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**Vector Limited**  
101 Carlton Gore Road  
PO Box 99882, Newmarket  
Auckland 1149,  
New Zealand  
[www.vector.co.nz](http://www.vector.co.nz)  
Corporate Telephone  
+64-9-978 7788  
Corporate Facsimile  
+64-9-978 7799

Electricity Authority  
PO Box 10041  
Wellington

Sent by email to: [submissions@ea.govt.nz](mailto:submissions@ea.govt.nz)

### **Review of domestic contracting arrangements – issues paper**

1. Vector welcomes the opportunity to respond to the Retail Advisory Group's (RAG) consultation paper, *Review of domestic contracting arrangements – issues paper* (paper), dated 16 April 2013. No part of this submission is confidential and we are happy for it to be publicly released.
2. Vector's contact person for this submission is:  
Sally Ma  
Regulatory Analyst  
09 978 8284  
[Sally.Ma@vector.co.nz](mailto:Sally.Ma@vector.co.nz)
3. The RAG is exploring issues relating to the operational effectiveness of domestic conveyance contracting arrangements, with a view to publishing minimum terms and conditions for conveyance contracts if it finds that long-term consumer net benefits are to be gained.
4. Vector is of the view that there is currently no compelling evidence to suggest that long-term consumer net benefits are to be gained from publishing minimum terms and conditions for conveyance contracts. Vector's reasons are as follows:
  - i. The paper notes in paragraph 3.2.1 that 20% of all electricity consumers are on a conveyance contract. Vector is currently in the process of moving away from the conveyance model towards a standardised pan-Auckland agreement for all its customers (i.e. a hybrid interposed model). This means that once the transition has fully taken place, the overall number of consumers on conveyance contracts will significantly decrease from 20% to 2.9%.<sup>1</sup> Given this

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<sup>1</sup> The 2.9% figure is calculated based on the Commerce Commission's information disclosures of electricity distributors' performance from 2008 to 2011, for MainPower and The Lines Company.

likely reduction in conveyance customer numbers in the near future, Vector does not consider that developing minimum terms and conditions for conveyance contracts would be the most efficient way to allocate the Electricity Authority's resources. The cost of developing any terms and conditions are fixed, while the benefits are uncertain and likely to affect a rapidly decreasing number of consumers.

- ii. Vector sees no evidence of a pressing need for minimum terms and conditions for conveyance contracts. Vector has not experienced a trend of customer complaints regarding its conveyance contracts and is not aware that its conveyance contracts cause issues for its consumers. Without evidence to demonstrate that a problem exists that could be resolved by minimum terms and conditions for all conveyance contracts it is hard to see what benefit would result (if any) from changing the status quo.
  - iii. We note the advice of the EGCC in paragraph 3.2.6. Vector considers that the issues underlying the deadlocked complaints are distributor specific issues and not a conveyance contract issue, as such. If it were a conveyance contract issue we would expect to see it experienced equally by all three distributors that operate conveyance contracts. Therefore, Vector queries whether developing minimum terms and conditions is the most appropriate way to address any problems that may be experienced by consumers of a particular distributor. Furthermore, has the RAG considered what the underlying causes of the issue might be, if the cause is not the conveyance arrangements? Vector submits that the RAG should consider pursuing more targeted avenues for addressing the underlying causes of the deadlocked complaints.
5. Vector **recommends** that the RAG take into account the factors outlined above when considering whether issues with conveyance contracts exist and when conducting its cost benefit analysis, including exploring alternative avenues to address the issue of deadlocked complaints.

Yours sincerely,



Bruce Girdwood  
**Manager Regulatory Affairs**