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Submissions
Electricity Authority
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Consultation Paper – Default Distributor Agreement

This submission is made on behalf of Meridian and Powershop.

Meridian and Powershop strongly support the Authority's proposed Code amendment to introduce Default Distributor Agreements. We consider the proposal is balanced and reasonable and we agree it will deliver net benefits to New Zealand electricity consumers. Our answers to the consultation questions are set out in the attached appendix.

An observation we would make is that, perhaps as a result of limitations in current legislation, the process for landing on default terms as between distributors and retailers remains a bit more convoluted and time consuming than would be ideal. We understand for example that other jurisdictions simply mandate certain terms in code. This is an approach worth considering at some future point.

Yours faithfully

Jason Woolley
Head of Regulatory

APPENDIX

Question	Comment
Q1. What are your views on the problem definition? Specifically: a. the efficiency problem b. the competition in retail markets problem c. the competition in related services problem.	We agree with the Authority that individually negotiated UoSAs generate higher-than-necessary costs, limit retail competition and limit competition in contestable services. In addition a number of networks also have old agreements that do not reflect current industry arrangements, and in such instances: - it's unlikely that risk is efficiently allocated; and - resulting ambiguities will almost inevitably and unnecessarily add cost and time to resolving disputes.
Q2. What are your views on the revised: a. Part 12A proposal b. DDA template proposal	We support both proposals.
Q3. What are your views on the draft Code, appended to this paper, which would introduce the proposal?	The draft Code is clear and well drafted. Nevertheless, given the complexity of the processes around moving the industry onto Default Distributor Agreements (DDA) it might assist parties to understand the Code if the Authority included diagrams or flow charts in the draft Code provided that such diagrams or charts are clearly noted to be aids to interpretation that do not form part of the Code. Also: 1. We submit that for embedded networks, both the embedded network owner and any retailer trading on the embedded network should have the option of requiring the other to enter into a distributor agreement on the same terms as the DDA made available by the distributor who owns the local network in which the embedded network is embedded (with the same ability for the retailer to exclude collateral terms). There is no good reason in principle for an embedded network owner to have different terms of use to the local network in which it is embedded. Further, given the increasing proliferation of embedded networks the standardisation and efficiency benefits that the Authority has identified from adoption of DDAs are likely to be eroded or reduced if the Authority does not extend the application of Default Distributor Agreements to embedded networks. 2. For similar reasons the Authority should move quickly to publish and mandate a DDA applicable to Conveyance arrangements between distributors and retailers. 3. It seems that when a DDA is being developed if a retailer appeals an operational term the effect is that the whole DDA does not apply as between the distributor and retailer until the appeal is determined. This could however be clarified. Related to this if a retailer accepts an amended version of an operational term from a distributor but another retailer challenges that term before the Rulings Panel and has it

	overturned completely, clause 10(4) of Schedule 12A.4 would seem to prevent the first retailer getting the benefit of that. It's not clear what the purpose of clause 10(4) is and why, in a policy sense, it seems to run contrary to the rest of the Authority's policy direction with these amendments i.e. that all retailers should enjoy the same terms with distributors. 4. It would be useful if the Code could include a statement about how changes by the Authority to the DDA template in Sch 12A.4, Appendix A will impact on existing agreements. 5. It would also be useful if the Code included a statement about the extent to which (if at all) parties to a DDA can pursue claims for breaches of the DDA before the Rulings Panel. 6. In relation to the 90 / 150 days given to the largest 5 / other distributors for development of DDAs we suggest it would greatly aid the process of standardisation if the time period for smaller distributors to develop their DDAs did not start until after the large 5 have completed development of theirs (rather than running contemporaneously). That way there is more likelihood that the non-large 5 distributors will follow the model of the large 5. This could be achieved by perhaps making the time allocation 90 days for the large 5 and then a further 90 days for the others. Alternatively, it could be 60 days for the others if the Authority wants to get everything done in the 150 days it has currently allocated.
Q4. What are your views on the Regulatory Statement? Specifically: a. the efficiency costs and benefits b. the costs and benefits in the retail market c. the costs and benefits in the related-services market.	Meridian and Powershop agree with the Regulatory Statement.