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Settlement and prudential security review

1. Vector welcomes the opportunity to respond to the Electricity Authority's (Authority) consultation paper titled, *Settlement and prudential security review* (consultation paper), dated 18 June 2013.
2. Vector's contact person for this submission is:
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3. Vector supports the Authority's work to improve the settlement and prudential security regime of the wholesale market. However, Vector strongly disagrees with the proposal that the clearing manager may direct a grid owner or distributor to disconnect a direct purchaser – even if the direct purchaser has committed an event of default that has not been remedied by the expiry of its post-default exit period (clause 14.62). Vector does not consider it appropriate to give the clearing manager the power to enforce mandatory disconnection.
4. However, if the Authority considers that there is a genuine need for provision to instruct distributors to disconnect a direct purchaser, Vector considers that it would be more appropriate for the direction to come from the Authority.
5. Disconnecting a direct purchaser essentially means disconnecting a large commercial business, which is likely to impose significant consequences at both a people and

commercial level. Hence, any disconnection will not go unnoticed across the industry and we expect that there would also be significant political and media interest. The party providing the instruction will need to be privy to appropriate information relating to the reasons for the disconnection and to deliver the information and communication through appropriate channels – including with the wider-public, government and / or the media. This approach would align with the proposed process for retailer default, where the Authority is responsible for releasing information to relevant parties and the mass media.

6. Therefore, we consider that the Authority is best placed to instruct disconnections and to provide industry information surrounding such disconnection. To this end, and in relation to settlement and prudential issues in the wholesale market, Vector considers that the Code ought to make it clear that a distributor must only disconnect a direct purchaser upon the Authority's instruction.

Yours sincerely,



Bruce Girdwood

Manager Regulatory Affairs