31 July 2024

Hi Folks

As with previous consultations, I respond as a member of the public, unable to make statements on behalf of any particular participant.

I am just an IT guy who ends up being tasked with making Distributor systems do whatever consultancy exercises like this come up with. My vested interest is in avoiding anything too difficult or complex which could cause unnecessary software or process development (or risk) that outweighs the benefit that could be obtained.

I hope there is some idea in here that has merit.

Regards
Bruce Palmer

2 Part 12A clause 9.10 (Refund of Charges)

New proposed core term:

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 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 day during which the interruption continues and the day the interruption ends, except the first day during which the interruption began, to zero.

Active, Inactive and Interrupted Registry Status

What does "Active" status in Registry mean?

- At the end of the stated date, the consumer's fittings were electrically connected to the Distributor's fittings, and
- The Distributor's fittings were electrically connected to a Network Supply Point (NSP) so reticulated electricity was available, and
- If the consumer placed load or generation to their fittings, volume would have flowed in the relevant direction across the Installation Control Point, and

- The ICP for this day is included in the count of ICP-Days for the reconciliation process, and
- The Distributor may invoice the Retailer for fixed charges for the day.

What does "Inactive" status in Registry mean?

- The consumer's fittings are electrically disconnected from the Distributor's fittings due to an open point; often the service fuse (the inactive status reasons generally describe how the disconnection has been applied e.g. pole fuse, meter disconnected) and
- The ICP is not included in the count of ICP-Days for the reconciliation process, and
- The Distributor may not invoice the Retailer for fixed charges for the day.

If there is a prolonged interruption to supply, then there is a requirement in the Code to tell Registry if this is the situation at midnight. The ICP is not active and should not be included in ICP-Days, so its status has to be changed. Failure to update Registry means someone has breached Schedule 11.1. But the ICP is also not inactive, as the consumer's fittings are still electrically connected to the Distributor's fittings, the consumer may still have supply from an alternate source, and the Distributor may still be entitled to bill.

But what to update it to? I tried to design this as a new Registry Status:

- Status: "Interrupted"
- Status Reason one of:
  Class A (planned by TransPower)
  Class B (planned by Distributor)
  Class C (unplanned by Distributor)
  Class D (unplanned by TransPower)
  Class E (unplanned lost generation by Distributor)
  Class F (unplanned lost generation by Other Party)
  Class G (unplanned by other Market Participant)
  Class H (planned by other Market Participant)
  Class I (unplanned by Third Party)

  Most distributors I know include the class not required by the Commerce Commission but missing from the above set:
  Class J (planned by Third Party)

- Event can be created only by the ICP's Distributor participant
- Event can be applied only to an ICP that is 'Active'
- Normal Schedule 11.1 backdating rules apply
- Registry reverse/replace rules apply
  - Distributor may replace someone's 'Active' event with an "Interrupted" event on the same date
- The interruption is ended by the Distributor creating an Active status event on the day the outage stopped
  - Distributor may replace an "Interrupted" event with an "Active" event on the same date

There is a situation where the interruption has started, but the Retailer then decides the ICP was inactive prior to this. Registry denies the creation of backdated events that invalidate subsequently-effective data already present. The Retailer would be dependant on the Distributor undoing the "Interrupted" event, possibly incurring a Code non-compliance for excessive backdating in the process.

There was a similar situation recently with backdated Price Category Code changes, where the Distributor was absolved of excessive backdating non-compliance if they could show the backdated price change date was requested by the Retailer and the change was applied punctually to Registry. Here, the Retailer would request the "Interrupted" event be removed by the Distributor to allow the Retailer to enter the prior-effective "Inactive" event.

I also contemplated implementing 'Interrupted" as a new Status Reason for the "Active" status. I ended up with much the same rules and much the same inactive event backdating problem as above.

On consideration, 'Active' is active, 'Interrupted' is interrupted; they are not variations of the same thing. If we were to use just a new Status Reason for the Active status, we lose the ability for the Authority to analyse the various reasons for prolonged outage.

Prolonged Outage

The consultation talks in terms of 24 and 48 hours. It is actually neither.

If the ICP is off at midnight due to Interruption this must be recorded in Registry. Otherwise, ICP-Days for reconciliation will be wrong. Being in "interrupted" status does not stop Distributor billing. Billing does not stop until the service level agreement has been breached.

> Example 1: David is a farmer at the end of a rural spur with access difficulties (slips / snowfall) in winter. David has negotiated a price/quality trade-off as encouraged by the Authority; fixed charges in winter are halved in return for his acceptance that power could be off for up to four days. The prolonged outage is three days. David should be billed all three days. The distributor accounts for three days of SAIDI.
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> Example 2: Same as above but the outage is for five days. David should be billed by the Distributor for the first four days. The distributor accounts for five days of SAIDI.
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> Example 3. Same farmer. David has negotiated a standby diesel generator provided for, serviced and paid for by the Distributor. There is a seven day outage in reticulated electricity. The generator started within 20 seconds, and ran for the full time. David received supply throughout. David should be billed for all seven days. It does not count for SAIDI/SAIFI as the interruption was for less than one minute.
>
> Example 4. Same farmer, service agreement as in Example 2 but the generator is supplied by a 3rd party. The prolonged outage is for five days. David should be billed by the Distributor for the first four days, but all five count for SAIDI.

I have no idea what sort of price/quality trade-off agreements people in remote areas may come up with. Regardless, the Authority should not on one hand encourage flexible agreements between Distributor and Consumer to reflect specific situations and price/quality trade-offs that may be acceptable, stay neutral on the commercial arrangements for any mitigation plans that may be put in place (e.g. standby diesel); then regulate what is an acceptable price/quality trade-off and mitigation plan by stipulating that after 24 hours of loss of reticulated supply, the Distributor must stop billing.

9.10(b) should be expressed in terms of "*The Distributor will not invoice network charges in respect of ICP(s) experiencing prolonged outage in excess of that permitted by their service level agreement, or in excess of 24 hours for those without a specific outage threshold in their service level agreement. The Retailer will ensure that volume information reported to the Distributor reflects any such periods of outage*".

Question	Answer
Q2.1 Do you consider the revised proposed approach in 9.10 is workable, efficient, and effective? Would you propose any alternative approaches? If so, please describe these approaches in your answer.	I think this needs a new status Code in Registry, rather than overloading the present 'Inactive'. This is because Inactive ICPs do not get billed, but Interrupted ICPs may be billed in relevant situations depending on the service level agreement and mitigation plan in place. For volume, EIEP1 and EIEP3 should be able to be relied upon by the Distributor for reporting volume, unless obviously wrong in which case the Code already stipulates that it is the Retailer's job to fix. This is because they (and not the Distributor) have access to the raw metering data which is definitive for volume delivered.
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?	I suspect field crews are more constrained by weather, access to site, availability of parts at short notice, dodgy national roading infrastructure, OSH requirements for safe work environments, and employment contract requirements for 9-hour breaks; than anyone getting uppity about a hiatus in distributor revenue. Resilience of networks is a factor of engineering, spare capacity and N-1 redundancy. The Authority is presently trying to reduce "inefficient investment" and the Commission is dis-incentivising investment by making it difficult to turn a profit at the required rate to justify some of the resilience investment being contemplated. Outages of over 24 hours are what you get as a result.
Q2.3 If so, what time limit would you consider reasonable before charges should be reduced (eg, a maximum of 48 hours interruption)?	Whatever it says in the applicable SLA, taking into account any mitigation strategy in place (e.g. standby diesel) and its commercial arrangements.

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 pay for?	A SLA freely entered into sets the expectation, not the Authority. Restoration is incentivised by SAIDI/SAIFI, the terms and details of any compensatory payments contained within the SLA, the running costs of generators for alternate supply and in larger cases; public then political pressure. When Vector cooked the feeder from White Swan Road into Auckland's CBD several years ago and had to urgently construct a replacement from Penrose along the motorway corridor, I suspect a hiatus in distributor revenue was a long way from being the top incentive to get the lights back on. More likely was the rate the Navy was charging them for using the frigate as a generator, and an existential threat to their shareholder/Trust from the Government if things did not look like they were being brought under control.

3 Reduction of Charges due to State of Emergency

New proposed core term:
9.11 Reduction of charges due to state of emergency: If, as a consequence of a declared state of emergency under the Civil Defence Emergency Management Act 2002, 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.

Fiddle with Price not Volume

For simplicity, I'm assuming a month has 30 days.

- If the ICP is active in Registry for all 30 days, the Distributor bills 30 days of fixed charges, plus volume charges as informed by the retailer.
- If the ICP is active in Registry for 15 days, has one day inactive, then is active for the next 14 days, the Distributor bills 29 days of fixed charges, plus volume charges as informed by the retailer.
- If the ICP is active in Registry for 5 days, then has 25 days inactive, the Distributor bills 5 days of fixed charges, plus volume charges as informed by the retailer.

I think we all understand that. The industry has operated this way since separation. I have not had to add the words above "by setting the billed quantities to zero". Some of this quantity will have been consumed on dates the ICP was not active over midnight. Why has the Distributor billed it? Because the volume has passed through the meter, it has been provided to the Reconciliation Manager, it has been balanced and reconciled and passed through to industry settlement. The volume happened.

Now consider a State of Emergency that lasted for a month, and there was a set of ICPs that could not be disconnected. They continued to consume electricity, the freezers kept running, the spa pools stayed hot, the aerators and heaters in the goldfish tank continued to operate etc. Volume happened. The retailer submitted the volume to the reconciliation manager, who included it in the month's reconciliation. If the volume had not been submitted, then Retailer extraction volume would have been under-reported, and the difference would have become UFE and been spread across all Retailers on the network; not just those who's ICPs were in difficulty.

I don't see anything in the policy about keeping such volume out of the settlement process, or not paying Generators for it, or pretending it never got dispatched. Clearly the volume was delivered, which makes inclusion in the Commerce Commission Schedule 8 "volume delivered" disclosure mandatory. The Authority cannot regulate and tell Distributors to not disclose to the Commerce Commission volume that has been delivered just because the consumer didn't want it.

The issue is not in setting billed quantities to zero. ICP-Days and Volume both happened. Just ask the Reconciliation Manager. The issue is how these should be priced. Someone has to pay fixed and variable Distributor, Retailer and Generator charges. The only question is who.

If Distributors must suspend the billing of network charges because the consumer wanted the connection cut following a Civil Defence emergency but was unable to, then surely the same argument applies to the Retailer billing of volume. Should the Generator still be paid; they produced electricity that was not wanted. How far up the line does this go?

Comment – Reality Check

An ICP is consuming electricity that the consumer does not want to happen. Exclusion zones prevent access to the switchboard (to open the master breaker), the meter box (to open the mains switch) and the network isolation point (to open the pole fuse or pillar link). The transformer either cannot be accessed to open its LV or HV fusing, or must remain live because it services customers not affected by the exclusion zone. The switched segment, spur, feeder, zonesub and GXP all remain operational otherwise the ICP would not be energised.

The ICP does not have a smart meter, or it does but comms have been lost so the option of remote kill by smart meter is not available.

This set of circumstances cannot coincide that often.

Comment – Related Industries

The electricity remained on. The consumer continued to enjoy some of the benefits e.g. the food in the freezer remained frozen. This has some economic value to the consumer.

For the duration, a vehicle was stuck in the garage and could not be accessed. Should LTNZ give a partial refund on the annual registration charge? The council did not collect rubbish or mow the berms. The household pays $125 a quarter for waste water. No-one used the toilets there for a month. Should the owner receive partial rates relief for services not delivered?

How about the perishable food in the refrigerator; should the consumer be entitled to a refund from the supermarket for food that went off in the fridge while the power was on but the premises could not be accessed? In situations such as this, there are many things the consumer was forced to fund or consume but were not in a position to enjoy.

Question	Answer
Q3.1. 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.	No. Volume happens and cannot be set to zero without compromising industry reconciliation or breaching the rules for Commerce Commission Schedule 8 ("volume delivered") disclosures. The issue is the price the retailer is charged by the Distributor for the conveyance of volume the consumer would rather not have had conveyed, but whose use was partially enjoyed anyway (e.g. the freezer stayed on). So, not the full price but not zero. The price for fixed charges could drop also. The same argument applies; the freezer stayed on, security lighting on timeclocks stayed running, in back country locations in winter the room heaters stayed on and kept the water pipes from freezing. As above, not the full price but not zero. It should be noted that the Distributor should not be the only entity having a hair cut in this scenario.

4 Retailers must pass-through reduction in distribution charges

12A.6 Retailers must pass-through reduction in distribution charges

(1) A retailer whose distribution charges are reduced in accordance with any provision in a distributor agreement to account for electricity supply interruptions or declared states of emergency must reduce the charges of those of its customers affected by the electricity supply interruption or declared state of emergency to reflect the reduction in the retailer’s distribution charges.

(2) When reducing a customer's charges under sub clause (1), the retailer may withhold an amount that reflects the reasonable costs incurred by the retailer to process the reduction, provided that amount does not exceed 50% of the reduction to the customer's charges the customer would otherwise have received for the first day of any interruption. To avoid doubt, the retailer may not withhold any amount in respect of second or subsequent days of any interruption.

Comment - Competition

Please note the outcome of recent consultation on the distribution of Settlement Residue. There, the Authority was comfortable with letting retailers initially pocket the payment, and relaying on competitive pressure for the rebate to find its way to consumers.

Surely the same competitive pressure would make it untenable for a retailer to not pass through a Distributor rebate in the situation envisaged by 12A.6? Surely competitive pressure would also prevent a retailer from pocketing more than a minor component of any such reduction to compensate for administration costs?

Competitive pressure is either sufficient to keep Retailers "honest", or it is not.

Comment – Timing

Retailers invariably bill fixed charges in advance and volume charges in arrears. This means that at the time the interruption starts, the consumer has already been billed for the days so it becomes a rebate situation, rather than a charge reduction.

Comment – Pass Through

Much was made of Retailer price repackaging during the recent consultation on Settlement Residue. Retailers were adamant that the way that Distributor pricing was packaged into retail plans was their domain, not part of regulated territory, and frankly neither the Electricity Authority or Commerce Commission's business. The only regulation of relevance was MBIE's Low Fixed Charges (LFC) regulations.

As such, there is no requirement outside LFC to include a Distributor Fixed Charge component in a retail plan. Indeed, the Distributor Fixed Charges could be accounted as a corporate overhead, and the Retail plan purely variable; for example, a stated margin added to the wholesale HHR volume rate. Such a plan would drop to zero automatically.

By requiring pass-through of the effect of reduced Distributor charges in the event of prolonged outage, the Authority is constraining retail price plans and requiring a daily fixed0-charge component that is at least the Distributor's charge.

Question	Answer
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	No In the event of a prolonged outage in excess of that allowed for in any serviced level agreement between a Distributor and the relevant Retailer or Consumer, distribution charges shall be reduced to reflect the value of the services not delivered. Retailers shall publish their policy of how they will pass the benefit of any such reduction to the consumer.
Q4.2 Do you see any issues or have alternative ideas? If so, please explain what these are.	Regulate the need for a policy. Don't regulate what that policy should look like. Anything else is an admission that retail competition does not work.

5 Code clause 33.2 (Definition of 'Use of Money Adjustment')

New proposed core term:
'Use of money adjustment' means an amount payable at the Interest Rate plus 2%, calculated and compounded daily (at 1/365th of the annual rate);

9.3 Issuing of Tax Invoices: The Distributor must issue Tax Invoices for Distribution Services as follows:
[…]
(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 applying from the due date of the original invoice to the due date of the Revision Invoice (unless the parties agree otherwise);

9.8 Incorrect invoices: If it is found that a party has been overcharged or undercharged, and the party has paid the Tax Invoice or a Revision Invoice as applicable containing the overcharge or undercharge, within 20 Working Days after the error has been discovered and the amount has been agreed between the parties, the party that has been overpaid must refund to the other party the amount of any such overcharge or the party that has underpaid must pay to the other party the amount of any such undercharge, in both cases together with a Use of Money Adjustment on the overcharged or undercharged amount applying for the period commencing on the date of the original payment and ending when re-payment is made, provided that neither party has the right to receive a compensating payment in respect of an overcharge or undercharge if more than 18 months has elapsed since the date of the Tax Invoice containing the overcharge or undercharge.

Compounding Interest versus Accrued Interest

I have no issue with interest calculated on a daily basis. I do have an issue with compounding on a daily basis. "Compounding" is the process of adding the accrued interest to the principal, so that the following day you pay interest on not just the principal, but also the interest that has just been compounded.

Assuming P is the principal amount, d is the number of days, r is the annual rate (we can ignore leap year considerations by using r/365 as the daily rate) and floor(x, 0.01) rounds the result down to whole cents):

- UOMA on a daily basis = $\text{floor}(P\ d\ r\ /\ 365,\ 0.01)$
- UOMA compounded on a daily basis = $\text{floor}((P\ (1 + r\ /\ 365)^{d}) - P,\ 0.01)$

I am not sure the programming complexity introduced by the need to compound daily would pass the statutory threshold of being economic to implement when compared to the benefit. The stated purpose of UOMA is to avoid participants using each other as banks. One does not solve this by requiring Distributors to implement bank-grade interest calculations into the billing process.

Avoiding compounding also removes some issue raised by EA Networks in your consultation document clause 5.10. Even IRD does not compound UOMA when owed to or owing by them.

As a minimum, *'Use of money adjustment' means an amount payable at the Interest Rate plus 2%, calculated ~~and compounded~~ daily (at 1/365th of the annual rate)"*

UOMA, GST and RWT

"Use of Money Adjustment" is a financial service and exempt GST. It either needs to be explicitly itemised on a network charges invoice, or invoiced separately. Most Distributors could handle a one-off invoice for UOMA in the event of a DDA 9(8) error. Their billing systems are likely to need overhaul to handle DDA 9.3(f) UOMA for 20+ retailers for revision cycles 3, 7 and 13.

In tax terms, UOMA is a type of interest, and the paying party is required to deduct Resident Withholding Tax from payments, unless they have sighted a RWT Exemption Certificate from the payee. Although most market participants will have turnover sufficient to make the receipt of such a certificate guaranteed, it still introduces a compliance process for Distributors, who need their own exemption and to have sighted that for their Retailers. UOMA can flow in either direction.

Overall thoughts

UOMA is the last option to correct a process where the cash flows do not match the value/benefit flows i.e. there is a timing difference. The value of that timing difference is assessed, and becomes payable by the benefactor of that timing difference to the aggrieved.

For example, a Distributor calculates that a Retailer owes $100,000 for electricity conveyed during January.

- If in the Month 3 revision, the Distributor recalculates this as $110,000 and becomes the aggrieved party for the delayed payment of $10,000 therefore due UOMA as compensation.
- If instead, the Distributor recalculated this as $90,000 then the Retailer becomes the aggrieved party and is due a refund of $10,000 plus UOMA as compensation.

UOMA could be considered fair where the issue is due to sloppy processing, inefficient IT systems, bad policy, software bugs etc. But it compensates for the issues; it does not incentivise them to be fixed.

We are told that Registry is accurate. We are told that it is the database of record for ICP information, in particular the retailer, price plan, loss code and status as at a date. There is an Audit Compliance process to ensure adherence to the Code, to penalise bad information and highlight excessive backdating. Retailer billing processes should be able to rely on trader information on Registry being correct (who is the trader, and is the ICP active) when billing fixed charges. The Reconciliation Manager has to. Fixed price numbers should therefore not change significantly for month 3, 7 and 13 revision cycles; the impact on billed value should be minimal and UOMI considerations immaterial (and definitely well under the threshold where addressing them is in excess of the cost in doing so). If this is not so, and there are material changes in ICP-Days in revision cycles, then there are much bigger issues than can be addressed by a UOMI penalty in the DDA; starting with the reconciliation process and industry settlement being compromised.

Distributors know that retailer volume information is inaccurate. Distributors know that there is an "estimated" aspect to the latter part of the month for legacy meters, and can often demonstrate this extends to some smart meters. This means that the volume reported in EIEP1-RM and the volumes submitted to the Reconciliation Manager are not accurate. Retailers are incentivised to estimate low during the year, and in favour of the year with the lower volume prices on 31 March. Retailers are also incentivised to not correct this at the month 3, 7 and 13 revision cycles. The Reconciliation Manager sees through this; the balancing process either creating or removing UFE until input matches extraction for each Balancing Area. Traders who have estimated neutrally or high are unfairly treated by this balancing; this flows into industry settlement. It is not something a clause in the DDA can address. It only becomes visible if the Traders refine their estimates later, and there is inventive not to.

Those Distributors who bill based on balanced reconciled GXP-level volumes are themselves immune to inaccuracy in estimates.

Those Distributors who bill based on EIEP1-RM data are affected by the quality of retailer estimation. It will correct itself next month, and only become visible if the Retailers refine their estimates in the month 3-7-13 revision cycle. If they do not, then there is nothing for the Distributor to apply UOMA to. Regardless, it has always been this way and Distributors have factored this into their pricing.

The first conclusion I came to is that UOMA should not be an aspect of standard industry revision cycles i.e. the exemption in 9.3(f) should not be optional. This is provided that Distributor invoices have been produced correctly in terms of the published price methodology, published prices and correct processing of the inputs available at the time. If these are all true, then the revision process is not broken and does not need UOMA to paper over the cracks. Yes, there are issues with retailer volume estimation, but this is a Reconciliation and Settlement issue, and cannot be fixed by a UOMA clause in the DDA.

Allowing a single retailer veto power over the present 9.3(f) UOMA opt-out merely provides a Retailer habitually incapable of estimating volume correctly, financial compensation from the Distributor to make up for the Retailer's dodgy IT. Surely it would be better instead to incentivise the Retailer to address their issues?

As a minimum
9.3 Issuing of Tax Invoices: The Distributor must issue Tax Invoices for Distribution Services as follows:
[…]
(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 applying from the due date of the original invoice to the due date of the Revision Invoice (unless the parties agree otherwise);~~

9.8 Incorrect invoices: If it is found that a party has been overcharged or undercharged other than through the correct processing of revised reconciliation or consumption information, and the party has paid the Tax Invoice or a Revision Invoice as applicable containing the overcharge or undercharge

The second conclusion I came to was with regard to 9(8) and Distributor invoices that did not correctly reflect the situation at the time. Where the retailer is owed a refund, a UOMA penalty is acceptable. Where the invoice was too small and the Retailer owes money they were not expecting, then adding UOMA compensates the Distributor for their incorrect process. This reduces the incentive to do something about it.

UOMA should become involved only when:

- Participant A produces an invoice payable to it by Participant B
- The invoice incorrectly reflects information available at the time and is higher than it should be as a result
- Participant B pays the inflated amount
- The error becomes apparent and Participant B is due a refund
- Participant A should pay Participant B UOMA on the refund, from the date of the original payment up to the date the refund was paid

UOMA in any other circumstance involves either:

- Places cost and burden on participants who have done nothing wrong and are correctly following industry process (there is no "error" to become apparent, just a business as usual revision process that could go up or down), or
- Compensates Participant A for incompetent process and removes the incentive to address the underlying problem.

Question	Answer
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.	No. Daily compounding is a significant change. Please keep it at simple interest. Why should Distributors be required to have bank-grade interest calculation programming where the entire objective is to stop participants becoming banks? Please keep UOMA out of standard revision cycles i.e. 9.3(f) when everyone has been behaving as required under the Code. The process is not broken so does not need UOMA to fill in the cracks. 9(8) is there to address the situation where the Distributor invoice is not faithful to the inputs.
Q5.2 Does the revised approach to clause 33.2 reduce potential implementation costs? Please explain your views.	No, daily compounding makes it much worse. Otherwise, clarification of the formula is useful. Exempt 9.3(f) from UOMA when invoices are faithful to inputs. Exempt 9(8) from UOMA when the party that produced the incorrect invoice is now asking for more. Allowing them to add UOMA dis-incentivises addressing the issue. There are other cost considerations. DPP distributors may well find UOMA receipts to be part of regulated income, but UOMA payments not. This is another reason to keep UOMA out of 9.3(f). RWT in itself is going to be an education area for finance teams.