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Submissions
Electricity Authority
WELLINGTON

To whom it may concern,

Model use-of-system agreements – proposed changes

1. Vector welcomes the opportunity to submit on the Electricity Authority's (Authority) consultation paper "Model use-of-system agreements – proposed changes", issued on 2 July 2012. No part of this submission is confidential and Vector is happy for it to be publicly released.

2. Vector's contact person for this submission is:

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Controllable load

3. Controllable load and load management is a competitive market service. It does not necessarily need to be provided by a particular market participant e.g. it could be provided by a retailer, meter owner or Electricity Distribution Business (EDB).

4. The Authority should be wary of introducing regulation that could have unforeseen effects on the development of competitive (or potentially competitive) parts of the market. The Authority should allow market operation (and consumer choice) to determine how controllable load/load management is managed and controlled.

5. The matter of use of controllable load for system security is an exception. Vector supports the Authority's proposals to enable EDBs to use controllable load to manage system security.

6. Vector is of the view that the proposal to require retailers, that can control consumer load, to "act as a reasonable operator in accordance with good electricity industry practice and cooperate with the distributor ... to manage security of supply while the supply emergency is in effect" should be extended, in order to ensure it supports efficient and effective management of supply emergencies. The proposal, as it presently stands, could result in some practical difficulties. Different retailers may have different perspectives on what acting as a reasonable operator in accordance with good electricity industry practice actually means. These differing views may not accord with the EDB. This could cause problems for EDBs when trying to manage security of supply during supply

emergences. A similar problem could arise with EDBs trying to negotiate bilateral protocols with each retailer.

7. Vector **recommends** the proposals be amended to enable EDBs, in consultation with retailers, to produce multilateral protocols for use during a System Emergency Events, with a requirement that the protocol be approved by the Authority. The consultation and approval requirements would address any retailer concerns about EDBs acting unilaterally in development of the protocol.

8. For the avoidance of doubt, Vector agrees that generally "market-based arrangements developed between retailers and distributors are appropriate in other circumstances."

Approach used for price categories and price changes

9. Vector has the following comments on the proposed Section 9 changes:

    a. Distributor's Pricing Methodology needs to be defined. The proposed clause 9.1 refers to the Distributor's Pricing Methodology as a defined term. Depending on the definition of Pricing Methodology, it should not be a requirement that the disclosure of a Pricing Methodology is incorporated as part of the UoSA. The Pricing Methodology is required to be disclosed by the EDB under the Commerce Commission's Information Disclosure Requirements. Schedule 9 should only require the schedule of price categories and tariff rates and any other such information as is necessary to apply those tariffs (such as eligibility criteria etc).

    b. Clauses 9.2(a)(i) and (ii) are redundant and should be deleted, The Commerce Commission's Input Methodology (IM) defines pass-through and recoverable costs so it is no longer necessary to include sub-points (i) and (ii). Leaving these clauses in could cause confusion if these were no longer pass through or recoverable costs under any IM determination. The Authority only needs to cross-reference the Commerce Commission's IM, which it already does in clause 9.2(a).

    c. Under clause 9.2 we recommend inclusion of an additional item (d) reading "any recommendation, determination, direction or decision of a regulatory agency". There are instances where a regulator may require Vector to take certain steps that are not a legal or regulatory requirement. For example, Vector has previously had an Administrative Settlement with the Commission.

    d. To ensure clarity, we recommend the final part of clause 9.2 be amended along the following lines "Nothing in clause 9.2 prevents the Distributor from decreasing a Tariff Rate without the Retailer's agreement, or from increasing a Tariff Rate if agreed by the Retailer. Schedule 9 to this agreement will be deemed to be amended to reflect changes to the Tariff Rates pursuant to clause 9."

    e. Clause 9.3 should be deleted. Clause 12A.7 of the Code details the EDBs obligation to consult on tariff structure changes and the Authority has issued voluntary "Guidelines for consulting on distributor tariff structure changes" in 2 July 2012. Specifying the consultation process in the MUoSA effectively duplicates the Guidelines. Furthermore, the Authority should not impose requirements that EDBs are limited to providing retailers with 20 working days to submit on proposed tariff structure changes. EDBs may prefer to provide retailers with more time than this, particularly in relation to complex tariff changes.

f. Clause 9.3(d) incorrectly refers to the notice period in clause 9.3. This should be amended to clause 9.4.

g. The Authority has not provided a definition of Price Category however uses this as a defined term. The original February 2012 draft does not have Price Category as a defined term.

h. The amended words to the beginning of clause 9.4 add confusion rather than clarity. The clause includes a limitation and then a generalisation which appears to contradict the limitation:

> For Price Category changes or Tariff Rate changes **other** than those changes to which clause 9.3 applies, the Distributor will give the Retailer notice of **all** Price Category changes and Tariff Rate changes as specified in this clause [emphasis added].

It is our interpretation following the Authority's amendment that this clause only applies to Price Category changes or Tariff Rate changes not covered by clause 9.3, albeit that clause 9.3(d) refers to this clause. This clause would be greatly improved without the proposed amendments.

i. The changes to clause 9.4(b)(ii) are a significant improvement. In our view this now considers the scenario where an old price category is changing to a new price category and all ICPs are moving from the old to the new price category. The previous wording required information to be provided for every ICP. The amended wording now appropriately allows for this to be provided at the price category level.

j. Clauses 9.4(c) and (d) refer to "paragraph", this should refer to "sub-clause".

k. Clause 9.7: The errors referred to should not be limited to "obvious" errors or "errors in applying the pricing methodology" Furthermore, clause 9.7 would be clearer if "including such an" was amended to "any".

l. Clause 10.1 incorrectly refers to Pricing Methodology as a defined term.

m. Clause 10.1(c)(i): it is not practicable or reasonable to include in contract requirement for an EDB to consider the retailer's or consumer's preference. More broadly this is encapsulated by the general reference in 10.1(c)(iv).

n. Clause 10.6(b) makes reference to 'preference' again. This clause is subject to 10.1 and should not restate elements of 10.1 in part.

o. Clauses 10.3 and 10.4 allow for a new Price Category to be applied within 10 working days if identified by the retailer that a customer has been allocated to an ineligible price category, whereas clause 10.6 restricts an EDB to 40 days to correct the same error. The implementation timeframe of Clause 10.6 should be consistent with clauses 10.3 and 10.4.

Consumer Guarantees Act

10. Vector supports the Consumer Guarantees Act amendments to the MUoSA.

11. There is, however, a potential for conflict between the second limb of sub-clause (c) and sub-clause (a) of the Consumer Guarantees Act provision. Vector **recommends** the potential conflict between second limb of sub-clause (c) and sub-clause (a) of the Consumer Guarantees Act provision be remedied by either:

    a. Sub-clause (c) of the Consumer Guarantees Act clause be deleted; or

b. The second limb of sub-clause (c) is amended to be subject to sub-clause (a), for example:

> (c) to avoid doubt, nothing in this clause 26.9 affects the rights of any Consumer under the Consumer Guarantees Act 1993 that cannot be excluded by Law, nor does it preclude the Retailer from offering in its Consumer Contracts its own warranties, guarantees or obligations pertaining to distribution services where such warranties, guarantees or obligations are not of the kind referred to in sub-clause (a)(ii).

Kind regards

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