ATH** may amend a **certification report** for a **metering installation** prepared under this Schedule, or a **certification report** for a **metering component** prepared under Schedule 10.8, if—
  (a) the **ATH** prepared the **certification report**; and
  (b) the **ATH—**
    (i) receives, or becomes aware of, new information relevant to the **certification**; or
    (ii) becomes aware of a change to the **metering installation** or **metering component**, other than a change that affects the accuracy of the **metering installation** or **metering component**; and
  (c) the new information or change causes the **ATH** to reach a ~~different~~ conclusion ~~in~~ that differs from its conclusion in the **certification report**.

(2) An amendment under subclause (1) must not—
  (a) change the **category** of the **metering installation**:
  (b) extend the **expiry date** ~~in~~ of the **certification ~~report~~**:
  (c) change a **calibration report** in the **certification report**.

(3) If an **ATH** amends a **certification report** under subclause (1)—
  (a) the **ATH** must advise the relevant **metering equipment provider** of the changes to the **certification report**; and
  (b) the **metering equipment provider** must, upon being advised under paragraph (a), update the **registry** in accordance with Part 11.

(4) Despite anything else in this Part, if an **ATH** amends a **certification report** under this clause, the **certification** of the **metering installation** or **metering component** remains valid to the extent of the amendment.

19 Modification of metering installations

…

(4A) Despite subclause (1), if an **ATH** amends a **certification report** in accordance with clause 8A, the **certification** of the relevant **metering installation** remains valid to the extent of the amendment.