

From: [Nikki Bloomfield](#)
To: [Submissions Mailbox](#)
Subject: Flick Energy Limited Submission
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Good Afternoon

Flick is grateful for the opportunity to submit on the EA's consultation paper for the development of default agreements for distribution services. Flick is supportive of the EA continuing to review and refine the Model Use of System Agreement.

As a new entrant electricity retailer Flick has only ever been able to take existing UoSA. Flick does not consider that there is any ability for small retailers to negotiate UoSA. For this reason it is very important that the requirements around even-handedness continue. From Flick's perspective it would be more workable if there was good template standard agreement – that distributors largely adopt this (rather than allowing individual negotiations that will continue to perpetuate the current issues with UoSA).

Flick believe that the EA should continue to address inconsistency across the industry with regard to UoSA (and that this should include addressing operational inconsistencies).

In terms of enabling innovation Flick see that the UoSA only play a small part. Flick see that the pricing and operational regimes of distribution companies as bigger issues to be resolved in terms of enabling innovation. Correspondingly Flick believe that addressing the Low Fixed Charge Tariff Regulations and the roll-out of smart meters would have a more positive effect on enabling innovation.

Kind Regards,

Nikki Bloomfield

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Submission on the Electricity Authority consultation paper “Default agreement for distribution services”

Response from Flick Energy Ltd (Flick)

Dated 18 April 2016

For email to submissions@ea.govt.nz by 5pm, 19 April 2016

Flick Energy Ltd – responses

Question No.	Question	Response
Q1.	<p>What is your view of the Authority's assessment of the arrangements that are currently in place governing the way distributors and retailers develop, negotiate, and agree UoSAs, and of the issues that the Authority has identified? Please provide your reasons.</p>	<p>Flick agrees that there is a problem with the way Use of System Agreements (UoSAs) are developed, negotiated and agreed.</p> <p>As a new entrant Flick does not consider that there is any opportunity to negotiate UoSA – in all network areas we have simply accepted the existing arrangements and have relied on the distribution companies obligations to treat retailers even-handedly.</p> <p>We suspect that it is only the very large retailers that are in a position to negotiate UoSA (and even they are not necessarily balanced negotiations) and that smaller retailers (and larger direct connect customers) simply have to take the existing terms.</p> <p>Flick does not see that these issues would be resolved voluntarily.</p>

<p>Q2.</p>	<p>What feedback do you have on the information in section 3, which describes the Authority's proposed new Part 12A of the Code, which includes a DDA template, requirements to develop a DDA, and provisions that provide that each distributor's DDA is a tailored benchmark agreement?</p>	<p>Flick is supportive of proposition to require distributors to have a DDA.</p> <p>Flick believe that there is benefit in following a standard template. It is more efficient for distribution agreements to follow the same format.</p> <p>Flick is not sure that the time frames outlined in section 3 will necessarily to be adequate if there are to be wide amendments to the existing agreements.</p> <p>Section 3.5 sets out that retailers can negotiate alternative terms. In Flick's experience this just would not be possible. We could not imagine any distribution company accepting trade-offs. So unless alternative agreements are available to all traders and that even-handedness continues, then this would not be in the interests of small retailers. Flick submit that it would be more preferable for each distribution company to have one fair agreement, that largely follows a template and that enables innovation.</p> <p>Flick believe that just as retailers are required to comply with the EA's Model T&C's, distributors should be required to comply with model / default distribution terms. Flick note that from a customer perspective that the finalisation of a DDA template should include consideration of the Fair Trading Act and the new requirements around unfair contract terms – especially where these terms are required to be carried over to retailers' customer agreements.</p> <p>There should also be better alignment between the legal terms of the contracts and the DDA and operational matters, such as those relating to the provision of outage information. Having different processes for each network adds complication and cost that is ultimately borne by customers.</p> <p>Flick does not see that there is necessarily a distinction between the legal and operational terms.</p>
<p>Flick Energy Ltd</p>	<p>PO Box 19 098, Courtenay Place, Wellington 6149</p>	<p>April 2016</p>

Q3.	What are your views of the Authority's assessment of the likely levels of demand for new and replacement UoSAs in coming years? Please support your response to this question with reasons and your alternative quantified assessment, if any.	The EA's analysis of the demand for new UoSA seems sound. In addition to those outlined there are also a number of existing distribution company agreements that are not based on the Model UoSAs. Flick (and presumably other retailers) would like to see the UoSAs that are not based on the model replaced.
Q4.	What are your views on the regulatory statement set out in section 4?	<p>Flick believe that regulatory action is required address the substantive changes needed to the existing agreements.</p> <p>Flick endorses an approach that reduces transaction costs for retailers.</p> <p>Flick concur that a DDA will help promote competition.</p> <p>Flick concurs that there ought to be a balance between standardisation and incentives to promote value-adding terms of service. However obviously smaller retailers have less resource and less negotiation power so even- handedness obligations should continue with respect to distribution services.</p>

Q5.	<p>What are your views on the detailed drafting of the Code amendment provided in Appendix B and Appendix C? Refer appendices 1 and 2 respectively.</p>	<p>Flick is supportive of the new terms replacing 'line function' with 'distribution' and 'use of system' with 'distribution'.</p> <p>In relation to the new provisions relating to appealing to the Rulings Panel (12A 5,6 and 7) Flick could not imagine taking this course of action. As a small retailer the time and cost would be prohibitive. Flick submits that it would be more efficient to require the distribution companies to adhere to fair, consistent and workable DDA terms.</p> <p>Flick do have concerns with 12A.10. - this sets out that distributors and traders may enter alternative agreements (that relate only to distribution agreements). Flick would like to see that this provision would be linked to an even-handedness obligation. It is the even-handedness that smaller retailers in particular rely on when dealing with distribution companies, so Flick would be concerned if there were alternate agreements that were not open, and available to all retailers.</p>
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For any questions relating to this submission, please contact:

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