



25 July 2024

Electricity Authority

By email to: dda@ea.govt.nz

Contact Energy Submission on proposed changes to the default distributor agreement

Question	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? Please describe these approaches in your answer.</p>	<p>Contact supports the revised proposed approach to clause 9.10 (Reduction of charges due to electricity supply interruption).</p> <ul style="list-style-type: none">• We support the Authority’s suggestion to revise clause 9.10 to align the Authority’s approach with the regime in Part 4 of the Commerce Act.• We endorse the view of Nova Energy in their last submission, which has been reflected in the updated clauses, that traders should not have to request charge refunds from distributors, but rather distributors should proactively apply refunds.• We consider that the proposed threshold of 24 hours is appropriate. This aligns with the distributors’ “daily” charge. For a consumer, a 24-hour outage is a significant disruption, and this time limit provides a suitable incentive to restore supply.• It is appropriate that consumers should have the right to have their charges reduced when electricity is not supplied. Under Consumer Guarantees Act 1993, Contact refunds lines charges to customers who have suffered services interruptions. The revised clause 9.10 will ensure the distributor is required to refund charges for interruptions of more than 24 hours and that the customer receives the direct benefit of the reduction in charges, as reductions under the Part 4 quality regime tend to get absorbed into the revenue of the distributor instead of making their way to customers.• Operationally, Contact already undertakes this process with many distributors. These distributors issue a monthly statement to Contact detailing the impacted ICPs, followed by a credit memo. Contact suggests that the method of complying with this requirement be standardised, rather than left to

	<p>the discretion of individual Distributors. This standardisation would facilitate the ability to automate these processes in the future. Contact considers the administrative cost of updating the Registry status to “Inactive” with the appropriate reason code, and then back to “Active” as proposed by the Authority in paragraph 2.28 of the consultation document may lead to unnecessary administrative and system-change related costs.</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>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>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?</p>	
<p>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.</p>	<p>Contact supports the introduction of the new clause 9.11 (Reduction of charges due to state of emergency).</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>Contact agrees that it is reasonable to require traders to pass on any refunds of distribution charges to consumers.</p> <ul style="list-style-type: none"> • It is appropriate to recognise that the reduction can be reduced to reflect the trader’s reasonable costs incurred to process the reduction. • The proposed “no more than 50% of the reduction for the first day of the supply interruption” is appropriate. • We agree with the Authority’s proposal to give the retailer discretion on how this reduction is passed through to minimise the retailer’s costs of system changes.
<p>Q4.2 Do you see any issues or have alternative ideas? If so, please explain please explain what these are.</p>	
<p>Q5.1 Is the revised approach to clause 33.2 appropriate and practical to implement without the need for</p>	<p>As previously submitted, Contact agrees that a positive use of money adjustment is necessary to avoid an incentive on the parties to a distributor agreement to shift costs onto each other by treating each other as a</p>

<p>significant system changes? Please explain your views.</p>	<p>bank and that whichever party has the benefit of the money should compensate the other party via a use of money adjustment. We support the Authority's proposed drafting changes to improve the workability of the clause. Specifically, (a) linking the use of money adjustment to the due date of an original invoice and the due date of a revision invoice; and (b) simplifying the interest calculation by compounding interest daily (at 1/365th of the annual rate).</p>
<p>Q5.2 Does the revised approach to clause 33.2 reduce potential implementation costs? Please explain your views</p>	
<p>Q6.1 Do you agree with the analysis presented in this Regulatory Statement? If not, why not?</p>	<p>Contact agrees with the analysis presented in the Authority's Regulatory Statement.</p>