

# ACCES PROJECT

## **Delivering multiple electricity services to consumers**

Presentation to the IPAG

7 May 2019

COMPETITION • RELIABILITY • EFFICIENCY

# Aims today

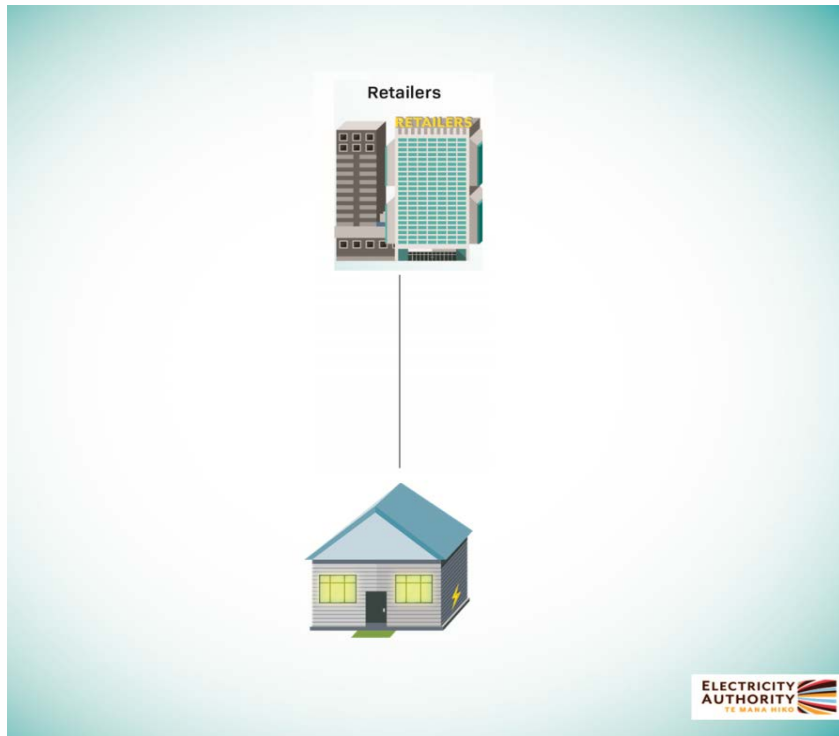
We are here today to:

- update you on our progress to date
- build an understanding of how this project fits within and links to the wider EA work programme especially the proposed Open Networks and Distribution Pricing projects
- share our thinking on a model to deliver consumer choice to ensure we are on the right track
- inform you of the next steps for the project.

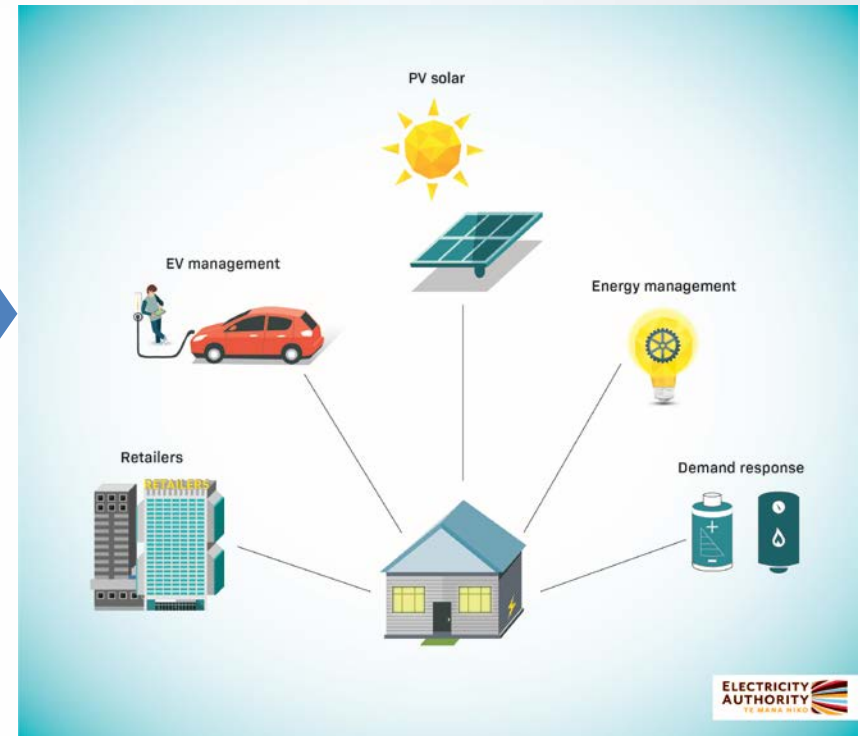
# Current and future state

The project targets the consumer's interaction with the electricity industry and removing retailers' ability to impede a consumer's choice of service provider

From the old single-service past



To the multiple-service future



# Why are we doing this project?

We aim to allow consumers (as buyers and sellers of electricity services) to interact with multiple service providers.

The project will effectively allow for the **unbundling of service offerings**.

Unbundling will reduce retailers ability to constrain consumer choice and innovation.

Unbundling service offerings (EV, hot water, general use etc) will increase unique service offerings and lower the overall cost to consumers. This will:

- increase opportunities to buy and sell services which will increase investment and competition
- increase investment in distributed energy resources and other services which will deliver increased renewables and lower CO2 emissions.

Example: A PV supplier has indicated that a commercial solar system for self-supply would be sized at 30-50kW. With the ACCES project this would jump to 70-100kW as the number of potential buyers of the exported generation grows.

# The ACCES project complements other Authority projects

The ACCES project complements the Open networks and Distribution pricing projects. The 3 projects together are necessary to establish the settings which promote consumer choice, innovation and enable distributors, consumers and suppliers to maximise the value of their investments.

The proposed Open networks project is tackling the issues of how service providers, consumers and others can access the distribution and transmission networks on fair and reasonable terms.

Distribution pricing improves price signals that help consumers decide when to adjust their use of the network therefore reducing the likelihood of unnecessary network investments. This means that service providers get the correct cost and value signals from distributors.

# Project update

The Authority project team has:

- interviewed 15 stakeholders with a focus on innovative firms and those actively engaged in this area between December 2018 and January 2019
- published summary of interviews, 2 April 2019
- released *“Quick wins consultation paper: Making it easier for consumers to share their data with businesses they trust”*, 30 April 2019.



# Key messages we heard about unbundling service offerings

1. Stakeholder want changes to be small evolutionary steps, rather than requiring big-bang, up-front change.
2. The Authority should be careful not to lock in a solution to deal with future situations that may not eventuate.
3. Any new arrangements should be on an opt-in basis. Consumers and participants should not be forced to change, and they should not face additional costs to continue operating under current arrangements.

*Continues on next slide*

# Key messages we heard about unbundling service offerings

## 4. Views on centralising data and systems differed:

- Many expressed a desire for some level of centralisation, particularly a single source of truth for sub-ICP metadata and the ability for new service providers to reconcile sub-ICP volumes in central processes.
- Most did not prefer a completely centralised MOSP model with sub-ICP level meter data from a central meter database. They saw it as likely to be expensive, inflexible to change, and requiring effort and expenditure from participants even where they would not choose to use the new functionality.

We have adopted these key messages as the core **design criteria** for our model to deliver consumers choice of multiple electricity services.



# The Connection Agent/Channel Trader model delivers consumer choice of service providers

The Connection Agent/Channel Trader model delivers on two concrete use cases (EV and PV services) by enabling customers to:

- a) PV service: sell injected energy to a participant other than the one from whom they purchase energy
- b) EV service: have their EV charging and discharging managed and billed separately from other electricity supply without having to install a new ICP.

# The Connection Agent/Channel Trader model satisfies the core design criteria

The model:

- does not impose unreasonable costs on customers or service providers – by operating on an opt-in basis and not forcing a particular structure of commercial relationships
- establishes a single set of robust rules that apply equally to incumbents and new entrants
- provides a single point of truth for sub-ICP metadata for all parties – including customers, service providers, MOSPs and Distributors, by including this information in central MOSP systems
- is equally effective regardless of how data is stored and shared within the industry.

# How the “Connection Agent/Channel Trader” model operates

It separates the whole-of-ICP services currently provided by retailers from the sub-ICP services and allows sub-ICP services to be reconciled through central market processes.

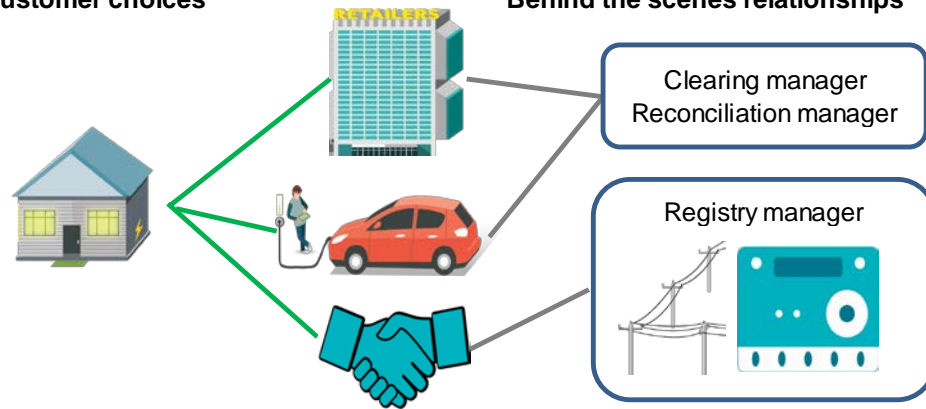
It includes elements of the models initially identified:

- “Channel Traders” can trade sub-ICP volumes in central processes, but they must be associated with a specific channel on the meter
- Switching at sub-ICP level is facilitated by a central record of who is providing services for each meter channel
- A single participant (the “Connection Agent”) deals with ICP-level responsibilities including engagement with the MEP and Distributor, and consumer obligations. The Connection Agent can also be a Channel Trader.

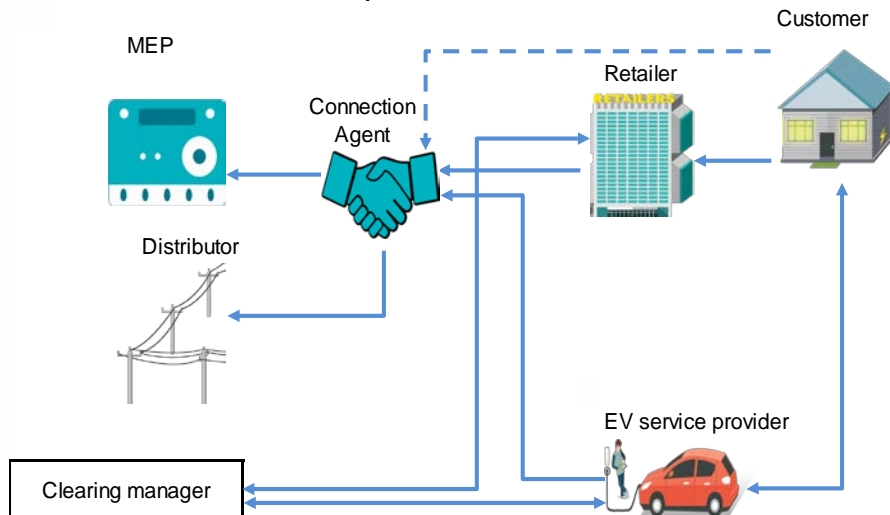
# The model gives the customer the choice

Customer choices

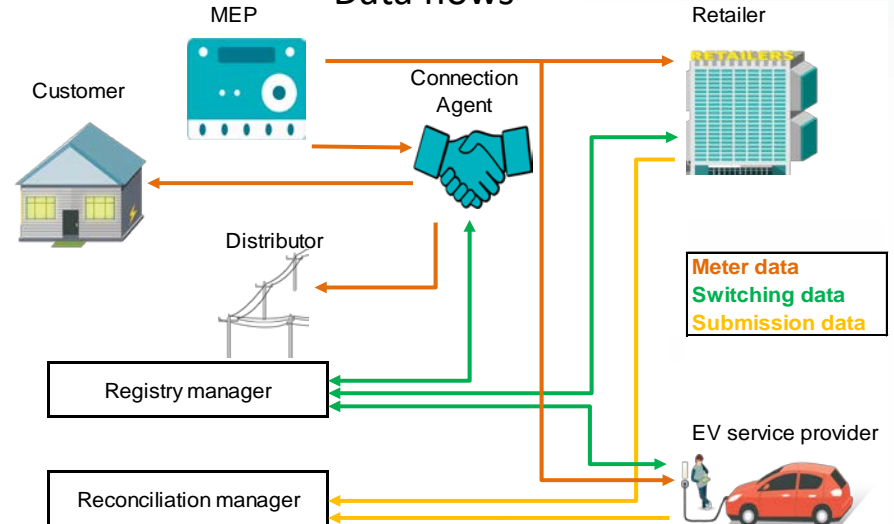
Behind the scenes relationships



Contractual/financial flows



Data flows



# We have taken a conservative approach to quantifying the benefits

Only benefits derived from two use cases (PV and EV) were considered. Benefits from the following are excluded:

- dynamic efficiency benefits
- controlled load and peak/off peak retailing use cases
- demand response and battery use cases.

Benefits quantified in the Open Networks and Distribution pricing projects but unlocked by this project are also excluded.

Early adopters will be the initial beneficiaries. Benefit dispersion will increase as EVs become more widespread.

Our draft CBA indicated that the preferred option would deliver net benefits between \$300,000 and \$2,260,000 in all but the worse-case scenario.

- Utilisation rates are also conservative (5–20% of total EV and PV users).
- Costs are based on a quote from the current Registry Manager (Jade).

## What's next?

We are continuing to refine the preliminary Connection Agent/Channel Trader model.

We'll test the model with stakeholders in June–July 2019 (focusing on those stakeholders who participated in the initial interviews).

A consultation paper and CBA setting out the preliminary model is well developed.

The consultation paper will be ready for Board consideration, along with the IPAG's advice, in late 2019.