Submission to Electricity Authority NZ on Proposed Changes to the Default Distributor Agreement (DDA)

Introduction

Buller Electricity appreciates the opportunity to provide feedback on the proposed changes to the Default Distributor Agreement (DDA) as outlined in the consultation paper dated 2 July 2024. We understand that these changes aim to reduce costs for consumers, ensure fair distribution of charge reductions, and simplify administrative processes for distributors. Our feedback focuses on potential shortcomings and provides alternatives for your consideration.

Clause 9.10: Reduction of Charges Due to Electricity Supply Interruption

Identified Shortcomings

Financial Impact on Distributors:

The revised clause 9.10 may still financially burden distributors who are already under pressure to restore services promptly during outages. The requirement to reduce charges could exacerbate this issue.

Ambiguity in Implementation:

There is potential ambiguity in how distributors should notify traders of affected ICPs. The flexibility allowed might lead to inconsistencies and inefficiencies in implementation.

24-Hour Threshold:

The 24-hour threshold for charge reduction might not adequately balance the need to incentivize quick service restoration with the operational realities faced by distributors during severe outages.

Suggested Alternatives

Mitigating Financial Impact:

Allow distributors to recoup a portion of their operational costs incurred during outages through a regulated mechanism that ensures transparency and fairness. This can help maintain financial stability while still providing charge reductions to consumers.

Standardized Notification Process:

Implement a standardized process for notifying traders of affected ICPs. This could include mandatory updates to the registry status within a specific timeframe, ensuring consistency and reducing administrative burdens.

Flexible Threshold for Charge Reduction:

Consider extending the threshold for charge reduction to 48 hours, particularly in cases of widespread or severe outages. This extension provides distributors with a more reasonable timeframe to restore services without immediate financial penalties.

Clause 9.11: Reduction of Charges Due to State of Emergency

Identified Shortcomings

Criteria for State of Emergency:

The criteria for what constitute a state of emergency and the conditions under which charge reductions apply are not clearly defined. This could lead to disputes and inconsistent application.

Coordination During Emergencies:

The proposal does not sufficiently address the need for coordinated efforts between distributors, retailers, and emergency management authorities during states of emergency.

Suggested Alternatives

Clear Criteria for Emergency Situations:

Define clear and specific criteria for states of emergency, including the types of events and conditions that trigger charge reductions. This clarity will help avoid disputes and ensure uniform application.

Enhanced Coordination Mechanisms:

Establish protocols for coordination between distributors, retailers, and emergency management authorities to streamline decision-making and ensure efficient implementation of charge reductions during emergencies.

Clause 12A.6: Retailers Must Pass-Through Reduction in Distribution Charges

Identified Shortcomings

Administrative Burden on Retailers:

The requirement for retailers to pass-through charge reductions, while necessary, may impose significant administrative burdens, especially if frequent outages occur.

Potential for Increased Consumer Costs:

The provision allowing retailers to withhold up to 50% of the reduction for processing costs could lead to increased costs for consumers, potentially undermining the intended benefits.

Suggested Alternatives

Simplified Pass-Through Mechanisms:

Develop simplified mechanisms for retailers to pass-through charge reductions, such as automated systems that minimize manual processing and associated costs.

Cap on Processing Costs:

Introduce a cap on the amount retailers can withhold for processing costs, ensuring it is a nominal fee that does not significantly erode the benefits to consumers.

Clause 33.2: Definition of 'Use of Money Adjustment'

Identified Shortcomings

Complex Interest Calculations:

The proposed daily compounding interest calculation might be overly complex and burdensome for some distributors to implement.

Inconsistent Application:

Variations in the application of the 'use of money adjustment' could lead to inconsistencies and disputes between distributors and retailers.

Suggested Alternatives

Simplified Interest Calculations:

Consider a simplified, non-compounding interest calculation method that is easier for distributors to implement and manage.

Uniform Application Guidelines:

Establish clear guidelines for the uniform application of the 'use of money adjustment' to ensure consistency and reduce the potential for disputes.

Conclusion

Buller Electricity supports the Electricity Authority's efforts to improve the DDA and reduce costs for consumers while maintaining service quality and reliability. We believe that addressing the identified shortcomings and considering our suggested alternatives will enhance the effectiveness of the proposed changes. We look forward to continued collaboration and are available to provide further input or clarification as needed.