

From: Rod Crone [Rod.Crone@contactenergy.co.nz]

Sent: Tuesday, 22 December 2009 11:08 a.m.

To: Submissions Mailbox

Cc: Peter Macintyre

Subject: Distribution pricing principles & information disclosure guidelines - Contact submission
Contact considers the pricing principles are still unlikely to deliver outcomes that address retailers' key concerns, and proposes some subtle but important amendments to (d) and (e).

In this context retailers' key requirements are:

- Stability in pricing structure, not changing year on year, but acknowledging that from time to time structural changes are necessary to ensure appropriate network pricing signals to consumers. e.g. once smart metering is widely deployed it will lead to changes such as additional time block and/or demand pricing for mass market consumers.
- Prices should be predictable and provide certainty for retailers such that the line prices can be passed through to consumers without repackaging and retrospective adjustments. This will also enable more effective transparency of line prices to consumers where demanded by consumers.
- All charges should be included in prices.

Principles (d) and (e) appear to be intended to cover these principles, but in our view miss the mark, largely because "Development of prices should" does not in our view cover the "prices" themselves and "price structure" which are most important to retailers.

"Development of prices should be transparent" is fine given the use of "transparent" is apparently retained to reinforce the concept behind the information disclosure requirements that apply to the pricing methodologies, and development of prices.

Given the above comments we would suggest the following would be more useful to retailers and consumers for (d) and (e):

"(d) Development of prices should be transparent and have regard to the impact of transaction costs on retailers by promoting price structure stability.

(e) Prices should be predictable and provide certainty for retailers to enable pass through without the need for repackaging or retrospective billing adjustments, and be economically equivalent across retailers."

Comments:

- "without the need for repackaging" covers the need for all charges to be included in prices, and transparency of line prices where demanded by consumers.
- "without the need forretrospective billing adjustments" covers the concern that neither consumers nor retailers like retrospective billing adjustments due to need to recover line costs that were not predictable/certain/known until after the initial billing.

- (e) is clearly only relevant to retailers (not stakeholders) in an interposed relationship, a conveyance only arrangement involving direct billing of line charges (e.g. The Lines Company) will by default mean line prices are predictable/certain to consumers as they will be on their bill.
- "having regard to the impact of transaction costs by promoting price structure stability" is a product of "development of prices", and it is the regular changes to price structure and overly complex price structure that predominantly causes additional transaction costs for retailers

Regards,

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