FLICK

31 July 2024

Electricity Authority
P O Box 10-041
Wellington

By email: dda@ea.govt.nz

Dear team

Re: Consultation - DDA

Flick appreciates the opportunity to provide a submission on the Electricity Authority's (Authority) proposed further changes to the Default Distribution Agreement.

Flick notes the Authority expects the proposed additional amendments to the DDA template "*will reduce costs to consumers and lead to a higher level of service*" that "*will have a positive, but relatively small impact on the October 2023 cost benefit analysis*". Flick does not support the Authority's proposals and considers the October 2023 cost benefit analysis understated the administration cost of any refund (reduction in charges).

Proposed amendments to clause 9.10

Flick notes the policy intent of proposed changes to clause 9.10 was that in all cases, traders and consumers should be able to choose whether they want to pay for distribution services when there has been a continuous interruption affecting a customer's connection point for 24 hours or longer.

Flick supports the Authority's proposed change to clause 9.10 (as a core term) "*to place the responsibility with the distributor to advise the retailer of ICPs that are affected by an electricity supply interruption"* (para 2.26). This would be very useful information for retailers to have at the time of an outage - not just for billing purposes at the end of the month.

Information on the impact of outages on individual ICPs is obviously critical for a trader if they have chosen not to pay for distribution services when there has been a continuous interruption affecting a customer's connection point for 24 hours or longer.

In Flick's view this additional change does not address many of the concerns outlined in submissions on the October 2023 proposals and outlined in the consultation paper in paragraphs 2.6 to 2.22.

We note that paragraph 2.41 states the Authority now also proposes removing the requirement on traders to request refunds (reductions). This alters the policy intent discussed above. The proposal now appears to be that distributors must invoice reduced charges for ICPs affected by an outage of 24 hours or longer.

Proposed new clause 9.11

The Authority is proposing that if during a state of emergency the relevant organisations do not permit access for the disconnection technician to perform the customer's requested disconnection, the distributor must treat the property as disconnected, and the trader can change the status of the consumer's ICP to "Inactive" with the appropriate reason code in the registry.

A high proportion of disconnections (~95%) are performed remotely. If a state of emergency means there is no communications link to effect remote disconnection it is also highly unlikely people will be in a position to prioritise making a physical visit to the property to disconnect electricity. If the objective of changing the ICP status to Inactive is to stop any obligation to pay for distribution services this is dangerous if the physical disconnection has not happened. We do not support changing the status of an ICP to Inactive unless this is accurate and there is categorically no electricity running through the meter at the ICP.

Consistency with Part 4 regime

Paragraph 2.39 states "*We [the Authority] have also clarified that the reduction in charges relates to the interruption to electricity supply, rather than the supply of distribution services. This acknowledges that distribution services may be ongoing even when electricity supply is interrupted*". Flick's understanding is that the Part 4 regime is based on distributor's supplying and recovering the cost of 'distribution services'.

We agree with the Authority's policy intent for clause 9.10 is that consumers do not pay for *electricity they do not receive*. Consumers will not be paying any variable charges when they are not receiving / using electricity. We suggest this policy intent is not the same as payment for infrastructure that provides distribution line services - the fixed component of distribution charges - for assets that become available again as soon as the outage is remedied

If distribution services continue to be supplied the distributor should still be able to recover this cost (even if no electricity is supplied). In our view, making a distinction between 'electricity supply' and 'supply of distribution services' is not useful.

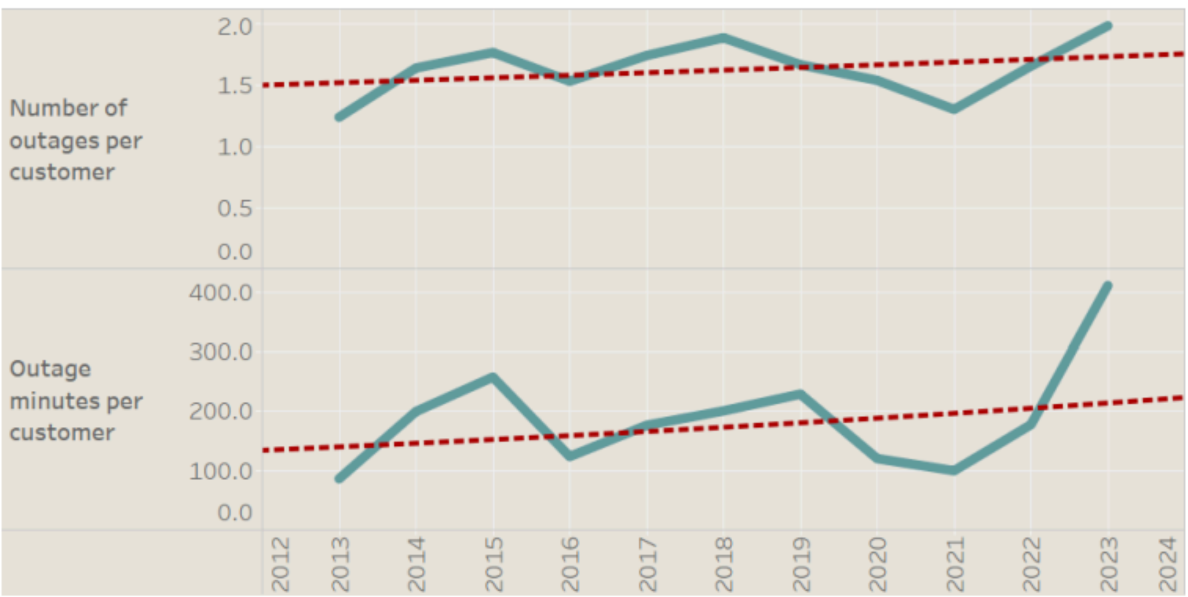
Threshold period of 24 hours

As distributors increase their fixed charges to be consistent with cost reflective pricing there will be minimal variable distribution charges based on 'electricity supply'. Flick's view is that the convenience of being able to use electricity far outweighs the current fixed charge by distributors. A refund of 69 cents (the current maximum distributor fixed charge) could be viewed as an insult when compared with a consumers' actual costs from lack of electricity supply.[1]

Flick suggests the Part 4 quality standards place a significant cost and incentive on distributors to restore power as soon as practicable. Distributors are financially penalised if they breach the quality standards.

It is not clear from the consultation paper how many retailers / consumers have chosen that they want a refund when there is a continuous interruption affecting a customer's connection point for 24 hours or longer. The Commerce Commission's Information Disclosure rules collect data on the number and duration of unplanned outages.[2] On average the duration of an unplanned outage is significantly shorter than 24 hours. Prior to 2023, the average outage duration is about 3 hours.

Unplanned outages per customer



While there is an upward trend in the number and length of outages, the networks that experienced outages exceeding 24 hours during 2023 are clearly linked to severe adverse weather conditions.[3]

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[1] A customer contacted Flick to provide information on the practical financial impact of not having electricity and declined the 69 cent refund as an inadequate comparison.
[2] Source: Analysis by the Commerce Commission 'Trends in local lines company performance', 25 June 2024, Page 5https://comcom.govt.nz/__data/assets/pdf_file/0022/356620/Trends-in-local-lines-company-performance-25-June-2024.pdf
[3] Source: Information Disclosures https://comcom.govt.nz/__data/assets/excel_doc/0025/352762/EDB_ID__2022-2024__2024.05.01.xlsx

Requirement for retailers to pass-through reduction in distribution charges

As discussed above Flick is cautious whether requiring distributors to reduce charges for continuous outages of 24 hours or more is efficient and lowers costs for consumers over the long term.

The Authority has suggested retailers should be able to withhold a maximum of 50% of the reduction in distribution charges. This is an arbitrary amount that is likely to be distasteful to customers and does not reflect the cost of passing through any refund. This arbitrary amount may be sufficient to cover the costs of pass-through for a retailer with a large customer base. But the cost falls disproportionately on smaller retailers with a smaller customer base over which to recover the cost of processing a refund.

We suggest the Authority retain the option for retailers (and consumers) to choose to request refunds / charge reductions for outages of 24 hours or longer. If the retailer requests a refund then under the DDA the retailer should be required to pass on this reduction to their customers. The retailer has then consciously signed up for the cost of administering a pass-through.

We welcome the opportunity to discuss our information in this submission with you in more detail.

Your Sincerely

Pavan Vyas

Chief Executive, Flick Electric

FLICK

Submitter: Flick Electric

Part 12A clause 9.10 (refund of charges)

Question	Comment
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.	We do not agree that the revised proposed approach in 9.10 is efficient or effective. Our preferred approach is the DDA continues to allow retailers to choose if they want to receive a refund from distributors. If the retailer elects to receive this refund the DDA should require the retailer to pass this refund onto affected customers.
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?	No. Quality standards under the Commerce Commission’s Part 4 regime are more stringent than refunding fixed charges.
Q2.3 If so, what time limit would you consider reasonable before charges should be reduced (eg, a maximum of 48 hours interruption)?	No comment.
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?	When there is an outage the customer will not be paying any variable charges as they won’t be receiving any electricity. The amount in ‘dispute’ is the fixed charge for the electricity distribution services and not electricity supply.

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

Question	Comment
Q3.1. Do you consider new clause 9.11 effectively addresses the	If the objective of changing the ICP status to Inactive is to stop any obligation to pay for distribution services this is dangerous if the

identified problem? Would you propose any alternative approaches? If so, please describe these approaches in your answer.	physical disconnection has not happened. We do not support changing the status of an ICP to Inactive unless this is accurate and there is categorically no electricity running through the meter at the ICP.

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

Question	**Comment**
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.	Flick does not consider the new clause 12A.6 will deliver benefits to consumers. The cost of processing a refund falls disproportionately on smaller retailers with a smaller customer base over which to recover this cost. Given everyone’s heavy reliance on electricity the inconvenience of not having electricity for over 24 hours vastly exceeds the fixed costs per customer of sunk network infrastructure.
Q4.2 Do you see any problems or have alternative ideas? If so, please explain what these are.	We suggest the Authority retain the option for retailers (and consumers) to choose to request refunds / charge reductions for outages of 24 hours or longer. If the retailer requests a refund then under the DDA the retailer should be required to pass on this reduction to their customers. The retailer has then consciously signed up for the cost of administering a pass-through.