

31 July 2024

Electricity Authority
PO Box 10041
Wellington 6143.

By email to dda@ea.govt.nz

Submission to the Electricity Authority's Proposed Changes to the Default Distribution Agreement Consultation

Marlborough Lines Limited (MLL) appreciates the opportunity to submit on the Electricity Authority's (EA's) "Follow-up consultation - proposed changes to the default distributor agreement" consultation paper.

MLL is a consumer owned (through the Marlborough Electric Power Trust) electricity distribution business, distributing electricity to over 27,000 consumers in the Marlborough region.

The MLL network supplies urban centres including Blenheim and Picton, along with very remote parts of Marlborough, such as the outer Marlborough Sounds. In remote areas, the majority of connections are holiday homes¹, with low annual electricity consumption. Due to the long lengths of lines, difficult access, challenging terrain with high vegetation coverage and growth rates, MLL incurs significant costs in meeting its legislative obligations to maintain supply to these connections.

In August 2022, the Marlborough Sounds area experienced a heavy and prolonged rainfall event which resulted in significant land instability. This impacted the local roading network and damaged many properties, with approximately 70 homes red or yellow stickered by the Marlborough District Council. Difficult access to the outer Marlborough Sounds for MLL crews was made worse, with road reinstatement works ongoing across many areas for close to two years later. This event followed another significant rainfall event in July 2021 which resulted in major flooding across the Wairau Plain (and other parts of Marlborough) which caused sustained network outages for up to 10 days in duration.

Aside from the above two storms, the other major event experienced by MLL over the last decade was the November 2016 Kaikoura earthquake. This caused extensive network damage to the southern east coast parts of MLL's network.

In each of the above events, additional resources from outside Marlborough were either on standby or brought in to assist in restoring supply to MLL's consumers. As a consumer owned EDB, MLL takes immense pride in getting the power back on to its consumers, particularly during and following, major events. Unfortunately, during major events, consumers can be out for sustained periods as noted above. MLL's costs of supply do not change, in fact, in major events, they can increase by the need to bring in additional resources, increased hours of overtime worked to restore supply, and working alongside other local emergency response agencies.

¹ MLL estimates (based on annual consumption data) there to be approximately 1,500 holiday homes in the Marlborough Sounds.

This submission provides responses in line with the consultation paper's requested format for submissions. We would be pleased to provide any further information and/or discuss any of the comments further with the EA, if required.

Yours sincerely

A handwritten signature in black ink, consisting of a large, stylized 'S' followed by a horizontal line that tapers to the right.

Scott Wilkinson
Commercial Manager

Part 12A clause 9.10 (refund of charges)

Questions	Comments
<p>Q2.1</p> <p>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>It is workable, but does not seem efficient, nor effective.</p> <p>It is unclear how 24 hours has been deemed to be “sufficient” time for distributors to restore supply. In some instances, 24 hours is not sufficient to restore supply particularly to remote parts of the MLL network in adverse weather conditions where boats/helicopters can be the only form of access.</p> <p>The consultation paper states: “The Authority considers that consumers should not pay for electricity supply they do not receive” – consumers who are without a supply do not pay for the energy component of their bill, as electricity cannot flow when supply is interrupted. Distributor costs cover the operation of the network and supply interruptions do not reduce these costs - costs are not set on the basis of whether or not electricity is flowing to an installation.</p> <p>In recent years the EA has advocated for more efficient and cost reflective pricing reform by distributors, including the balance of pricing moving to fixed, as well as recovering transmission charges through the fixed daily charge. The approach to refund fixed daily charges during supply interruptions, appears inconsistent with the cost reflective pricing reform being encouraged.</p> <p>It should also be noted that a daily fixed charge is purely a revenue recovery mechanism for distributors. Distributors costs are annualised, with revenue recovered (mostly) on a fixed daily charge basis. Distributors costs, as described above, do not reduce during supply interruptions and in reality, have the potential to increase. Therefore, reducing distributors revenue is not considered efficient or effective. Further, fixed daily charges for residential consumers are not particularly material – starting at 60c/day (if on the low fixed charge domestic tariff).</p> <p>If the EA’s proposal becomes effective, do changes to Schedule 11.1 clause 19 of the Electricity Industry Participation Code (the Code) also need to be made?</p>
<p>Q2.2</p> <p>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>No – While MLL cannot comment on behalf of other distributors views, MLL’s own view is that it takes great pride and satisfaction in restoring consumers’ supply as quickly as possible, particularly during/following major events.</p> <p>Requiring distributors to refund fixed daily charges will not incentivise MLL to restore supply any more quickly and refunding fixed daily charges would likely incur additional administration costs that distributors would need to cover or recoup by increasing prices.</p>
<p>Q2.3</p> <p>If so, what time limit would you consider reasonable before charges should be reduced (eg, a max of 48 hours interruption)?</p>	<p>N/A as MLL does not believe it will be incentivised to restore supply any more quickly.</p>

<p>Q2.4</p> <p>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 pay for?</p>	<p>N/A as MLL does not believe it will be incentivised to restore supply any more quickly.</p>
--	--

New Part 12A clause 9.11 (Reduction of charges due to state of emergency):

Questions	Comments
<p>Q3.1</p> <p>Do you consider new clause 9.11 effectively addresses the identified problem? Would you propose any alternative approaches? If so, please describe these approaches in your answer.</p>	<p>MLL does not support the introduction of clause 9.11.</p> <p>The introduction of this new clause raises the following questions:</p> <ul style="list-style-type: none"> a) Who would be the party that determines whether or not an ICP can be accessed? If a consumer in a remote area requested a disconnection and it could be accessed, MLL would look to charge costs incurred by its staff to physically undertake that disconnection – many of these connections would involve over two hours of travel time. If a consumer believed access was not possible, and under the clause no physical disconnection would occur but simply an update to the registry status, should the distributor confirm whether or not access is possible and require a physical disconnection to be undertaken if it deemed it was? b) Does the distributor need to advise the Trader and the Trader update the registry to Inactive as it would under 9.10 (a)? Or is no update to the status of the ICP in the Registry needed under this scenario? c) The proposed new clause 9.11 does not reference supply interruption. Does there need to be a supply interruption for a consumer to request a disconnection? i.e., there could be a state of emergency declared, a consumer's ICP was unable to be accessed (due to say, roading damage, or high winds preventing a helicopter from flying), but the Distributor's supply is <u>not</u> interrupted. d) In the example where there is a supply interruption under a declared state of emergency, and a consumer requests disconnection (whether or not the ICP can be accessed), what happens when supply is restored? Does the disconnection (whether physical or not) become reconnected? What would happen when the state of emergency was lifted? e) Might this introduce health and safety risks to consumers (and/or workers on their properties), whereby an ICP is disconnected (due to a consumer or trader request) but not physically, then work (e.g., dwelling repair work) is undertaken at the property the ICP is associated with? f) What would happen in a situation where a consumer who has distributed generation installed, requests a disconnection but the ICP cannot be accessed and no physical disconnection takes place, but the consumer can still export energy to the network – should the Distributor reduce daily fixed charges in that situation?

	<p>As noted in this submission, MLL has a significant number of holiday homes in the Marlborough Sounds. As their name implies, holiday homes are typically only utilised during holiday weekends – resulting in extended periods throughout the year of non-use. If the Marlborough Sounds area was impacted by another event resulting in a declared state of emergency (like that of August 2022), then access to properties would be severely hampered (above and beyond the normal day to day access challenges – some remote areas are only accessed by barge or helicopter).</p> <p>MLL believes that the proposed introduction of this clause could result in an unintended consequence whereby consumers who would not be at their holiday homes for extended periods, may request disconnections to their supply, to receive reductions to their fixed daily charges. Access to the sites could be prohibited due to roading damage (again, as was experienced in the August 2022 storm event). Consumers could therefore arguably not get to their holiday homes to “use electricity”, even though they may have had no intention of getting to their holiday homes anyway. It is possible under the proposal that in this situation, those consumers request a disconnection, and MLL would be required to undertake that, at least through updating the ICP record in the registry to Inactive. Even were MLL to reduce charges until supply was restored, it might not then be able to reinstate charges if the ICP continues to remain disconnected (inactive).</p> <p>Approximately 70 homes in the Marlborough Sounds were red or yellow stickered as a result of the August 2022 event. In some instances, homes have still almost two years later not been reconnected. MLL’s network was also impacted from the event, and repairs have been made to make the network safe, but, relocation of assets in areas of land instability have not yet taken place because consumers have not yet confirmed whether or not (or when) they intend to repair or rebuild. MLL has discussed the possibility of decommissioning the supply (to avoid costly network relocation works in future), however, consumers have not agreed to this and want to retain the option to connect at some point in time in future. MLL’s wider consumer base are effectively subsidising these consumers’ option to one day connect, as MLL must continue to maintain a supply to these areas and ICPs under the Electricity Industry Act 2010.</p> <p>Further to the above point, MLL has examples of remote ICPs that have been disconnected for over 10 years. In certain instances, there can be over 2km of overhead high voltage lines supplying a single disconnected installation. MLL’s obligations to continue supply mean that MLL incurs significant cost in maintaining these lines, but receives no revenue – i.e., these costs are covered by other consumers. The proposed introduction of clause 9.11 has the potential to exacerbate this situation for MLL.</p> <p>While outside the scope of this consultation, MLL believes that for the proposed new clause to be more efficient and effective, there should be a time limit on the disconnected or inactive status for ICPs – Distributors should be allowed to decommission ICPs that have been disconnected for a period of time (say 12 – 18 months) to avoid incurring ongoing charges in meeting the continuance of supply obligations (and not being able to recover any revenue for doing so).</p>
--	--

New Code clause 12A.6 (retailers must pass-through reduction in distribution charges):

Questions	Comments
-----------	----------

<p>Q4.1</p> <p>Do you consider new clause 12A.6 is practical to implement and will deliver benefit to consumers?</p> <p>Please explain why or why not.</p>	<p>If distributors will be required to reduce daily fixed charges, then it only seems logical that retailers should too be required to reduce those charges, to ensure that the end consumer is benefitting. There would seem little point in requiring distributors to reduce charges intended for end consumers, but for end consumers to not receive them.</p>
<p>Q4.2</p> <p>Do you see any issues or have alternative ideas? If so, please explain what these are.</p>	<p>MLL does not support the reduction of fixed daily charges at all, but if required to, retailers should also be required to.</p>

Code clause 33.2 (definition of ‘use of money adjustment’):

Questions	Comments
<p>Q5.1</p> <p>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>MLL supports the response included in the submission by Electricity Networks Aotearoa and has no further comments.</p>
<p>Q5.2</p> <p>Does the revised approach to clause 33.2 reduce potential implementation costs? Please explain your views.</p>	<p>MLL supports the response included in the submission by Electricity Networks Aotearoa and has no further comments.</p>

Regulatory statement:

Questions	Comments
<p>Q6.1</p> <p>Do you agree with the analysis presented in this Regulatory Statement? If not, why not?</p>	<p>No comment.</p>