

Code Review Programme 2019

Summary of submissions – Part one

17 July 2020



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1 Introduction

- 1.1 This paper provides a summary of the submissions received by the Electricity Authority (Authority) on the consultation paper [Code Review Programme 2019](#), which we published on 24 September 2019.
- 1.2 In the consultation paper we sought submissions on a number of discrete amendments to various parts of the Code. The proposed amendments did not generally relate to each other and did not warrant separate consultation processes. We have decided to progress a portion of the amendments that relate to a trader default situation ahead of the others. This paper is a summary of the submissions received on “2019-04 Improving event of default provisions” proposal only. The others will be published at a later date.

Submissions received

- 1.3 We received six submissions on the consultation paper, from the parties listed in Table 1. The submissions are on our website at: <https://www.ea.govt.nz/development/work-programme/operational-efficiencies/code-review-programme/consultations/#c18205>.

Table 1: List of submitters

| Submitter | Category |
|---------------------------------------------------------|--------------------|
| Genesis Energy Limited (Genesis) | All |
| Intellihub Limited (Intellihub) | All |
| Orion New Zealand Limited (Orion) | All |
| Trustpower Limited (Trustpower) | All |
| Vector Limited (Vector) | Problem definition |
| Wellington Electricity Limited (Wellington Electricity) | All |

2 Summary of submissions

- 2.1 Summarises the responses to questions asked in our September consultation paper.

Table 2: Summary of responses to questions.

| Question 1: | Do you agree with the Authority's problem definition? If not, why not? |
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| Genesis | Yes |
| Intellihub | We agree that there is the potential for a trader event of default to impact the market processes as described in Problem 2. |
| Orion | Yes, we agree. |

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| Trustpower | Yes. |
| Vector | We agree with this proposed Code amendment, which reflects Vector's current practice. |
| Wellington Electricity | Yes – Wellington Electricity agrees that there are improvements which could be made to the description of an event of default and the associated process in Schedule 11.5. |

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| Question 2: | Do you agree with the Authority's proposed solution? If not, why not? |
| Genesis | Yes |
| Intellihub | As a MEP we are comfortable that we are able to meet the Authority's requirements for Problem 2 and that it will resolve the problem definition |
| Orion | Yes, we agree to the proposed solutions for all five problems defined. |
| Trustpower | Yes. |
| Vector | NC |
| Wellington Electricity | <p>Yes – Wellington Electricity agrees with the proposed amendments to the Code to resolve the problems identified. These include to:</p> <ul style="list-style-type: none"> - Remove the ability for an event of default to be triggered by a participant threatening to stop or suspend payment of its debts, - Requiring the MEP(s) of a defaulting trader to provide metering-related information to the Authority, if requested by the Authority, - Enable the Authority to not communicate with a defaulting trader's customers if there is good reason not to, - Enable the Authority to direct the registry manager to not process certain ICP switching activities if the Authority has given written notice to the defaulting trader, - Clearly state that the Authority can determine the recipient trader via the Authority's discretion, or a tender or other complete process, and - Clarify the obligation of the registry manager when directed by the Authority |

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| Question 3: | Do you have any comments on the Authority's proposed Code drafting? |
| Genesis | It should be noted that the change to clause 3 (to address Problem 2) will not be a complete solution. MEP's do not hold read data for non-AMI (legacy and non-communicating) metering |
| Intellihub | No |
| Orion | The Code change for Schedule 11.5(4)(2) has deleted (2)(b)(i) but not adjusted |

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| Question 3: | Do you have any comments on the Authority's proposed Code drafting? |
| | <p>the subsequent numbering (i.e. continues with (ii),(iii),(iv) instead of (i), (ii), (iii)).</p> <p>(2) The Authority must—</p> <p>(a) give written notice to the defaulting trader that the Authority considers that this clause applies; and</p> <p>(b) <u>unless the Authority considers there is good reason not to attempt to advise customers of the defaulting trader that the defaulting trader has committed an event of default and one or more of the following:—</u></p> <p>(i) the defaulting trader has committed an event of default; and</p> <p>(ii) the customer should enter into a contract for the purchase of electricity with another trader by the date that is 14 days after the day on which the Authority gave written notice to the defaulting trader under clause 2(1); and</p> <p>(iii) if the customer fails to enter into a contract with another trader by that date, the Authority may assign the defaulting trader's rights and obligations under the customer's contract with the defaulting trader to another trader under clause 5;</p> <p>(iv) <u>any other information the Authority considers appropriate.</u></p> |
| Trustpower | No. |
| Vector | NC |
| Wellington Electricity | No |

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| Question 4: | Do you agree with the objectives of the proposed amendment? If not, why not? |
| Genesis | Yes |
| Intellihub | Yes |
| Orion | Yes, we agree |
| Trustpower | Yes. |
| Vector | NC |
| Wellington Electricity | <p>Yes – Wellington Electricity agree the change would:</p> <ul style="list-style-type: none"> - Lower the risk of an unnecessary default being triggered, - Reduce instances of unnecessary errors in reconciliation, settlement and consumer invoicing, - Reduce transaction costs associated with trader event of default, and - Have no effect on the reliability of electricity supply |

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| Question 5: | Do you agree the benefits of the proposed amendment outweigh its costs? If not, why not? |
| Genesis | The costs for MEPs to supply read data, and Traders to onboard customers, outside of business as usual" procedures may be understated. While we consider they are unlikely to outweigh the benefits, we do not believe they are 'negligible'. |
| Intellihub | We are comfortable with the benefits of the proposed amendment for Problem 2 on the basis that the outlined timeframe of when the Authority would intervene is appropriate on the 17th day post notification. The timely resolution of this event is in the best interest of all participants and the impacted customers. |
| Orion | Yes, we agree |
| Trustpower | Yes. |
| Vector | NC |
| Wellington Electricity | <p>Yes – Wellington Electricity agrees the benefits in terms of:</p> <ul style="list-style-type: none"> - Decreased costs faced by the Authority and associated participant when validating the threat - Increased accuracy in reconciliation, settlement and customer invoicing, - Decreased costs to the Authority over communication requirements with the defaulting traders customers, - Reduced market transaction costs associated with the need to initiate and/or complete ICP switches to a defaulting trader and then assign these ICPs to another, and - Reduced time and effort spent by participants understanding the Code <p>outweigh the costs incurred in terms of:</p> <ul style="list-style-type: none"> - A slight increased risk of shortfall in energy payments to generators due to triggering an event of default later, - An increased cost to the Authority in obtaining and providing meter read files, - A negligible increased cost to the MEPs in obtaining and providing meter read files, and - A negligible increased cost to the traders in obtaining meter read files. |

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| Question 6: | Do you agree the proposed amendment is preferable to any other alternatives that meet the objectives of the proposed amendment? If not, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010. |
| Genesis | Yes. However, the changes to clauses 4B and 7 of Schedule 11.5 (to address Problems 4 and 6) should include an obligation on the Trader retaining an ICP because of the enforced switching activity to inform the relevant customer as soon, as is reasonably practicable after it has |

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| Question 6: | Do you agree the proposed amendment is preferable to any other alternatives that meet the objectives of the proposed amendment? If not, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010. |
| | become aware, that the switch from the defaulting trader has been cancelled at the Authority's direction under the trader default provisions of the Code. This would ensure customers are kept informed, including the reasons why. |
| Intellihub | Yes |
| Orion | N/A |
| Trustpower | Yes. |
| Vector | NC |
| Wellington Electricity | N/A – No other option were identified by the Authority. |