

## Schedule 2 to Vector submission on Model Use-of-System Agreements, May 2014

### Use of System Agreement – Electricity version 1.4

Material variations from the Model Use of System Agreement (Interposed) and Vector Use of System Agreement – Electricity version 1.1

Clause in Vector UoSA v 1.4	Material variation from the Model UoSA	Material variation from Vector UoSA v1.1	Other comments
<b>1. Term of agreement</b>			
1.1 (Term)	None.	None.	None.
<b>2. Services</b>			
2.1 (Distributor's services and obligations) and 2.2 (Retailer's services and obligations)	See Table 2 in main submission.	<p>The earlier version of the Vector UoSA had required the parties to "endeavour" in accordance with Good Electricity Industry to perform their respective obligations under the agreement. This "endeavour" qualification was removed during Retailer negotiations to better reflect Vector's intention to introduce an appropriate benchmark for services under the Vector UoSA.</p> <p>Vector had previously required Retailers to satisfy the Distributor's pre-requisites for use of the network as an ongoing requirement. This</p>	<p>Vector does not agree with the Electricity Authority's assessment of clause 2, contained in Table 1 of the consultation paper on "More standardisation of use-of-system agreements" dated 8 April 2014 (the <b>Consultation Paper</b>) and would like to understand the basis for this assessment.</p> <p>Vector also refers to Sapere Research Group's finding in relation to clause 2 in its report (the <b>Sapere Report</b>).</p>

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		requirement was removed during Retailer negotiations.	
2.3 (Retailer's obligations – Consumers)	None – this is clause 2.2(e) in the Model UoSA.	The previous version of the Vector UoSA had required the Retailer to ensure that its Consumer Contracts prohibit Consumers from altering, impeding the use of, or otherwise interfering with or damaging the Network or any of the Distributor's property. Although this requirement is not unreasonable, it was removed during Retailer negotiations.	There is no material difference between this provision and that contained in the Model UoSA.
2.4 (Retailer's obligations in relation to Embedded Networks)	This clause requires the Retailer to comply with the provisions of schedule 9 if it supplies electricity to an Embedded Network Consumer.	None.	The Model UoSA does not deal with this issue, which is an oversight. See comments in relation to Schedule 9, below. Vector also refers to the Sapere Report, which found that the "clear and transparent arrangements" promoted by this provision enhances operational efficiency of the market.
<b>3. Conveyance only</b>			
3 (Conveyance only)	The Vector UoSA does not materially deviate from the Model UoSA. This view is consistent with the findings of the Sapere Report. The Distributor is entitled to directly	None.	The Model UoSA and the Vector UoSA are interposed use of system agreements. This clause simply reflects the Distributor's entitlement to contract directly with particular

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	contract for distribution services and billing of lines charges directly with a particular Consumer on a conveyance-only basis, following the Consumer's written request.		individual Consumers on a conveyance-only basis, for the provision of distribution services and direct billing of lines charges.
<b>4. Equal access and even-handed treatment</b>			
4 (Equal access and even-handed treatment)	See Table 2 in main submission.	The previous version of the Vector UoSA had entitled the Distributor to differentiate between Retailers in a manner that properly reflects different financial or operational characteristics of such Retailers or their businesses. This right has been removed for alignment with the Model UoSA during Retailer negotiations.	Vector does not agree with the Electricity Authority's assessment of clause 4, contained in Table 1 of the Consultation Paper, and would like to understand the basis for this assessment.  Vector also refers to the Sapere Report, which found that there are no competition impacts caused by this provision. Sapere found the Vector UoSA provision to be "legally and operationally more efficient" than the Model UoSA.
<b>5. Service interruptions</b>			
5.3 (Protocols for Service Interruptions)	See Table 2 in main submission.	None.	Vector does not agree with the Electricity Authority's assessment of clause 5.3, contained in Table 1 of the Consultation Paper and would like to understand the basis for this assessment.

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			Vector notes that the Sapere Report's finding that the variations in the Vector UoSA for all intents and purposes is consistent with the Model UoSA, and that the Vector UoSA provisions are likely to promote efficient operation of the market.
5.5 (Retailer to receive Unplanned Service Interruption calls)	As part of the Proposed Transition, it was important for the Distributor to retain the ability to elect to be responsible for receiving and managing Consumer communications in relation to Unplanned Service Interruptions. This is efficient for both the Distributor and the Retailer and enhances services to Consumers. Words were added to enable the Distributor to do this.	During Retailer negotiations, this requirement was amended so that the Retailer's obligation in this regard will only come into effect on 1 June 2014 or a later date agreed between the parties.	Vector notes the Sapere Report finding that the Vector UoSA provision probably reduces costs to the Retailer and at the same time promotes more efficient operation in the market.
5.10 (Costs of communication)	The Model UoSA requires the Distributor to meet the Retailer's reasonable costs in complying with the Distributor's request to notify Consumers in relation to Planned Service Interruptions. This was amended so that the Retailer bears the costs of doing so, except where re-notification of		This provision reflects what happens in practice, operationally. The Retailers can readily and cost-effectively communicate with Consumers. The wording also ensures greater efficiency as Retailers have appropriate incentives to reduce the costs of these

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	the Planned Service Interruption is required solely due to the act or omission of the Distributor or its contractors.		communications.
<b>6. Load management</b>			
6.1 (Distributor may control load)	See Table 2 in main submission.	None.	The approach taken under the Vector UoSA does not alter the premises that fundamentally, it is up to the Consumer to decide who is to control all or part of its load. The Sapere Report notes that the Vector UoSA enhances the ability of the Distributor to provide load control services to Consumers. Vector does not agree with the Electricity Authority's assessment of clause 6.1, contained in Table 1 of the Consultation Paper and would like to understand the basis for this assessment.
6.2 (Retailer may control load)	<p>The Model UoSA enables persons other than the Distributor to control the Consumer's load. This creates risk that Retailers or a third party can control the load using the Network, resulting in:</p> <ul style="list-style-type: none"> <li>• damage to the Distributor's property; and/or</li> </ul>	During Retailer negotiations, a requirement was inserted into clause 6.2 to require the Distributor to consult with Retailers for a reasonable period in relation to protocols for the use of the load – with any disputes to be dealt with under the dispute resolution process	According to the Sapere Report, this variation is "future-proofing" the Vector UoSA by providing that in the event of a Retailer having a Load Control System that the Distributor will seek to establish a protocol that is intended to ensure that the security, safety and integrity of

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	<ul style="list-style-type: none"> <li>• interruption of supply of electricity through the Network; and/or</li> <li>• safety issues.</li> </ul> <p>The Vector UoSA amends the Model UoSA provisions so that if Retailers wish to control the Consumer's load, they must first agree to Vector's protocols for the use of the load. If the protocols cannot be agreed within 40 working days, then either party may refer the matter to the dispute resolution process contained in the Vector UoSA.</p>	contained in the Vector UoSA.	the Network is not adversely affected by such load control. The scope of the protocol is limited to safety, security and integrity of the Network and does not seek to limit the commercial application of the load control by the Retailer.
6.7 (Limitations if Distributor elects to control the Retailer's load)	This provision was inserted to clarify that where the Distributor controls the Retailer's controllable load in accordance with clause 6.6 (for management of system security), the Distributor will only do so for this purpose in accordance with Good Electricity Industry Practice.	None.	As identified in the Sapere Report, the development of a protocol is optional under the Vector UoSA, whereas the development of a protocol is mandatory under the Model UoSA. This reflects a similar situation as in clause 6.2 whereby a protocol will be developed if the Retailer has a Load Control System. Currently there are no such systems, so there is no need for a protocol.
6.10 (Access to demand and energy information)	See Table 2 in main submission.	None.	Vector does not agree with the Electricity Authority's

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			assessment of clause 6.10, contained in Table 1 of the Consultation Paper and would like to understand why the Electricity Authority considers the obligation to be so significant, given that the Retailer has access to it and it will benefit Consumers.
6.11 (Inclusion in Consumer Contracts)	This new provision was inserted into the Vector UoSA so that the Retailer must include a requirement in its Consumer Contracts for any third party seeking to control the Consumer's load to first agree to the protocols for the use of the load (agreed between the Distributor and the Retailer in accordance with clause 6.2).	None.	The Sapere Report considers that this provision is future-proofing the Vector UoSA.
<b>7. Losses and Loss Factors</b>			
7.2 (Calculation of Loss Factors)	The Vector UoSA amends this clause to reflect that the Electricity Authority has not yet published the Loss Factor Guidelines.	None.	None.
Model UoSA, clause 7.5 (Distributor to investigate adverse trends in Losses)	This clause required the Distributor to investigate the cause of adverse trends in Losses and facilitate a meeting of all affected Retailers to	None.	None.

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	attempt to resolve the matter. This clause has been deleted in the Vector UoSA because there has not been any Retailer demand for such investigation and also because it is not efficient for the Distributor to comply with this requirement.		
<b>8. Service performance reporting</b>			
8 (Service performance reporting)	The Model UoSA requires each party to prepare performance reports relating to its respective Service Standards performance. Additional reports could also be requested by either party. The Vector UoSA amends the approach proposed under the Model UoSA because the obligation to publish regular performance reports is onerous on both parties and it is not clear what benefit would be provided by these reports.		The Sapere Report considers that this variation promotes operational efficiency by reducing costs of producing/duplicating reports that are not required by the Retailer.
<b>9. Distribution services prices and process for changing prices</b>			
9 (Distribution services prices and process for changing prices)	The only material change from the Model UoSA is in clause 9.3(a), where the Distributor is required to provide 60 Working Days' notice of Tariff Rate change to the Retailer, and not 40 Working Days as is the case	None.	None.



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	under the Model UoSA. This, clearly, is beneficial to Retailers. Other variations from the Model UoSA are intended to improve the operational efficiency and workability of the provisions, and adopt the wording refined through negotiations with Retailers.		
<b>10. Applying price categories to ICPs</b>			
10 (Applying price categories to ICPs)	The variations from the Model UoSA are intended to improve the operational efficiency and workability of the provisions, and adopt the wording refined through negotiations with Retailers.	None.	None.
<b>11. Billing information and payment</b>			
11 (Billing information and payment) – Generally	<p>The billing provisions are of fundamental importance to the parties. They must reflect:</p> <ul style="list-style-type: none"> <li>• current practice;</li> <li>• current industry systems and processes; and</li> <li>• comply with the requirements of the Goods and Services Tax Act 1985.</li> </ul> <p>The billing provisions in the Vector UoSA meet each of the</p>	None.	As noted in the Sapere Report, this is an operational matter.

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	<p>above requirements.</p> <p>The Vector UoSA recognises that Retailers have different systems and processes. The Vector UoSA allows the Retailer to elect between "Replacement Normalised" and "Incremental Normalised" billing methodologies. In the absence of a single industry-wide billing methodology, Vector had to retain this degree of flexibility to ensure that Retailers were not required to incur unreasonable expenses to ensure that they have the systems to comply with the billing provisions. Clearly, it would be operationally simpler (and therefore more efficient) for Vector to only allow a single billing methodology.</p>		
11.17 (Refund of charges)	<p>The Vector UoSA amends clause 11.17(a) to clarify that the Distributor is not required to refund its charges due to a 24 hour or longer outage on the Network, where such fault is caused by a Force Majeure Event or a third party damage to the Network.</p> <p>This is appropriate because</p>	None.	Refer to the discussion in relation to clause 23 (Force Majeure).

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	<p>Distributors are continuing to perform the services in a Force Majeure Event situation (the services being the rectification of the outage caused by the Force Majeure Event). The Distributor does not promise a continuous supply of electricity. There is no basis therefore to refund a 24 hour or longer outage when the Distributor is not at fault.</p> <p>In addition, Retailers are not contractually required to pass on these refunds received from the Distributor to their Consumers. It is not appropriate for the Distributor to refund charges to the Retailer where there is no obligation on the Retailer to pass on such refund to the affected Consumers.</p>		
<b>12. Prudential requirements</b>			
12 (Prudential requirements)	The practice note in the Model UoSA states that the prudential requirements must comply with clauses 12A.4 and 12A.5 of the Code. Clause 12 of the Vector UoSA does so, and also extends the timing for payment of Additional Security by the	Clause 12.16 of the Vector UoSA was amended in the manner described in the previous column.	Clause 12.16 was amended during Retailer negotiations because smaller Retailers in particular were concerned about not having enough time to meet calls for additional security being made by the Distributor.

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	Retailer under clause 12.16 from 5 Working Days to 15 Working Days. This is clearly a more advantageous position, particularly for smaller Retailers and new entrants who requested the change.		The Sapere Report recognises that this variation is more favourable to the Retailer than the Model UoSA, and that this type of concession would be helpful to smaller Retailers.
<b>13. Access to the Consumer's Premises</b>			
13 (Access to the Consumer's Premises)	None.	None.	None.
<b>14. General operational requirements</b>			
14 (General operational requirements)	None.	None.	None.
<b>15. Network Connection Standards</b>			
15 (Network Connection Standards)	None.	None.	None.
<b>16. Momentary fluctuations</b>			
16 (Momentary Fluctuations)	None.	None.	None.
<b>17. Consumer Service Lines</b>			
17 (Consumer Service Lines)	None.	None.	None.
<b>18. Tree trimming</b>			
18 (Tree trimming)	None.	None.	None.
<b>19. Connections, disconnections, and decommissioning ICPs</b>			
19 (Connections,	None.	None.	None.

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disconnections, and decommissioning ICPs)			
<b>20. Breaches and Events of Default</b>			
20 (Breaches and Events of Default)	Further contractual rights were granted to the Distributor during a Retailer's Event of Default (refer clause 20.4(e)) and an Insolvency Event (refer clause 20.6(b)), as the provisions in the Model UoSA did not provide enough flexibility for the Distributor to deal with a defaulting Retailer. Importantly, however, the regime contained in the Vector UoSA for dealing with defaulting Retailers does not cut across the industry-wide processes for dealing with defaulting Retailers under the Code.	The Code was amended by the Electricity Authority during the Retailer negotiations of the Vector UoSA, to facilitate an industry-wide process for dealing with defaulting Retailers. Clause 20 was amended to align with this industry-wide process contained in the Code.	The Model UoSA was published in September 2012 and there have been subsequent consultation and Code amendments relating to Retailer default situations. The Vector UoSA is consistent with the industry-wide Retailer default regime contained in the Code. Note that clause 21.3 of the Vector UoSA is also consistent with the Code regime.
<b>21. Termination of agreement</b>			
21 (Termination of agreement)	Clause 21.1(a) of the Model UoSA allowed either party to terminate the agreement by 120 Working Days' notice, after a minimum term of 4.5 years. The Vector UoSA requires the Distributor to provide a copy of its Standard Use of Network Agreement to the Retailer for negotiation, following the issue	Clause 21.1(a) of the Vector UoSA was amended in the manner described in the previous column.	As noted in the Sapere Report, the Vector UoSA provision reduces uncertainty for the Retailer and enhances administrative efficiency for both parties in the event that the Vector UoSA is terminated.

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	of its termination notice. This change was made at a Retailer's request, as their primary concern is to ensure that there is always an access agreement in place to enable delivery of electricity to Consumers.		
<b>22. Confidentiality</b>			
22 (Confidentiality)	See Table 2 in main submission.	There have been significant movements in relation to the Distributor's liability for breach of confidentiality. In the previous version of the Vector UoSA, the Distributor's liability under clause 22 was subject to the caps in clause 26.	<p>Note clause 29.3 of the Vector UoSA, which contains a requirement that the Retailer will not use confidential Consumer information it receives in relation to another Retailer's business from the Distributor in error, for its own purpose. This provision is expressed to be for the benefit of (and therefore enforceable by) other Retailers.</p> <p>The approach that Vector has adopted of ensuring that Retailers who receive information in error cannot use it without assuming significant risk is more efficient than the regime of uncapped liability contained in the MUoSA.</p> <p>Vector does not agree with the Electricity Authority's assessment of clause 22,</p>

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			contained in Table 1 of the Consultation Paper and would like to understand the basis for this assessment. Vector considers that the Electricity Authority's assertions highlight a lack of understanding of how the different provisions of the Vector UoSA operate.
<b>23. Force Majeure</b>			
23.1 (Force Majeure Event)	<p>The force majeure regime in the Model UoSA contains a restricted list of events or circumstances that constitute force majeure. This poses two risks:</p> <ul style="list-style-type: none"> <li>• The Force Majeure Event definition is not wide enough to capture all types of events outside the Distributor's control, which restricts the Distributor's ability to perform its obligations under the agreement.</li> <li>• Force Majeure may not be claimable even where the Distributor has acted in accordance with Good Electricity Industry Practice.</li> </ul> <p>The Vector UoSA amends the definition of "Force Majeure</p>	None.	<p>The approach taken in relation to force majeure under the Vector UoSA is that the Distributor should not be exposed where the event or failure has occurred despite the Distributor having acted in accordance with Good Electricity Industry Practice. That is the industry standard that Distributors should meet.</p> <p>The MUoSA provisions are conceptually imperfect as they include concepts that broadly describe Good Electricity Industry Practice but do not use that defined term.</p> <p>The Sapere Report notes that the clarification provided through the Vector UoSA enhances operational efficiency.</p>

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	<p>Event” so that the Distributor does not incur liability under the agreement where it fails to meet its obligations because of an event outside its control, where it has acted in accordance with Good Electricity Industry Practice. Essentially, force majeure arises where an event occurs that is outside the Distributor’s control that would otherwise cause the Distributor to breach the Vector UoSA, where the event or failure did not arise as a result of the Distributor failing to act in accordance with Good Electricity Industry Practice.</p> <p>Retailers were comfortable with this approach during the negotiations.</p>		
23.6 (Charges continue)	<p>There is risk that under the wording of the Model UoSA, that the Distributor may not be able to recover fixed charges in relation to services rendered to Retailers during a Force Majeure Event.</p> <p>Under the Vector UoSA, the Distributor is clearly entitled to receive its fixed charges notwithstanding the occurrence</p>	<p>The proviso to clause 23.6 was inserted at certain Retailers’ request during negotiations, to recognise that in major events such as the Canterbury earthquakes, fixed charges should not be levied where premises cannot be accessed.</p>	<p>The approach taken under the Vector UoSA is considered to be appropriate because the Distributor is continuing to supply services during the Force Majeure Event (the service being the rectification of outages and other consequences of the Force Majeure Event).</p> <p>The Sapere Report notes that</p>



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	<p>of a Force Majeure Event, except where access to a Consumer's Premises is prevented by a regulatory authority (for example, as a result of a major earthquake). The Distributor is also entitled to levy variable charges in relation to each ICP to the extent that electricity flowed through that ICP during the Force Majeure Event.</p>		<p>the clarification provided through the Vector UoSA enhances operational efficiency.</p>
<b>24. Amendments to agreement</b>			
<p>24.4 (Procedures for changes required by law or necessary due to change in law, including the Code, and other changes)</p>	<p>See Table 2 in main submission.</p>	<p>In the previous version of the Vector UoSA, the Distributor could effect changes to the agreement with the support of Retailers supplying 67% of ICPs on the Network. The current position is clearly sets a higher threshold and is more advantageous to the Retailers. Further changes have been made to ensure that no particular Retailers are unfairly prejudiced by any changes made to the Vector UoSA under this change management regime.</p>	<p>The Vector UoSA strikes the right balance between ensuring that there is sufficient flexibility in the long term agreement for provisions to evolve for the benefit of the industry, in accordance with Good Electricity Industry Practice. The Distributor must also comply with its obligation to treat all Retailers even-handedly, under clause 4 of the agreement. This regime affords sufficient protection for the Retailer. Vector does not agree with the Electricity Authority's assessment of clause 24, contained in Table 1 of the Consultation Paper and would</p>

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			<p>like to understand the basis for this assessment.</p> <p>The Sapere Report notes that the Vector UoSA provisions enhance operational efficiency in the market.</p>
24.5 (Change to GXPs)	<p>The Vector UoSA removes the obligation under the Model UoSA for the Distributor to consult with the Retailer in relation to changes to GXPs. It is not practical for the Distributor to consult with each of the Retailers trading on its Network (for example, Vector currently has 15 Retailers trading on its network).</p>	None.	No Retailer strongly objected to this provision of the Vector UoSA during negotiations.
<b>25. Dispute resolution procedure</b>			
25 (Dispute resolution procedure)	<p>Under the Model UoSA, the parties are required to mediate where at least one party sees value in mediation as a mode of dispute resolution.</p> <p>The Vector UoSA amends this requirement so that failing discussions and negotiations, either party may refer the dispute to arbitration (and thereby avoiding mediation). Otherwise, there is no material departure from the dispute</p>	None.	<p>Making mediation a mandatory dispute resolution procedure creates a risk that one party may use this as a delay tactic against the other party, to prevent the other party pursuing its legal remedies. Note that the parties may still agree to refer a dispute to mediation.</p>

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	material regime contained in the Model UoSA.		
<b>26. Liability</b>			
26 (Liability)	<p>Vector considers that the Vector UoSA liability provisions enhance the workability of the liability regime proposed by the Model UoSA.</p> <p>Broadly, the Vector UoSA varies the Model UoSA liability regime by:</p> <ul style="list-style-type: none"> <li>• clarifying that liability of parties to each other is governed solely by the Vector UoSA and law (refer new clause 26.4);</li> <li>• introducing a conceptually sound liability cap regime (clauses 26.7 and 26.8);</li> <li>• bridging the gap between the new Distributor’s indemnity regime under the Code and the Consumer Guarantees Act 1993; and</li> <li>• ensuring that CGA claims are handled in a manner that promotes early resolution of the claims in a manner satisfactory to all parties.</li> </ul>		Vector does not agree with the Electricity Authority’s assessment of clause 26, contained in Table 1 of the Consultation Paper and would like to understand the basis for this assessment.
26.7 (Distributor’s limitation of	The Model UoSA provides a per		Vector does not agree with the

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liability) and 26.8 (Retailer's limitation of liability)	<p>event liability cap, being the lesser of:</p> <ul style="list-style-type: none"> <li>• \$10,000 for each ICP supplied by the Retailer; and</li> <li>• \$2,000,000.</li> </ul> <p>No aggregate liability cap is proposed.</p> <p>The Electricity Authority recommends:</p> <ul style="list-style-type: none"> <li>• increasing the \$2,000,000 cap if the parties agree; and</li> <li>• amending the liability cap formula where it would lead to an unreasonably low liability cap.</li> </ul> <p>The Vector UoSA provides:</p> <ul style="list-style-type: none"> <li>• a \$10,000 per event liability cap for a residential ICP;</li> <li>• a \$20,000 per event liability cap for a non-residential ICP; and</li> <li>• an annual aggregated liability cap proportionate to the percentage of the total number of ICPs supplied by the Retailer on the Network.</li> </ul> <p>Vector considers that the Vector UoSA approach to limitation of liability is commercially more appropriate than that in the</p>		Electricity Authority's assessment of clause 26, contained in Table 1 of the Consultation Paper and would like to understand the basis for this assessment.

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	<p>Model UoSA, and consistent with the Distributor's obligation to treat all Retailers even-handedly.</p> <p>The Distributor's aggregate liability to all Retailers does not fluctuate as the number of Retailers supplying ICPs on the Network changes. This is a logical result, as the level of distribution services provided by the Distributor does not change as the number of Retailers changes.</p>		
26.10 (Distributor indemnity)	<p>The indemnities under the Code and the CGA relating to the failure of acceptable quality guarantee are similar, but not the same. The Code allows for the parties to amend the indemnity regime by agreement.</p>	None.	<p>There was a gap between the Distributor indemnity required to be provided pursuant to the Code, and the relevant provisions of the Consumer Guarantees Act 1993. The Vector UoSA addresses this gap. Schedule 12A.1 of the Code should be updated for alignment with the new section 46A of the Consumer Guarantees Act 1993. Vector does not agree with the Electricity Authority's assessment of clause 26, contained in Table 1 of the Consultation Paper and would like to understand the basis for this assessment.</p>

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			The Sapere Report considers that the Vector UoSA enhances operational efficiency by providing clarification.
26.11 (Claims for which the Retailer wishes to be indemnified for under the Distributor's Indemnity) and 26.12 (General)	<p>The Model UoSA and the Code do not provide a process to apply between the Distributor and the Retailer for dealing with CGA claims for breach of acceptable quality guarantee. A sensible regime is required in this regard.</p> <p>Under the CGA, the Retailer may determine that there has been a failure of the acceptable quality guarantee. The Distributor is required to indemnify the Retailer for the remedy cost incurred by the Retailer. There is scope in the CGA for the Distributor to dispute whether it is liable to pay and the amount of the payment.</p> <p>The provisions in the Vector UoSA work as follows:</p> <ul style="list-style-type: none"> <li>The Retailer gives notice of the claim to the Distributor, including the relevant details. The Retailer does not deal with the claim without first consulting with</li> </ul>	<p>Substantial amendments were made to these provisions during Retailer negotiations, with a number of provisions being amended for alignment with the evolving legislative provisions.</p> <p>The clauses as they current stand represent the position negotiated with Retailers.</p>	<p>The indemnities pose a significant risk for the Distributor and the Retailer if not managed carefully. It is not possible to opt out of the CGA in respect of Consumers. It is also not possible to limit the Distributor's liability exposure to Consumers under the CGA.</p> <p>The process for managing and handling CGA claims cannot limit the Consumer's ability to seek recourse under the CGA. The process must focus on how the Distributor and the Retailer will engage with each other in dealing with CGA claims. Vector considers that the Vector UoSA provisions will result in Consumer claims being dealt with more efficiently with less disagreement with the Retailer.</p> <p>Vector does not agree with the Electricity Authority's assessment of clause 26, contained in Table 1 of the Consultation Paper.</p> <p>As noted in the Sapere Report,</p>

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	<p>the Distributor.</p> <ul style="list-style-type: none"> <li>• Vector can communicate directly with the relevant Consumer in relation to the claim and assume management and defence of the claim.</li> <li>• The party that is managing and defending the claim must ensure that the other party is kept informed of any development in relation to the claim, and consulted on significant matters.</li> <li>• If Vector considers that the indemnity does not apply (for example because the failure of acceptable quality guarantee was not wholly or partially the result of an event or condition associated with Vector's network), the Retailer can take back the management and defence of the claim.</li> <li>• If Vector's indemnity becomes payable, then Vector will pay the Retailer. There is scope for Vector to pay the Retailer before Vector's liability to pay is established (with a right to</li> </ul>		<p>a clear process for Consumer claims is beneficial to both the Retailer and the Distributor, and enhances operational efficiency.</p>

Clause in Vector UoSA v 1.4	Material variation from the Model UoSA	Material variation from Vector UoSA v1.1	Other comments
	<p>claw back any amount paid if Vector is in fact not liable to make that payment).</p> <ul style="list-style-type: none"> <li>• Vector’s liability under the indemnity is limited to the proportion of the remedy cost incurred by the Retailer that is attributable to the event, circumstance or condition associated with Vector’s network.</li> <li>• Vector’s liability to indemnify the Retailer is reduced to the extent that Vector has already compensated the affected Consumer.</li> <li>• The CGA provides that disputes between the Retailer and the Distributor about the existence or allocation of liability under a Distributor’s indemnity may be dealt with by the EGCC Scheme.</li> </ul>		
<b>27. Consumer Contracts</b>			
27 (Consumer Contracts)	Under the Model UoSA, the Retailer is required to include particular matters covered by the agreement in its Consumer Contracts, so that the Distributor is protected from	<p>Three material changes were made to the previous version of the Vector UoSA during negotiations:</p> <ul style="list-style-type: none"> <li>• The period for the Retailer’s compliance with clause</li> </ul>	<p>The regime under the Vector UoSA provides an appropriate disincentive for Retailers to not comply with the requirements of clause 27.</p> <p>The provision in the Vector</p>



Clause in Vector UoSA v 1.4	Material variation from the Model UoSA	Material variation from Vector UoSA v1.1	Other comments
	<p>incurring undue liability to Consumers from acts or omissions (with whom the Distributor has no direct contractual relationship). Vector undertook a review of each Retailer's Consumer Contracts to assess its risks in relation to this clause. This exercise identified significant "gaps" in Retailers' Consumer Contracts, which pose unpalatable risk to the Distributor.</p> <p>Accordingly, clause 27 was amended in the Vector UoSA to contemplate a more sensible regime than that provided under the Model UoSA, as follows:</p> <ul style="list-style-type: none"> <li>• Retailers have uncapped liability to the Distributor for any direct loss or damage suffered by the Distributor caused through failure to have the necessary Consumer Contract provisions in place.</li> <li>• The timing for the Retailer's compliance with these provisions has been extended, so that the Distributor will not have the</li> </ul>	<p>27.1(b) was extended to 16 June 2014, to dovetail with Retailers' requirement to amend their Consumer Contracts by that date to comply with the Code changes relating to Retailer default situations.</p> <ul style="list-style-type: none"> <li>• A conduct of claims provision was inserted into clause 27.3, so that where the Distributor seeks to be indemnified under that clause, the Distributor will keep the Retailer fully informed and consulted in relation to claims and proceedings giving rise to the indemnity. For some Retailers, this reflected the commercially acceptable position in relation to the clause 27.3 indemnity.</li> <li>• A new clause 27.5 was inserted because the Consumer Law Reform Bill was passed during the negotiation of the Vector UoSA, and the agreement had to be sufficiently robust to deal with declaration of a term in the Consumer Contract as an "unfair term"</li> </ul>	<p>UoSA reflects a position negotiated with Retailers and also a position that is "up to date" with the law.</p> <p>Although the Model UoSA provides that the indemnity in clause 27.3 is subject to the liability cap in clause 26, this was not appropriate in the Vector UoSA where the Proposed Transition is contemplated.</p> <p>To assist new entrants and smaller Retailers to comply with its obligations under clause 27, Vector has prepared a set of "model consumer contract terms and conditions" which the Retailer may choose to adopt, in order to satisfy its obligations under clause 27 of the Vector UoSA.</p>

Clause in Vector UoSA v 1.4	Material variation from the Model UoSA	Material variation from Vector UoSA v1.1	Other comments
	benefit of the indemnity until after 16 June 2014. This date aligns with the date under the Code for Retailers to have updated their terms and conditions with all Consumers to reflect the industry-wide solution for dealing with Retailer default situations, as mandated by the Code.	under the Fair Trading Act 1986 (as amended). This was also a Retailer-requested change.	
<b>27A. Third party retailer relationship</b>			
27A (Third party retailer relationship)	This clause was inserted at a Retailer's request. This is because under its "white label" service, although this Retailer is the "retailer of record", it does not actually supply electricity to the Consumers. The Model UoSA does not deal with this type of "white label retailer product" scenarios.	This is a new clause that was inserted at a Retailer's request.	Certain Retailers would not be able to trade on the Network in the absence of this clause (or at least lose a substantial part of their customer base). This clause, therefore, is clearly pro-competition.
<b>28. Notices</b>			
28 (Notices)	Facsimile transmission is out of date and accordingly removed from the Vector UoSA.	None.	None.
<b>29. Electricity Information Exchange Protocols</b>			
29.3 (Consumer information received in error by Retailer)	A new clause 29.3 of the Vector UoSA is inserted to prohibit the Retailer from using confidential	Clause 29 has been substantially amended from the previous version of the Vector	This provision of the Vector UoSA must be read together with the revised regime under

Clause in Vector UoSA v 1.4	Material variation from the Model UoSA	Material variation from Vector UoSA v1.1	Other comments
	Consumer information that it receives in error from the Distributor in relation to another Retailer's business, for its own purpose. This provision is expressed to be for the benefit of (and therefore enforceable by) other Retailers.	UoSA for closer alignment with the Model UoSA, following Retailer negotiations.	clause 22 (Confidentiality).
29.4 (Auditing information provided)	The Model UoSA does not deal with metering or consumption data which may be held with a third party metering equipment provider. An additional sentence has been inserted into this clause of the Vector UoSA to clarify that if the relevant metering or consumption data is held by a third party metering equipment provider, the Retailer will procure access to such data for the Distributor.	Clause 29 has been substantially amended from the previous version of the Vector UoSA for closer alignment with the Model UoSA, following Retailer negotiations.	The Vector UoSA reflects the fact that there are now third party suppliers of metering services. The Sapere Report considers that this change enhances operational efficiency.
29.8 (Non-Compliance)	This new provision has been inserted into the Vector UoSA because the Model UoSA does not contain an obligation to rectify an error discovered during an audit.	Clause 29 has been substantially amended from the previous version of the Vector UoSA for closer alignment with the Model UoSA, following Retailer negotiations.	The Model UoSA audit provisions are deficient as an obligation to rectify is not included. The Sapere Report considers that the Vector UoSA is an administrative improvement from the Model UoSA that enhances operational efficiency.

Clause in Vector UoSA v 1.4	Material variation from the Model UoSA	Material variation from Vector UoSA v1.1	Other comments
<b>30. Miscellaneous</b>			
30 (Miscellaneous)	None.	None.	None.
<b>31. Interpretation</b>			
31 (Interpretation)	The only material change is in the definition of "Variable Provisions". The definition in the Vector UoSA is arguably broader than that in the Model UoSA, but represents the position negotiated and agreed with Retailers.		The definition of "Variable Provisions" in the Model UoSA suggests that the parties may agree this definition through negotiation, which is what has occurred.
<b>32. Transition</b>			
32 (Transition)	This provision relates to the Proposed Transition.	None.	None.
<b>Schedule 1 – Service Standards</b>			
Schedule 1 – Service Standards	<p>New clauses S1.7 and S1.8 have been inserted into the Vector UoSA, to clarify that:</p> <ul style="list-style-type: none"> <li>• the Distributor's failure to meet the Service Standards do not constitute a breach of the Vector UoSA;</li> <li>• the Service Guarantee prescribed in the schedule is the sole remedy of the Retailer for the Distributor's failure to meet the Service Standards;</li> </ul>	The previous version of the Vector UoSA allowed the Distributor to revise any Service Guarantees at its sole discretion. The current position is clearly more advantageous to the Retailers.	The Sapere Report considers that the new clauses S1.7 and S1.8 provide clarification.

Clause in Vector UoSA v 1.4	Material variation from the Model UoSA	Material variation from Vector UoSA v1.1	Other comments
	<ul style="list-style-type: none"> <li>• the Service Standards do not apply during a Force Majeure Event (except those relating to communication between the Distributor and the Retailer, to the extent that the Force Majeure Event does not affect the Distributor’s ability to communicate with the Retailer); and</li> <li>• the Distributor may only seek to change this schedule if the proposed change accords with Good Electricity Industry Practice and the same change notice is issued to all Retailers.</li> </ul> <p>The Model UoSA contains certain examples of schedule 1 items. The table contained in the Vector UoSA reflects current practice.</p>		
<b>Schedule 2 – Additional Services</b>			
Schedule 2 – Additional Services	The only variations relate to the operational requirements. The variations are pro-Consumers, because the position under the Vector UoSA reflects the processes which are necessary to enable more than \$10 million	None.	This schedule reflects current practice.

Clause in Vector UoSA v 1.4	Material variation from the Model UoSA	Material variation from Vector UoSA v1.1	Other comments
	to be given back to Auckland Consumers each year through the Auckland Energy Consumer Trust's 75% ownership of Vector Limited.		
<b>Schedule 3 – Electricity Information Exchange Protocols</b>			
Schedule 3 – Electricity Information Exchange Protocols	Reflects current practice.	A new clause S3.4 has been inserted to reflect that with effect from 1 November 2014, EIEP1 and EIEP3 will become mandated.	None.
<b>Schedule 4 – Consumer Contracts</b>			
Schedule 4 – Consumer Contracts	None.	None.	None.
<b>Schedule 5 – Service interruption communication policies</b>			
Schedule 5 – Service interruption communication policies	The variations relate to the operational requirements and represent the position negotiated with Retailers.	Some amendments have been made to clarify that information relating to Planned Service Interruption will be exchanged in accordance with current practice, until such practice is replaced by EIEP5A.	None.
<b>Schedule 6 – Connection policies</b>			
Schedule 6 – Connection policies	The variations relate to the operational requirements and represent the position negotiated with Retailers.	None.	None.
<b>Schedule 7 – Load management</b>			

Clause in Vector UoSA v 1.4	Material variation from the Model UoSA	Material variation from Vector UoSA v1.1	Other comments
S7.4 (Coordination of split ownership Load Control Systems)	The Model UoSA requires the Retailer to install additional Metering Equipment to separately measure and record controlled load electricity consumption, if the Distributor's specific Controlled Load Option makes this necessary. During the negotiations, certain Retailers requested removal of this obligation. The Vector UoSA reflects the negotiated position.	Clause S7.4 of the Vector UoSA was amended in the manner described in the previous column.	None.
<b>Schedule 8 – Pricing schedule and policy</b>			
Schedule 8 – Pricing schedule and policy	None.	None.	None.
<b>Schedule 9 – Embedded Network provisions</b>			
Schedule 9 – Embedded Network provisions	The Model UoSA does not deal with Embedded Networks. It is however appropriate for a use of system agreement to deal with Embedded Networks. The provisions of schedule 9 are necessary to dovetail with the arrangements that apply between the Distributor and Embedded Network Owners.	In the previous version, the Distributor required the Retailer to pay to the Distributor all amounts that the Retailer is required to pay the Embedded Network Owner if requested by the Distributor to do so where the Embedded Network Owner has defaulted on the payment of its charges to the Distributor. The money received from the Retailer was to be offset against the amount of the Embedded Network Owner's actual debt to	Distributors have historically found it challenging to manage the supply of connection services to Consumers connected to Embedded Networks. Retailers also expressed concern about the non-inclusion of Embedded Network provisions in the Model UoSA. Vector sought to provide greater clarity in relation to embedded networks by the provisions of this schedule.

Clause in Vector UoSA v 1.4	Material variation from the Model UoSA	Material variation from Vector UoSA v1.1	Other comments
		<p>the Distributor, with any balance to be transferred to the Embedded Network Owner. The Distributor would have indemnified the Retailer for any loss it suffered as a result of complying with its obligation described above.</p> <p>This requirement has been deleted during negotiations.</p>	<p>The Sapere Report considers that clear requirements for Embedded Network Consumers enhance reliability and operational efficiency.</p>
<b>Schedule 10 – Transitional provisions</b>			
Schedule 10 – Transitional provisions	This provision relates to the Proposed Transition.	The aggregate liability regime has been amended to reflect the changes to clauses 26.7(b) and 26.8(b).	This schedule sets out the provisions that will apply to limit the coverage of the Vector UoSA to Vector’s Northern network only, until the Transition Date.