



Genesis Energy Limited  
Level 6  
155 Fanshawe Street  
PO Box 90477  
Victoria St West  
Auckland 1142  
New Zealand

T. 09 580 2094

31 July 2024

**To:** The Electricity Authority  
**Email:** [dda@ea.govt.nz](mailto:dda@ea.govt.nz)

### **Genesis submission on the Authority's proposed changes to the default distributor agreement**

Genesis Energy Limited (**Genesis**) welcomes the opportunity to comment on the Electricity Authority's (**the Authority**) *Follow-up consultation – proposed changes to the default distributor agreement Consultation paper*.

See our response to the consultation questions in the table below. We have also proposed an alternative approach to achieving the Authority's objectives, which would involve making service guarantee payments a core term for outages greater than 24 hours and/or during states of emergency, with payments being no less than the daily rate charged by the distributor. An advantage of this alternative approach is that it would not require any change to the Registry status codes or monthly billing systems, and may not require a change to the Code.

The few remaining distributors who still offer service guarantee payments already have systems in place, as should all Retailers who are required by s1.4 of schedule 1 of the DDA to pass on service guarantee payments. Genesis is unclear on whether distributors could wash-up service guarantee payments under this approach but would be supportive of this recovery via price-quality regime. This approach would be less transparent when doing post-event reviews to identify who was affected and if costs had been reduced.

Yours sincerely,

Mitch Trezona-Lecomte  
**Senior Advisor, Government Relations and Regulatory Affairs**

## Genesis's response to consultation questions

Question	Genesis response
<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>The revised proposal is more workable, efficient, and effective than the status quo and the initial proposal. Genesis supports making 9.10 a core term, and electricity distributors' reduction in charges being "washed up" later under price-quality regimes. Updating the ICP status in the Registry may be effective for transparency purposes but may not be efficient in terms of additional notification files to the Registry, and the marginal financial sums involved at an ICP level.</p> <p>An alternative approach could be to make service guarantee payments a core term for outages greater than 24 hours and/or during a state of emergency, with the payment being no less than the daily rate charged by the distributor. This would likely require no change to the Registry status codes, monthly billing systems, or the Code. The few remaining distributors who still offer service guarantee payments already have systems in place, as should all Retailers who are required by s1.4 of schedule 1 of the DDA to pass on service guarantee payments. Genesis is unclear on whether distributors could wash-up service guarantee payments under this approach but would be supportive of this recovery via price-quality regime. This approach would be less transparent when doing post-event reviews to identify who was affected and if costs had been reduced.</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>No. We believe that in general distributors already take all reasonable actions to restore services as quickly as possible, within resourcing constraints and taking into account the need to protect safety. In our view, the charge reduction is less about incentivising restoration, and more about acknowledging failure to provide the primary service level expectations of consumers.</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>We consider 24 hours to be an appropriate timeframe before (fixed) daily charges are reduced.</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>In our view a longer period does not incentivise faster restoration. This also fails to recognise the non-delivery of the service for a whole day when the customer is being charged in daily increments.</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>In principle, we think the proposed new clause 9.11 would address the problem, however more detail would be required for us to provide a definitive view. One question we have is whether a new reason code would then be created to show that although the site is inactive for billing purposes, electricity may still be able to flow? As a suggestion, the new code could be "001-13 Inactive - SOE Non-billable".</p>

	<p>Note, Genesis does not consider this change will incentivise distributors to restore supply any quicker as it is our view that in general distributors already act as fast as possible to restore supply within the constraints of safety and resourcing. There is already a financial incentive for distributors to restore supply as soon as they can because during loss of supply, they forego revenue recoverable via consumption charges.</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>We agree that retailers should pass any reduction back to consumers. Genesis does this already.</p>
<p>Q4.2 Do you see any issues or have alternative ideas? If so, please explain please explain what these are.</p>	<p>If reductions were handled using our proposed alternative approach (outlined above in our response to Q2.1), where service guarantee payments are a core term, and include charge reductions for long continuous outages, then no Code change would be required.</p>
<p>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.</p>	<p>Genesis supports the proposal that clause 33.2 becomes a core term with the newly proposed definition of “Use of money adjustment”.</p> <p>Genesis agrees that the ability to impose 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 bank. The proposal would close a loophole should any party be gaining/losing from this practice (although we have seen little evidence to suggest such a practice is occurring).</p> <p>Only one distributor makes UoM credits/debits to Genesis. The magnitude of the payments would indicate any changes would have negligible financial benefit to any party (distributors/retailers/consumers) under normal circumstances. Genesis is wary that the added transaction costs of additional invoices for every wash-up month may off-set the interest payment. The inclusion of “unless the parties agree otherwise” will be helpful in reducing the number of low value invoices resulting from this proposal. Another alternative would be to consider a threshold amount (+/- \$100) before a UoM payment is triggered, but the parties could agree separately on this matter (as we have done in the past with some distributors).</p> <p>No significant system changes would be required by Genesis, but we appreciate some distributors may be impacted by the change. The proposal could result in a notable increase in invoices each month, for negligible amounts, which would introduce cost and resource-time to Genesis. No tangible benefit is expected for consumers.</p>
<p>Q5.2 Does the revised approach to clause 33.2 reduce potential implementation costs? Please explain your views.</p>	<p>No. Genesis doesn’t calculate the interest, so the simplified method has no impact. The increased transaction volume and invoices may offset/erode the value of the UoM payments. The proposal will increase costs to both retailers and distributors, with no benefit to consumers. The benefit of this proposal is the reduction in costs imposed on a party when treated as a bank by another party.</p>