

Review of secondary networks

Suggested next steps

8 July 2015

1 Recommendation

1.1.1 It is recommended the Retail Advisory Group (RAG) discusses the content of this paper and:

- a) confirms there are no other major themes raised in submissions that the RAG wishes to consider as part of its review of options to improve competition and efficiency on secondary networks for the long-term benefit of consumers
- b) agrees with the proposed approach for the RAG to consider the major themes highlighted in this paper.

2 Background

2.1.1 The Electricity Authority (Authority) has requested the RAG recommend options to promote competition and efficiency on secondary networks for the long-term benefit of consumers.

2.1.2 The RAG released a discussion paper on 21 April 2015 that:

- a) provided an overview of secondary networks
- b) described issues that appear to have an adverse effect on competition and efficiency on secondary networks
- c) considered potential solutions to address these key issues and proposed a preferred solution
- d) assessed the high level costs and benefits of the preferred solutions for improving competition and efficiency on secondary networks
- e) sought feedback from interested parties on the issues and solutions discussed.

2.1.3 Twenty one submissions were received on the discussion paper.

3 Major themes raised in submissions

3.1.1 The secretariat has reviewed the submissions received on the secondary networks discussion paper and identified the following major themes:

- a) there is general agreement with the RAG's description of the types and physical characteristics of secondary networks
- b) further consideration should be given to whether the description of the legal framework for secondary networks is correct and, if it is, what actions the Authority therefore ought to be undertaking
- c) views are divided about the effect that embedded networks have on retail competition
- d) fault management and reliability of supply on secondary networks do not appear to be significant issues
- e) there is support for a default use-of-system agreement (UoSA) for embedded networks
- f) there is support for preventing an embedded network owner from decommissioning the network supply point for an embedded network before the status of the installation control points on the embedded network is changed in the registry
- g) a minimum notice period for converting an embedded network or a network extension to another form of secondary network is supported.

3.1.2 Considering whether to introduce more standardisation of processes and data exchange for embedded networks (including whether to mandate the use of Electricity Information Exchange Protocols 1, 2, 3 and 12) is linked with more standardisation of embedded network UoSAs under a default UoSA arrangement.

3.1.3 These major themes are elaborated upon in the summary of submissions attached to this paper.

4 Next steps

4.1 Some issues require a material amount of work

4.1.1 The secretariat believes there is a material amount of work required to consider some of the major themes listed above.

4.1.2 This is particularly so in regard to giving further consideration to the legal framework for secondary networks and what, if any, actions the Authority should be taking under the legal framework.

4.1.3 In addition to the required legal analysis there are some quite significant policy questions to be considered, including:

- a) to what extent should secondary networks be subject to regulatory obligations faced by electricity industry participants under:
 - i) statute (eg, the requirement under the Electricity Industry Act 2010 (Act) to be a member of a dispute resolution scheme)
 - ii) Regulations (eg, the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 (LFC regulations)
 - iii) the Electricity Industry Participation Code (Code) (eg, the metering certification requirements in the Code)
 - iv) market facilitation measures undertaken by the Authority (eg, the Guidelines for medically dependent consumers)?
- b) if the answer to (a) is “yes”, then are the existing regulatory instruments “fit-for-purpose” (eg, the Secondary Network Guidelines)?
- c) whether the relevant definitions in the Code and in the Electricity Industry Act 2010 (eg, retailer, distributor) need to be reviewed?

4.1.4 There is then the question of whether the RAG wishes to collect empirical evidence to support the above policy analysis (eg, that price savings are passed on to consumers in customer networks). If the answer to this question is “yes”, then the RAG will need to request the Authority to procure a survey firm to undertake the research.

4.2 A staggered delivery is recommended

4.2.1 The secretariat proposes the RAG consider the major themes listed above on a staggered basis, rather than all at once.

4.2.2 It is proposed the RAG consider the following major themes:

- a) at its 14 October 2015 meeting:

- i) whether the description of the legal framework for secondary networks is correct and, if it is, what policy actions the Authority therefore ought to be undertaking
- b) at its 11 November 2015 meeting:
 - i) a default UoSA for embedded networks, if it is recommended that embedded networks continue to exist under the Code
 - ii) whether fault management and reliability of supply on secondary networks are significant issues
 - iii) a minimum notice period for converting an embedded network or a network extension to another form of secondary network
 - iv) preventing an embedded network owner from decommissioning the network supply point for an embedded network before the status of the installation control points on the embedded network is changed in the registry.

Appendix A

Draft summary of submissions on ‘Review of secondary networks:
Issues and options paper’