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Electricity Authority
Level 7 AON Centre
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By email: DDA@ea.govt.nz

Horizon Energy Distribution Limited (Horizon Networks) submission on follow-up consultation – proposed changes to the default distributor agreement

1. Thank you for providing us with the opportunity to provide further feedback on the Default Distributor Agreement (DDA).
2. Horizon Networks is a small trust-owned Electricity Distribution Business (EDB) serving over 25,000 consumers in the Eastern Bay of Plenty region. As a trust-owned EDB, we have a strong consumer focus and seek to benefit both our Shareholder Trust Horizon and the communities we serve.
3. We appreciate that the Electricity Authority has considered submissions and has identified some additional improvements to enhance the DDA template that is the focus of this consultation paper.
4. We support Electricity Networks Aotearoa's submission and conclusion that Core Term 9.10 is not in keeping with the Electricity Authority's statutory objective so it should not proceed.
5. However, if the Electricity Authority can demonstrate that core term 9.10 aligns with the Electricity Authority's statutory objective and will provide a net consumer benefit, we would like to highlight the following operational issues:
 - Core term 9.10 could be workable if measured in 'complete days'.
 - Core term 9.10 could be consumer-focused by only triggering when there would be a consumer benefit.

Core term 9.10 could be workable if measured in 'complete days'

6. Horizon Networks appreciates the thought the Electricity Authority has put into the implementation aspect of the proposed improvement to Core term 9.10 by considering the role that market systems have in enabling accurate billing and retailer / EDB interactions.
7. Assuming there is a net consumer benefit, we support the proposal to update the registry functionality to allow EDBs to flag unplanned outages, and the clarification that not charging for lines services due to an electricity supply interruption is a reduction in revenue, not a payment to traders.
8. Horizon Networks notes that the proposed clause 9.10 refers to an outage of 24 hours or longer, however, the registry functionality only permits population of information for 'complete days' (from 00:00 – 24:00).
9. If an ICP is 'active' for any part of a day, the trader must ensure the ICP has the status of 'active' on the registry. If the ICP is 'inactive' for a complete (whole) day, then the trader must ensure the ICP has the status of 'inactive' on the registry.
10. This allows the reconciliation manager to identify which ICPs are expected for submission on a given day, and if necessary, apply ICP days scaling to the trader's submission information.
11. To remain consistent with existing registry functionality, the reference to '24 hours or longer' in clause 9.10 should be replaced with 'complete day' (consistent with the proposed wording of clause 9.11).
12. If EDBs are required to not bill for part days of outages, then this will diverge from established processes within the registry and reconciliation market systems and means that it would not be practical to leverage existing registry functionality to ensure these ICPs are automatically not billed for the periods they are inactive.
13. We support the ENA's submission regarding the number of 'complete days' that should have passed before line services are not charged.

Core term 9.10 could be consumer-focused by only triggering when there would be a consumer benefit.

14. Horizon Networks notes that the proposal to include Core term 9.10 in the DDA will in many cases not be for the consumer's benefit. EDBs will incur additional administration costs to manage the invoicing of affected interruptions and due to the nature of price-quality regulation, any revenue not recovered from affected consumers will be recovered from other consumers on the network.
15. Horizon Networks expects traders will face similar challenges, which means it may not always be economically efficient to meet the current overly prescriptive wording of the clause.
16. Horizon Networks believes this can be resolved by making Clause 9.10 a 'permissive' clause, that allows the trader to request a reduction in lines charges. This helps ensure that any reduction in lines charges is in the long-term interests of consumers and is not simply adding dollars of administration overhead for cents of refunds.
17. **Horizon Networks recommends:** If Clause 9.10 is considered for the long-term benefit of consumers, it is reframed to consider 'complete days', and limited to situations where the trader agrees a reduction in lines charges is desirable.

Proposed wording (changes in red).

9.10 *Reduction of charges due to electricity supply interruption: If, as a consequence of a fault on the Network, there is a continuous interruption affecting a Customer's Point of Connection for **one or more complete days**, on request from the Trader **24 hours or longer**, the Distributor must:*

(a) advise the Trader of the ICPs that are so affected either as part of the invoicing information for the next monthly billing cycle or separately prior to the next month's billing cycle (for example by updating the registry status to "Inactive", or by sending a separate report); and

*(b) in the next monthly billing cycle, reduce the Distribution Services charges paid by the Trader in respect of the ICP or ICPs for that Customer for the number of complete days during which supply of electricity was interrupted, by setting the billed quantities for each **complete day** during which the interruption continues **and the day the interruption ends, except the first day during which the interruption began**, to zero.*

In conclusion, if there is a net benefit to consumers in amending the DDA then there are additional changes that could make the implementation of 9.10 more practical

18. The DDA is the core contract between EDBs and retailers for the provision of line services. Making changes to the DDA is not trivial and will incur costs for all parties. Due in part to the fact that any reduction in line charges for an individual consumer is borne by all other consumers Horizon Networks remains unconvinced that the proposed changes will provide a net benefit to consumers.
19. If these changes are deemed necessary and in the interest of consumers, then there is a need to make the clauses more permissive and triggered by a request from the trader (who has the contract with the customer and competitive pressure to provide a high level of customer services). A permissive, trader-centric approach will keep the consumer, and the services the trader provides the consumer at the core of the process and helps avoid EDBs and traders from processing reductions that cost more to process than the value of the reduction, so would not be in the long-term interests of consumers.

Yours Sincerely



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HORIZON ENERGY DISTRIBUTION LIMITED

APPENDIX A: FORMAT FOR SUBMISSIONS

Questions	Comment
<p>Q2.1 Do you consider the revised proposed approach in 9.10 is workable, efficient, and effective? Would you propose any alternative approaches?</p> <p>Please describe these approaches in your answer.</p>	<p>Horizon Networks supports the ENA submission, and challenges as to if this proposed change will deliver consumer benefits.</p> <p>If there are benefits in making this change, Horizon Networks supports the proposal to update registry functionality to allow EDBs to flag unplanned outages.</p> <p>We support clarifying this is a reduction in revenue, and not a refund so EDBs are not penalised twice for the same outage.</p> <p>In order for this to be workable, and align with existing registry functionality, the time period should be measured in ‘complete days’ (00:00 – 24:00) rather than a 24-hour period.</p> <p>This would ensure the information populated by the distributor is consistent with how traders maintain the ‘inactive’ status on the registry.</p> <p>Traders only flag ICPs with an ‘inactive’ status where the ICP is inactive for the whole day. This is because the status is used in the reconciliation managers' ICP days process to determine if submission information is required for that ICP.</p> <p>The use of the term ‘complete day’ is consistent with the proposed clause 9.11.</p> <p>We also suggest that any registry functionality to allow EDBs to flag when an ICP is ‘inactive’ due to a network outage can consume information in EIEP5B format.</p>
<p>Q2.2 Do you consider it would incentivise distributors to restore electricity supply to consumers more quickly if they did not need to reduce charges for a longer outage period than 24 hours?</p>	<p>Horizon Networks does not consider that any changes to the DDA would incentivise EDBs to restore electricity supply to consumers more quickly.</p> <p>The Commerce Commission quality incentives, combined with the media and consumer pressure that is applied when an outage is abnormally long encourages EDBs to restore power as soon as practicable.</p>
<p>Q2.3 If so, what time limit would you consider reasonable before charges should be reduced (eg, a maximum of 48 hours interruption)?</p>	<p>Horizon Networks supports a reduction in charges for ‘complete days’ (a whole day from 00:00 – 24:00) where the ICP has not been supplied electricity lines services.</p>
<p>Q2.4 How would this longer period incentivise quick restoration of electricity supply and balance the disruption to the consumer and the consumer’s right to receive the electricity they are paying for?</p>	<p>As noted above, Horizon Networks does not consider that any changes to the DDA would incentivise EDBs to restore electricity supply to consumers more quickly.</p> <p>The use of ‘complete days’ would align with the registry functionality and existing billing and reconciliation process, where if an ICP is supplied line services for some or all of a day, that daily charge is applied but if the ICP is not supplied line service for any part of the day there is no lines charge.</p>
<p>Q3.1 Do you consider new clause 9.11 effectively addresses the identified problem? Would you propose any</p>	<p>While this proposal appears, reasonable there are three practical implications of this proposal.</p>

Questions	Comment
<p>alternative approaches? If so, please describe these approaches in your answer.</p>	<p>1. Traders are responsible for the status of the ICP and can arrange for the ICP to be disconnected without the EDBs intervention or consent. Customers should be contacting traders for disconnection, and traders should be actioning this without EDB involvement. For example, many AMI meters include remote disconnection/reconnection functionality. As a result, traders will normally be disconnecting ICPs and only traders (not their customers) should contact EDBs if there is a need for a qualified technician to physically disconnect the ICP from the network.</p> <p>2. This clause financially incentivises customers and traders to inundate the EDB with more disconnection requests than an EDB can handle in order to avoid lines charges. These will be happening during a period of stress when the EDB is focused on managing a network during a state of emergency. As written, the proposed change risks diverting resources from critical operational activities to record hypothetical disconnection requests.</p> <p>3. The clause requires EDBs to action the reduction in charges during the next monthly billing cycle. If there is an extended state of emergency this may not be practical and would divert operational resources away from restoring ICPs to record and communicate who is requesting disconnection promptly. There should be some flexibility to allow EDBs to process these in a timely manner, which due to a state of emergency may not be the next billing month.</p> <p>Horizon Networks recommends this clause is amended to, following an emergency allow the trader and EDB to retrospectively agree to not charge lines charges for ICPs that have been requested to be disconnected, but due to the emergency, the trader is unable to arrange for disconnection.</p> <p>We note that this exceptional circumstance could not be managed through the registry status, as the ICP will be connected to the network and could still be consuming electricity. The trader will continue to have the obligation to ensure the meter is read and volumes are settled in the wholesale market.</p>
<p>Q4.1 Do you consider new clause 12A.6 is practical to implement and will deliver benefit to consumers? Please explain why or why not.</p>	<p>Horizon Networks cannot comment on the practicality of the proposed clause; however, if line charges are reduced, we support the pass-through of reduced lines charges.</p> <p>As any administrative charges (such as the provision of customer service representatives) are already covered by the retailer’s portion of any fixed or variable charges, we question if there is a need for the retailer to be permitted to withhold any amount from the customer.</p>
<p>Q4.2 Do you see any issues or have alternative ideas? If so, please explain please explain what these are.</p>	<p>We suggest the Electricity Authority engage with retailers to understand what additional costs need to be covered by the ‘withholding’ clause that are not already covered by the retailer’s existing charges to cover the cost of doing business.</p>

Questions	Comment
<p>Q5.1 Is the revised approach to clause 33.2 appropriate and practical to implement without the need for significant system changes? Please explain your views.</p>	<p>Horizon Networks supports the ENA submission on clause 33.2, and to make this an enabling clause rather than making it mandatory to apply a use of money adjustment.</p> <p>We believe Horizon Networks' existing wording for 9.3(f) of our distribution agreement already achieves this balance and the use of money adjustment is applied unless both parties agree otherwise.</p> <p>9.3 Issuing of Tax Invoices: <i>The Distributor must issue Tax Invoices for Distribution Services as follows:</i></p> <p>...</p> <p><i>(f) if the information received by the Distributor in accordance with Schedule 2 includes revised reconciliation information or additional consumption information, the Distributor must provide a separate Credit Note or Debit Note to the Trader in respect of the revised consumption information ("Revision Invoice"), and a Use of Money Adjustment (unless the parties agree otherwise);</i></p> <p>We also note that when corrections are made, the use of money adjustment is not passed through to consumers. As a result, making the application of the adjustment mandatory is unlikely to provide a net consumer benefit.</p>
<p>Q5.2 Does the revised approach to clause 33.2 reduce potential implementation costs? Please explain your views.</p>	<p>Horizon Networks supports the ENA submission on clause 33.2.</p>
<p>Q6.1 Do you agree with the analysis presented in this Regulatory Statement? If not, why not?</p>	<p>We agree that the proposals are intended to improve the workability of the Code, however, challenge the Electricity Authority's assumption that these additional requirements will provide a net long-term benefit to consumers.</p>