

15 October 2019

Daniel Tulloch
Senior Advisor
Electricity Authority
By email to submissions@ea.govt.nz

Dear Daniel

Consultation Paper – Default Distributor Agreement

1. This is a submission by the Major Electricity Users' Group (MEUG) to the Electricity Authority on the consultation paper "Code amendment proposal: Default Distributor Agreement" (DDA) dated 20th August 2019 and related materials.¹
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. The last feedback by MEUG on the DDA was a response on 31st May 2019 to a request by the Authority for views on timing for this consultation on revisions to the 2016 draft DDA.² MEUG supported progressing this consultation as promptly as possible. We therefore welcome this consultation.
4. The last MEUG submission on the detail of a proposed DDA was on 19th April 2016.³ That submission sought an extension to the proposed DDA to accommodate be-spoke distributor and end customer conveyance contract terms and conditions. The current proposal does not cover such be-spoke direct customer contracts. Nevertheless, MEUG is comfortable with the proposed DDA template and modular approach as it provides flexibility for be-spoke direct customer contracts to be added in the future if merited.

¹ <https://www.ea.govt.nz/development/work-programme/consumer-choice-competition/default-distribution-agreement/consultation/#c18154>

² MEUG feedback at <http://www.meug.co.nz/node/1009>

³ MEUG submission at <http://www.meug.co.nz/node/760>. This submission explained the interest of MEUG members directly connected to distributors in supporting the development and implementation of a DDA.

Q1. What are your views on the problem definition?

5. MEUG agrees with the analysis in the consultation paper that there are policy problems with the status quo relative to the counterfactual of a DDA of:
 - a) Cost inefficiencies and barriers to innovation in how customers of line services contract with electricity distribution monopolies;
 - b) Detriments to competition in the retail market; and
 - c) Detriments to competition in related services that are likely to be compounded as opportunities for new technology, such as small-scale distributed generation and storage, enable a wider range of consumers to offer and benefit from related services, and new supplier and aggregator business models to be developed.

Q2. What are your views on the revised Part 12A proposal and DDA template proposal?

6. MEUG supports further consideration of the Authority making all contracts available on the Authority's website. We agree with the benefits of transparency and having a single source for all contracts via the Authority discussed in paragraphs C.54 and C.55 of the consultation paper. We assume, but do not know for sure, that the cost of facilitating transparency this way would be minimal. Hence the further consideration step we suggest is to check costs are less than expected benefits.

Q3. What are your views on the draft Code?

7. MEUG has no comments on the proposed text for amending Part 12A that will put into effect the DDA, nor any comment on related Code changes to Parts 1, 11 and 14.

Q4. What are your views on the Regulatory Statement?

8. The magnitude of the estimated benefits and costs of the proposal for each policy problem listed in paragraph 5 above are reasonable. We agree that the proposal is likely to have the highest NPV relative to other feasible alternatives to replace the status quo.

Next steps

9. We look forward to the Authority progressing finalisation and implementation of the template DDA as soon as possible to give certainty to distributors and consumers as explained in our prior submission of 31st May 2019.

Yours sincerely



Ralph Matthes
Executive Director