By Email

COUNTIES POWER

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Submissions
Electricity Authority
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Counties Power submission on default distributor agreement template proposal

Thank you for providing Counties Power Limited (Counties Power) with the opportunity to provide feedback on the Electricity Authority's revised Part 12A of the Code and Default Distributor Agreement template proposal.

We acknowledge that the Electricity Authority (EA) considers it is necessary to introduce a standardised agreement, in the form of the proposed form (DDA), to address competition issues and concerns regarding the use of commercially sensitive information, for purposes that are not intended or agreed to, identified by retailers while reducing, for both retailers and distributors, both the time and cost of negotiating Use of System Agreements (UoSA).

Rather than addressing each individual question we have provided a response of a more general nature which reflects our experience and views.

Counties Power takes no issue with the importance of these objectives. Our own experience, however, has been that neither Counties Power, nor the traders using or seeking to use our distribution network, have experienced significant issues in this regard. Counties Power is keen to ensure that, in seeking to address the issues it has identified, the EA does not inadvertently trigger any unintended outcomes.

The Counties Power form of UoSA is based on the EA's 2016 Model UoSA, Default Distributor Agreement template adjusted to reflect Counties Power's business operations, in particular our position regarding Counties Power's meters and data. Since 2018, eight new traders to the Counties Power network have signed our UoSA. Neither Counties Power nor the traders with whom we have, and continue to have, cordial commercial relationships incurred a delay or significant cost.

It is important in our view that it is recognised that the introduction of the DDA could lead to an automatic default position being adopted by traders (because it is "easier" to have the same agreement terms with every distributor) which may, effectively prevent a distributor from including reasonable conditions in its particular form of UoSA that support its innovation and investment. This is reflected in Counties Power's UoSA, which includes provisions around the use and access to real-time smart meter data, where the metering equipment is owned by Counties Power. This clause has allowed Counties Power to invest heavily in smart meters throughout its network and the associated communication network. Counties Power now has over 93% penetration of smart meters on the network, with a 99% communication success rate despite large numbers of meters being installed in remote areas where normal mobile communications are not possible.

The real-time consumption data that Counties Power's smart meters provide has not only allowed Counties Power to introduce cost reflective pricing across all ICPs it has also been a crucial factor in enabling Counties Power to identify and respond to outages/voltage dips on its network in a timely manner. This was particularly evident during the April 2018 storm event, for which Counties Power was awarded the Network Initiative of the Year award at the 2019 Deloitte Energy Excellence Awards for its ability to expediently restore power whilst ensuring affected customers receive accurate, timely information. Introduction of the proposed default DDA does not encourage continued investment by Counties Power in smart meters and future technology, and further it will also discourage other distributors from following Counties Power's lead in investing in new technology on their networks. This is particularly true for those networks that do not currently have a high penetration of smart meters and where metering equipment providers have indicated that there are no plans for this to be addressed. We recognise that the EA is conscious of the value historic consumers' consumption data has in informing the management of networks, ultimately for the benefit of consumers. Counties Power supports the EA's proposal to extend the requirement for consumers' consumption data to be made available to distributors under standardised terms but would encourage the EA to extend this to real time consumption data, where this is available, given the proven benefits for consumers of a distributor having access to this. This will be increasingly important as decarbonisation of the economy will put increasing demands on existing distribution infrastructure.

Counties Power is also concerned that the proposal would impact a distributor's ability to refuse distribution services to a trader who has had its UoSA terminated. Under the current proposal any trader, regardless of the reasons for termination of a UoSA and whether these have been addressed, is entitled to operate under the proposed DDA 20 working days after the previous UoSA has been terminated. In Counties Power's view, this does not support good operational performance which both the parties to a UoSA and consumers are entitled to expect. The proposal could potentially encourage a trader to operate on any distributors network as it sees fit with limited fear of consequence. In the event a UoSA/DDA is terminated as a result of a trader failing to meet any financial obligations, this could result in a trader very quickly operating under a new DDA when previous financial obligations are still outstanding. Of even greater concern is the possibility that this ability of a trader to quickly be permitted to re-access a distribution network may compromise a distributor's ability to maintain health and safety standards on its network, if, for example, termination was as a result of the trader defaulting due to operational malpractice.

The DDA proposal would allow traders and third parties to compete for additional services, including load management services. Whilst average annual residential consumption per household has steadily declined over recent years, largely as a result of improvements in home insulation and more energy efficient household appliances, network peak demand has continued to increase. Counties Power increasingly utilises load control to reduce peak demand, balance the supply of electricity across the network, push out network investment which otherwise would be necessary to meet this increased peak demand and, most importantly, to maintain network reliability. In order to encourage customers to make load available, Counties Power offers a controlled rate which is 40-50% below the equivalent uncontrolled rate, and carefully manages load control activities in order to minimise customer hardship (a significant consideration for Counties Power as a 100% consumer owned entity). This careful load management currently enables a peak demand reduction of approximately 20%. A vital part of the load control process is judicious restoration management of available controlled load. When controlled load is restored too quickly, it creates artificial peaks on the network and has the potential to damage vital network equipment. If future load management services were contestable, Counties Power would have to reassess whether the potential risks associated with a third party, who would not prioritise network reliability and customer hardship, would justify the continuation of the load control rate and ripple relay infrastructure. Consequences of this would include higher customer bills driven by the removal of the discounted controlled rate as well as costs directly associated with network investment requirements to meet the increased peak demand.

If you would like to discuss any aspect of our comments further, please do not hesitate to contact me by phone (027 641 4584) or email Allen.Sneddon@countiespower.com. Our standard UoSA is attached for ease of reference and it is also available at countiespower.com/counties-power-use-of-system-agreements.

Regards

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