

30 July 2024

Electricity Authority  
PO Box 10041  
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Submitted via email to [dda@ea.govt.nz](mailto:dda@ea.govt.nz)

## Consultation Paper – proposed changes to the default distributor agreement

### Introduction

1. Thank you for the opportunity to submit on the follow-up consultation paper ‘proposed changes to the default distributor agreement’.<sup>1</sup> This submission is not confidential and can be publicly disclosed.
2. Orion owns and operates the electricity distribution infrastructure in Central Canterbury, including Ōtautahi Christchurch city and Selwyn District. Our network is both rural and urban and extends over 8,000 square kilometres from the Waimakariri River in the north to the Rakaia River in the south; from the Canterbury coast to Arthur’s Pass. We deliver electricity to more than 225,000 homes and businesses and are New Zealand’s third largest Electricity Distribution Business (EDB).

### Orion summary points

3. We have reviewed the consultation paper, and our general views are summarised in this section. Orion’s specific responses to the ten questions posed by the Authority as well as other feedback we consider appropriate to the consultation are set out in [Appendix A](#).
4. In principle, Orion supports the Electricity Networks Aotearoa submission.
5. The proposed changes to clause 9.10 lack practicality and efficiency, offering minimal consumer benefit while imposing significant burdens on distributors. Our data analysis shows average refunds of \$0.48 per ICP, which does not justify the extensive system and process changes required. Moreover, the current SAIDI and SAIFI limits set by the Commerce Commission already provides robust incentives for timely power restoration after unplanned outages, without compromising safety. These existing measures effectively motivate distributors to restore power quickly, making the proposed changes redundant.
6. The proposed changes to clause 9.11, while well-intentioned, may lead to unintended consequences, and do not effectively address the identified problem. The current wording allows for traders or customers to request disconnection because a state of emergency has been declared, without requiring evidence of actual damage to their premises. This broad criterion could lead to unnecessary disconnection requests, straining distributor resources during critical periods. Furthermore, the amendment does not account for potential disconnection and reconnection fees incurred by customers, and possible extended wait times for reconnection. We propose amending the clause to require demonstrable damage, such as a prohibited access notice issued under section 124 of the New Zealand Building Act 2004, as a prerequisite for disconnection requests during emergencies.

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<sup>1</sup> [https://www.ea.govt.nz/documents/5183/Follow-up\\_consultation\\_-\\_proposed\\_changes\\_to\\_the\\_default\\_distributor\\_agreement.pdf](https://www.ea.govt.nz/documents/5183/Follow-up_consultation_-_proposed_changes_to_the_default_distributor_agreement.pdf)

7. We strongly advocate for maintaining the current practice of distributors providing reduction in distribution charges, assessed on a case-by-case basis. This approach is more efficient and ensures that consumers receive the full reduction in distribution services charges amount. The proposed involvement of traders as intermediaries unnecessarily complicates the process and reduces the ultimate benefit to end consumers. Under the proposed clause 12A.6, traders would be allowed to retain up to 50% of the first day's charges for their own administrative purposes. This is particularly concerning given that to-date, the majority of Orion's unplanned outages are resolved within two days. Under the proposed system, consumers would likely receive only a fraction of the reduction in distribution charges.
8. The revised approach to clause 33.2 is neither practical nor cost-effective to implement. With recent washups amounting to only \$5,000 over six months, the impact of implementing 'Use of Money Adjustment' is minimal compared to the significant system and process changes required. Implementation would necessitate substantial development time to configure changes to Orion's billing platform, new complex administrative processes (such as compliance with resident withholding tax), and potentially a new full-time position to manage the process effectively. Focus on changes such as these will be a distraction from the more important system development to support pricing reform.
9. A comprehensive cost-benefit analysis is notably absent from both the initial and follow-up consultations over the proposed amendments to the default distributor agreement ("DDA"). The Regulatory Statement does not adequately address the disproportionate impact these changes would have on distributors, compared to the minimal benefits that they might provide to consumers. For the Authority's proposed amendments to the DDA, the costs appear to significantly outweigh any perceived potential benefits, and the amendments should not be progressed.

### Concluding remarks

10. Thank you for the opportunity to provide feedback on this consultation.
11. If you have any questions or queries on aspects of this submission which you would like to discuss, please contact us on 03 363 9898.

Yours sincerely,



Connor Reich

**Regulatory Lead – Electricity Authority**

Appendix A

<b>Submitter</b>	<b>Orion New Zealand Limited (“Orion”)</b>
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**Part 12A clause 9.10 (reduction of charges due to electricity supply interruption)**

Questions	Comments
<p><b>Q2.1. Do you consider the revised proposed approach in 9.10 is workable, efficient, and effective? Would you propose any alternative approaches?</b></p> <p><b>Please describe these approaches in your answer.</b></p>	<p>We do not consider the revised proposed approach to clause 9.10 to be workable, efficient, or effective. Our assessment is based on several key factors:</p> <p><b><i>Efficiency and effectiveness concerns:</i></b></p> <ol style="list-style-type: none"> <li>1. We disagree with the assertion that this change will materially benefit consumers or provide a material reduction in charges for electricity not received. Our data analysis demonstrates minimal consumer benefit: <ul style="list-style-type: none"> <li>• FY24: 897 affected ICPs<sup>2</sup>, total reduction in distribution charges of \$434.25 (approximately \$0.48 per ICP).<sup>3</sup></li> <li>• FY23: 522 affected ICPs, total reduction in distribution charges of \$194.70.</li> <li>• FY22: 844 affected ICPs, total reduction in distribution charges of \$149.40.<sup>4</sup></li> </ul> </li> <li>2. Breaking this down further by cause of outage (between FY22 – FY24), demonstrates how many outages occur for events outside of Orion’s control: <ul style="list-style-type: none"> <li>• Weather-related: 1,742 affected ICPs, total reduction in distribution charges of \$520.35.</li> <li>• Vegetation-related: 455 affected ICPs, total reduction in distribution charges of \$223.65.</li> <li>• Third-party and Other: 50 affected ICPs, total reduction in distribution charges of \$21.00.</li> <li>• Defective equipment: 16 affected ICPs, total reduction in distribution charges of \$13.35.</li> </ul> </li> </ol>

<sup>2</sup> Affected by an outage greater than 24-hours.

<sup>3</sup> These figures represent a ‘worst-case’ scenario, calculated using clause 9.10 requirements, and Orion’s distribution services pricing structure for the respective financial year. The calculation assumes that all affected ICPs for an unplanned outage, lasting greater than 24-hours, remained without power until the final ‘power-on’ date and time when power was restored to the last affected ICP. Orion’s current and historical pricing structure can be found here: <https://www.oriongroup.co.nz/our-story/pricing>.

<sup>4</sup> The increase in reduction in distribution charges amounts over the years reflects Orion’s gradual increase in Low User Charges, in line with the phase-out of Low Fixed Charge Tariff regulations. This change impacts the total distribution services charges that would have been refundable to consumers in prior years.

3. The immateriality of the consumer reduction in distribution charges becomes evident when considering a scenario similar to the 22 February 2011 Christchurch earthquake. Our data analysis shows that the total reduction in distribution charges required under clause 9.10 for such an event would amount to just \$161,284.30 in total for all affected customers.<sup>5</sup> On average, each affected customer ICP would receive just \$3.26.
4. These figures shown above demonstrate a consistent trend of immaterial reductions in distribution charges amounts. We question the value of implementing clause 9.10 given the minimal consumer benefit, especially when weighed against the significant system and process changes required, as outlined below.
5. Orion currently considers Distribution Services refunds on a consumer-initiated, case-by-case assessment<sup>6</sup> basis<sup>7</sup>. The proposed change would require overhauling our existing processes, and require implementing billing system changes to accommodate the new reduction of charges process. We question whether refunding traders to then pass on a portion of the amount refunded, rather than consumers directly, truly aligns with the goal of consumer benefit.
6. Furthermore, both this clause and clause 9.11 exists within the DDA, not the Code. There is a lack of an effective compliance mechanism, which raises concerns about enforceability and auditability on whether retailers have passed on the reduction in distribution charges to the customer. Non-compliance with these clauses would be considered a 'breach of contract', not an auditable Code breach.

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<sup>5</sup> Orion did not use 'fixed charges' in 2011; this calculation uses Orion's delivery prices from 1 April 2024, as outlined on our Pricing webpage: <https://www.oriongroup.co.nz/our-story/pricing>. Additionally, this calculation assumes a 'worst case' scenario where all ICPs that had outages caused by the 22 February 2011 earthquake were without power until the final 'power-on' date and time when power was restored to the last affected ICP. In practice, many ICPs may have had their power restored much more rapidly, but due to a lack of granular data on individual restoration times, all affected ICPs are included in this calculation. This approach likely overestimates the total reduction in distribution charges amount.

<sup>6</sup> This case-by-case assessment includes processing distribution services refunds because of material damage to a property via fire, or similar means. This case-by-case assessment has its roots in Orion's response to the Christchurch earthquakes. These are consumer-initiated, and are reviewed and approved by our Customer Support team. Our Finance team then processes the refund as a credit note which is applied directly to the trader's customer account.

<sup>7</sup> For context, in FY24, Orion processed refunds for 11 businesses and 67 residential customers. While in FY23 and FY22, respectively, 48 and 31 residential customers were refunded.

	<p><b>Workability concerns:</b></p> <ol style="list-style-type: none"><li>1. The Registry system does not support EDBs updating an ICPs' Registry status from 'active' to 'inactive'. While paragraph 2.28 of the consultation paper<sup>8</sup> notes that functionality of the Registry would be adjusted, this change would impose additional administrative responsibilities on EDBs, necessitating process, system, and role changes for minimal consumer benefit.</li><li>2. The lack of de minimis exemptions for cases involving a small number of, or singular, ICPs would result in increased administrative burden during critical response periods. During outages or emergencies, when EDB resources are already focussed on power restoration, staff would be required to manually configure each affected ICPs' Registry status.</li><li>3. There is also the potential for a safety risk to materialise, if an ICPs' Registry status has been changed to 'inactive', but the property has not yet been deenergised.</li><li>4. Paragraph 2.27 of the consultation paper<sup>9</sup> notes that '<i>a distributor will have this information as part of managing affected ICPs through the transformer, feeder, and low voltage network information it holds.</i>' Like many EDBs, Orion lacks visibility of our LV network<sup>10</sup> in our Advanced Distribution Management System (ADMS). For LV incidents that affect single or multiple premises, we rely on customer calls to create manual incidents, which then updates the relevant trader(s). This outage notification is not integrated with our billing platform and would require significant system and process changes to ensure that qualifying outages have reductions in distribution charges managed effectively.</li><li>5. The proposed amendment update does not address scenarios where customers are in the process of switching traders during an outage period, potentially complicating the reduction in distribution charges process.</li></ol>
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<sup>8</sup> [https://www.ea.govt.nz/documents/5183/Follow-up\\_consultation\\_-\\_proposed\\_changes\\_to\\_the\\_default\\_distributor\\_agreement.pdf](https://www.ea.govt.nz/documents/5183/Follow-up_consultation_-_proposed_changes_to_the_default_distributor_agreement.pdf), 9.

<sup>9</sup> Ibid, 9.

<sup>10</sup> Orion is making significant strides in our ability to access and utilise street-level low voltage network data. Traditionally, EDBs have not had good visibility of the condition and behaviour of their low voltage networks, as these were planned for reasonably stable passive load households with one-way power flow. As customers adopt technologies such as EVs, and solar systems and batteries, two-way power flows are created. Developing visibility of, and capability in, the low voltage network is essential to efficient electricity network management. Orion's "Visibility and System Insights for the Orion Network" (ViSION) project seeks to develop insights that can unlock latent capacity in our low voltage network, and deliver other numerous efficiency, quality and safety improvements. Further information about the ViSION project can be found here:

<https://www.oriongroup.co.nz/assets/Your-energy-future/Orion-ViSION-innovation-allowance-application-Jun-2024.pdf>.

	<p><b><i>Orion's alternative approach proposed:</i></b></p> <p>We propose not progressing this amendment, and maintaining the current system that allows distributors to handle outage-related reductions in distribution charges on a case-by-case basis. This approach utilises existing processes and avoids unnecessarily complicating the process by requiring registry updates or billing system changes. This method has proven effective in addressing genuine customer needs during significant outages, while maintaining operational efficiency.</p> <p>As outlined in our response to question <a href="#">Q6.1</a>, we raise that the Authority has not conducted a comprehensive data analysis to accurately identify the scale and significance of the issue that this proposal aims to address. Conducting such an analysis would ensure that any regulatory changes are both proportionate to a real problem and deliver meaningful benefits to customers.</p>
<p><b>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?</b></p>	<p>We do not believe that reducing charges for outage periods longer than 24 hours would significantly incentivise distributors to restore electricity supply more quickly.</p> <p>The current regulatory framework already provides strong incentives for timely power restoration. SAIDI and SAIFI limits set by the Commerce Commission in Part 4<sup>11</sup>, effectively motivate distributors to restore power as quickly as possible. Failing to meet unplanned SAIDI limits results in non-compliance with quality standards, leading to scrutiny via investigation and potential for financial penalties. Additionally, meeting targets can result in rewards and not meeting targets can result in penalties.</p> <p>While financial incentives can be effective, they must be carefully balanced against safety considerations. Our primary focus during power restoration is to work quickly, but more importantly, safely. We are concerned that additional financial penalties could potentially perversely incentivise unsafe practices in an attempt to avoid these penalties.</p>

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<sup>11</sup> [https://comcom.govt.nz/\\_data/assets/pdf\\_file/0025/216862/Electricity-distribution-services-default-price-quality-path-determination-2020-consolidated-20-May-2020-20-May-2020.pdf](https://comcom.govt.nz/_data/assets/pdf_file/0025/216862/Electricity-distribution-services-default-price-quality-path-determination-2020-consolidated-20-May-2020-20-May-2020.pdf)

	<p>We challenge the characterisation in paragraph 2.25 of the Consultation paper<sup>12</sup>, which refers to a ‘customers’ right to have their charges reduced when electricity is not supplied’. As outlined in our prior submission<sup>13</sup>, during an outage, distributors are actively working to restore electricity delivery, which constitutes an ongoing service. Customers already receive a form of price reduction as they are not charged for kWh usage during outages. Moreover, there is a clear service level expectation that 100% supply guarantee is not feasible.</p> <p>The Consumer Guarantee Act (CGA) provides for acceptable quality in electricity supply, while acknowledging factors that may affect supply, such as emergencies outside the control of the distributor or interruptions for safety, maintenance or technical reasons. We suggest that similar qualifiers could be beneficial in this context.</p> <p>As outlined in our response to <a href="#">Q6.1</a>, we ask that the Authority provide evidence demonstrating a significant and systemic problem with customers paying for Distribution Services they are not receiving. Without such evidence, it is challenging to justify the proposed changes.</p>
<b>Q2.3. If so, what time limit would you consider reasonable before charges should be reduced (eg, a maximum of 48 hours interruption)?</b>	No comment.
<b>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 pay for?</b>	No comment.

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<sup>12</sup> [https://www.ea.govt.nz/documents/5183/Follow-up\\_consultation\\_-\\_proposed\\_changes\\_to\\_the\\_default\\_distributor\\_agreement.pdf](https://www.ea.govt.nz/documents/5183/Follow-up_consultation_-_proposed_changes_to_the_default_distributor_agreement.pdf), 9.

<sup>13</sup> [https://www.ea.govt.nz/documents/4070/Final\\_Orion\\_submission\\_on\\_DDA\\_Amendments.pdf](https://www.ea.govt.nz/documents/4070/Final_Orion_submission_on_DDA_Amendments.pdf)

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

Questions	Comments
<p><b>Q3.1. Do you consider new clause 9.11 effectively addresses the identified problem? Would you propose any alternative approaches?</b></p> <p><b>If so, please describe these approaches in your answer.</b></p>	<p>While Orion appreciates the intent behind the new clause 9.11, we do not consider it effectively addresses the identified problem. We have several concerns, and would propose an alternative approach:</p> <p><b><i>Potential unintended consequences</i></b></p> <p>There is a potential gap in the current wording. If a customer requests disconnection during an emergency, but the distributor or trader is unable to make a timely change their status in the registry due to the emergency, backdating to the date of their request could result in the customer receiving electricity for free, during the period between the requested date, and the date that the disconnection is 'actioned'.</p> <p>As outlined in our response to <a href="#">Q2.1</a>, there is also the potential for a safety risk to materialise, if an ICP's Registry status has been changed to 'inactive', but the property has not yet been deenergised.</p> <p>The proposal may inadvertently incentivise customers to 'game' the system by requesting disconnection during a state of emergency without their property being directly affected, and then requesting reconnection when the emergency ends. This could lead an issue where a customer will incur both disconnection and reconnection fees<sup>14</sup>, potentially negating any cost savings.</p> <p><b><i>Orion's alternative approach proposed:</i></b></p> <p>The Authority should include clear, specific criteria for a customer to request disconnection within the clause. A 'state of emergency' alone should not be sufficient grounds. We suggest that there should be demonstratable damage to the premises to trigger this clause.</p>

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<sup>14</sup> Orion's disconnection and reconnection fees are outlined here: <https://www.oriongroup.co.nz/assets/Our-story/Pricing/Orion-schedule-of-associated-service-charges-2024.pdf>



	<p><b>Proposed amendment to the clause:</b></p> <p><b>Reduction of charges due to state of emergency:</b> If, as a consequence of a declared state of emergency under the Civil Defence Emergency Management Act 2002, <i>a prohibited access notice has been issued for the Customer's premises under section 124 of the New Zealand Building Act 2004</i>, the Customer or the Trader on the Customer's behalf requests disconnection, and the ICP or ICPs cannot be accessed to be disconnected, the Distributor must, 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 from the date disconnection was requested, by setting the billed quantities for those days to zero.</p>
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**New Code clause 12A.6 (retailers must pass-through reduction in distribution charges)**

Questions	Comments
<p><b>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.</b></p>	<p>Orion does not consider new clause 12A.6 to be practical to implement, nor do we believe it will deliver optimal benefits to consumers.</p> <p>Orion's current practice and preference is to maximise reductions in distribution charges by applying them as a credit note directly to consumer's account with the trader. This ensures that the customer receives the full benefit of any consumer-initiated refunds due to qualifying events. The proposed clause introduces an unnecessary intermediary step by refunding traders, rather than consumers directly, which is less efficient and reduces consumer benefit.</p> <p>We are particularly concerned about the provision allowing traders to retain up to 50% of the first day's charges for administrative purposes, as this significantly reduces the benefit to the end consumer. To illustrate the impact:</p> <ul style="list-style-type: none"> <li>• As outlined in our response to <a href="#">Q2.1</a>, the total reduction in distribution charges for all unplanned outages (greater than 24-hours in length) across three prior financial years (FY22 – FY24) would have amounted to just \$778.35.</li> <li>• Of this total, \$654.85 would have been refunded for outages lasting between 1 – 2 days. If traders were to retain up to 50% of the first day's charges for administrative purposes, just \$327.43 would potentially have been passed along to consumers.</li> </ul>

	<p>Under the proposed system, consumers would receive only a fraction of these already minimal reductions in distribution charges. This clearly demonstrates the inefficiency of involving intermediaries in what should remain a direct refund process.</p> <p>Furthermore, the Authority appears to have given little-to-no consideration to the costs that distributors will incur in implementing and managing this new system, costs which would ultimately be passed on to consumers. We see no clear justification for involving traders in this process, especially if they are permitted to retain a portion of the reduction in distribution charges.</p>
<p><b>Q4.2. Do you see any issues or have alternative ideas?</b></p> <p><b>If so, please explain please explain what these are.</b></p>	<p>As an alternative approach, we propose maintaining the current practice of distributors providing reductions in distribution charges directly to affected consumers. This eliminates intermediary costs, and ensures consumers receive the full reduction in distribution charges amount.</p>

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

Questions	Comments
<p><b>Q5.1. Is the revised approach to clause 33.2 appropriate and practical to implement without the need for significant system changes?</b></p> <p><b>Please explain your views.</b></p>	<p>We do not consider the revised approach to clause 33.2 to be appropriate or practical to implement without significant system changes. Firstly, we question the materiality of this clause. For context, between October 2023 – March 2024, Orion had a wash-up of approximately \$5000 in charges to retailers, suggesting that the benefit of implementing the Use of Money Adjustment may be minimal when compared to the significant system and process changes required.</p> <p>While we understand the theory behind utilising a ‘use of money adjustment’, the practical implementation would require significant system and process changes, and likely necessitate a new full-time employee position to manage this process effectively.</p> <p>We have several concerns about how this ties into the industry-standard wash-up cycle through reconciliation. Wash-ups naturally involve money flowing both ways, resulting in the movement of debits and credits. It’s unclear whether interest is supposed to be added to these wash-ups, potentially complicating an already complex but established process.</p>

We question whether the Authority has adequately defined what constitutes an *'incorrect invoice'* in paragraph 5.16. This is particularly concerning given that in the same paragraph 5.16, the Authority states that a distributor will only *'incur possible implementation costs where it has previously issued incorrect invoices'*<sup>15</sup>.

We agree with EA Networks' prior submission<sup>16</sup>, and agree that 'traders have a measure of control over the accuracy' of the consumption data that is provided to distributors. As the clause is written, the Authority appears to have overlooked the critical fact that distributors rely on the accuracy of data provided by traders for each invoice. If a trader provides incorrect data leading to *'revised reconciliation information, or additional consumption information'*, the distributor may be penalised by paying interest on the negligible overcharge that is the result of incorrect data submitted by the trader. This could potentially create a perverse incentive for traders to submit inaccurate data to earn an additional benefit via the Use of Money Adjustment applied to the wash-up.

It's also important to note that the wash-up cycle exists as a practical methodology to ensure that consumers pay for the amount of electricity that's actually used. The clearing manager's role is to ensure that industry participants pay, or are paid, the correct amount for the electricity they generate or consume. Given these established processes, and the low materiality of the amounts involved, there's little-to-no reason to overly complicate this system with ambiguous definitions and potentially unfair penalties.

There are also several technical and administrative issues to consider:

- The calculation for leap years needs clarification, as the current interest charge calculation is based on 1/365 days.
- The interest rate adjustment is not subject to GST, unlike all other service components. This would require our billing system to be adapted to accommodate non-taxable items, increasing complexity and administrative overhead.

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<sup>15</sup> [https://www.ea.govt.nz/documents/5183/Follow-up\\_consultation\\_-\\_proposed\\_changes\\_to\\_the\\_default\\_distributor\\_agreement.pdf](https://www.ea.govt.nz/documents/5183/Follow-up_consultation_-_proposed_changes_to_the_default_distributor_agreement.pdf), 15.

<sup>16</sup> [https://www.ea.govt.nz/documents/4067/EA\\_Networks\\_DDA\\_Amendments\\_Submission\\_Nov\\_2023.pdf](https://www.ea.govt.nz/documents/4067/EA_Networks_DDA_Amendments_Submission_Nov_2023.pdf), 3.

	<ul style="list-style-type: none"><li>• We will be required to deduct resident withholding tax (RWT) when making interest payments to parties without an RWT exemption certificate. Not all traders on our network hold these exemption certificates, which would add considerable administrative burden and complexity in calculating, showing, accumulating, and paying this to IRD. As outlined previously, this cost would be disproportionate to the value of interest payments.</li><li>• We question whether this would be considered unregulated or regulated revenue charges.</li><li>• We also question utilising the Bank Bill Benchmark Rate (BKBM), as displayed on the Reuter's screen page. The daily fluctuation of this rate would require constant monitoring and updating of internal billing and financial systems. For instance, a seven-day gap between the initial Tax Invoice and Revision Invoice could potentially involve seven different interest rates applied as part of the Use of Money Adjustment calculation. Accessing and monitoring the Reuter's page and applying those changes to our billing and financial systems daily would represent additional administrative overhead. A more pragmatic but still undesirable approach, due to the technical and administrative changes required, would be utilising an interest rate that is established and reviewed annually by the Authority.</li></ul>
<p><b>Q5.2. Does the revised approach to clause 33.2 reduce potential implementation costs?</b></p> <p><b>Please explain your views.</b></p>	<p>No, we do not believe that the revised approach to clause 33.2 will reduce potential implementation costs. In fact, we anticipate that it will increase implementation costs if Orion were to implement the Use of Money Adjustment for the reasons outlined in our response to Q5.1.</p> <p>As noted in our response to Q5.1, significant system changes would be required to accommodate this new process, the introduction of non-taxable items, and the requirement to become RWT compliant. These changes would involve substantial costs in terms of software development, testing and implementation.</p> <p>We note that in paragraph 5.30<sup>17</sup>, the Authority states it '<i>expects reductions to implementation costs for distributors from this change to ultimately flow through to consumers through reduced costs.</i>' We question how, given the increased complexity and additional processes required, implementation costs would be expected to reduce. Based on our above assessment, the costs of implementation appear to outweigh any potential benefits, especially considering the low materiality of the amounts involved.</p>

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<sup>17</sup> [https://www.ea.govt.nz/documents/5183/Follow-up\\_consultation\\_-\\_proposed\\_changes\\_to\\_the\\_default\\_distributor\\_agreement.pdf](https://www.ea.govt.nz/documents/5183/Follow-up_consultation_-_proposed_changes_to_the_default_distributor_agreement.pdf), 17.

Regulatory statement

Questions	Comments
<p><b>Q6.1. Do you agree with the analysis presented in this Regulatory Statement? If not, why not?</b></p>	<p>We disagree with the analysis presented in the Regulatory Statement.</p> <p>We concur with the views expressed by other distributors, including Horizon Networks<sup>18</sup>, WEL Networks<sup>19</sup>, Network Tasman<sup>20</sup>, Unison and Centralines<sup>21</sup>, and EA Networks<sup>22</sup>, that the Authority has not conducted a proper cost-benefit analysis for the proposed changes to the DDA. This is evident in both the initial and follow-up consultation. In Orion's view, for the Authority's proposed amendments to the DDA, the costs significantly outweigh any perceived potential benefits, and the amendments should not be progressed.</p> <p>The Regulatory Statement does not adequately address the disproportionate impact these changes would have on distributors compared to the benefits they might provide to consumers. As outlined in our response to <a href="#">Q2.1</a>, the potential change to clause 9.10, for example, offers a negligible benefit for consumers but represents a significant system and process change for Orion. Without a thorough quantitative analysis, it's challenging to justify such substantial changes.</p> <p>The analysis seems to underestimate the complexities involved in implementing these changes. Issues such as the interaction with existing wash-up procedures, the handling of non-taxable items in billing systems, and the administrative burden of managing new tax implications (like RWT) are not sufficiently addressed. The Authority's view that implementation cost reductions for distributors would flow through to consumers appears to be based on an assumption, rather than empirical evidence.</p>

<sup>18</sup> [https://www.ea.govt.nz/documents/4074/Horizon\\_Networks\\_DDA\\_Submisison.pdf](https://www.ea.govt.nz/documents/4074/Horizon_Networks_DDA_Submisison.pdf), 3-5.

<sup>19</sup> [https://www.ea.govt.nz/documents/4064/WEL\\_Networks\\_Submission\\_-\\_Default\\_distributor\\_agreement\\_and\\_consumption\\_data\\_templates.pdf](https://www.ea.govt.nz/documents/4064/WEL_Networks_Submission_-_Default_distributor_agreement_and_consumption_data_templates.pdf), 1-2.

<sup>20</sup> [https://www.ea.govt.nz/documents/4078/Network\\_Tasman\\_-\\_DDA\\_consultation.pdf](https://www.ea.govt.nz/documents/4078/Network_Tasman_-_DDA_consultation.pdf), 1-4.

<sup>21</sup> [https://www.ea.govt.nz/documents/4082/Unison\\_and\\_Centralines\\_submission\\_DDA\\_15\\_November\\_2023.pdf](https://www.ea.govt.nz/documents/4082/Unison_and_Centralines_submission_DDA_15_November_2023.pdf), 2.

<sup>22</sup> [https://www.ea.govt.nz/documents/4067/EA\\_Networks\\_DDA\\_Amendments\\_Submission\\_Nov\\_2023.pdf](https://www.ea.govt.nz/documents/4067/EA_Networks_DDA_Amendments_Submission_Nov_2023.pdf), 5-6.