



PROGRESSIVE

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Dr John Rampton
General Manager Market Design
Electricity Authority
By email to submissions@ea.govt.nz

Attention: Craig Evans

Dear Craig

Consultation Paper – Default agreement for distribution services

Progressive Enterprises (Progressive) welcomes the opportunity to make a submission on the Electricity Authority (EA) consultation paper “Default agreement for distribution services”, 26th January 2016.

Progressive have consulted on and agreed with the submission also made by MEUG. This submission is not confidential.

Progressive owns and operates 185 Countdown supermarkets in New Zealand, and is the franchisor of 60 SuperValue and FreshChoice supermarkets, which are locally owned and operated. The company is New Zealand's largest private sector employer, with 18,500 New Zealanders employed across its stores, support offices, processing plants and distribution centres. We are also one of the largest retail investors in the country.

Progressive pays a mixture of transmission interconnection charges and distribution charges across 28 distributors. Progressive is therefore interested in both the cost of line services and reliability of supply of those services. Approximately 18 months ago Progressive investigated, via consultants, into setting up be-spoke distribution agreements with EDB. Progressive found the potential legal costs of completing such agreements would be considerable due to negotiating the variations of the agreements with nearly all EDB. In this and other regards Progressive agrees with the answers made in the MEUG submission and with the policy issues raised.

Progressive also agrees with MEUG's submission that Distribution charges are material for two reasons: First Progressive uses just over 300,000 MWh per year of electricity and pays line charges of around \$10 million per year. We are interested in lifting the productivity of distributors. That is we want better service for any given level of line charges and to find incentives for distributors to continuously ensure their costs to serve are as low as possible. Progressive is also interested in ensuring the direct costs of negotiating distribution service agreements or indirectly bearing those costs incurred by retailers' are efficient.

Second Progressive and all electricity consumers will benefit if barriers to retail competition arising from the current regime governing Use of System Agreements (UoSAs) are removed. A more vibrant retail sector will have flow on benefits of more choice and liquidity in the financial derivative and physical demand side response markets. Improvements in productivity and competition in the hedge and the demand side response markets, even indirect small effects, are important because Progressive pays significant annual energy costs.

Given Progressive's experience working with EDB on construction projects and on the consistency of supply to the sites we find that:

1. there is not a balanced negotiation relationship due to the monopoly position of the EDB;
2. little or no transparency as to how costs are determined for projects; and
3. there are practical problems with outage notifications due to the EDB's individual adoption of approach to notifying customers.

Progressive supports the MEUG submission to find solutions to these by way of considering changes to the draft DDA.

Supermarkets are high volume, fiercely competitive businesses where every cent counts and where margins are low. Our focus every day is to lowering the cost of goods to customers, and as such any additional unnecessary costs or impediments to competitive marketplaces are unwelcome by ourselves and by our customers.

Thank you again for the opportunity to submit, and please don't hesitate to contact me should you require any further information.

Yours sincerely

Leon Jarden

CODB Manager

Finance

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