

24 October 2019

-
By Email


OIA request - feedback re timing of DDA consultation

I refer to your email of 12 September 2019, in which you requested "*copies of the submissions on the DDA consultation timing*".

Your request has been assessed in accordance with the Official Information Act 1982 (OIA).

The Authority received feedback from the following stakeholders:

1. Electricity Networks Association
2. Electricity Retailers' Association of New Zealand
3. Electric Kiwi Limited and Haast Energy Trading Limited (combined feedback)
4. Mercury NZ Limited
5. Meridian Energy Limited and Powershop New Zealand Limited (combined feedback)
6. Major Electricity Users' Group
7. Nova Energy Limited
8. Transpower New Zealand Limited
9. Trustpower Limited
10. Vector Limited
11. Vocus Group NZ Limited

The information you have requested is attached.

However, note that in the feedback provided by Nova Energy Limited, a mobile phone number has been withheld under section 9(2)(a) of the OIA, on the grounds that it is necessary to protect the privacy of a natural person. I considered whether there is any public interest in releasing the phone number, which would outweigh the potential harm that could be caused. I have decided that there is not.

You are entitled to ask the Ombudsman to investigate and review this decision to withhold the phone number. The address for contacting the Office of the Ombudsman is:

Office of the Ombudsman
PO Box 10-152
WELLINGTON

Yours sincerely

A handwritten signature in blue ink, appearing to read 'James Stevenson-Wallace', is written over the typed name and title.

James Stevenson-Wallace
Chief Executive

From: [Submissions Mailbox](#)
To: [Todd Collings](#); [Daniel Tulloch](#)
Subject: FW: DDA consultation timing
Date: Thursday, 30 May 2019 4:14:45 PM
Attachments: [REDACTED]

Regards,
Saltanat

From: Richard Le Gros [mailto:richard@electricity.org.nz]
Sent: Thursday, 30 May 2019 4:02 PM
To: Submissions Mailbox
Cc: Graeme J Peters; David deBoer
Subject: DDA consultation timing

To whom it may concern,

On behalf of ourselves and our members (the NZ EDBs) we would like to request a delay to the EA's consultation on the Default Distributor Agreement. There is currently a heavy regulatory workload on EDBs (DPP, TPM, EPR, Zero Carbon Bill, etc) which will persist until later this year. A delay on the DDA consultation until October would allow some of these significant activities to conclude, or at least be substantially complete from an EDB perspective.

Regards,

Richard Le Gros
Senior Advisor Policy and Innovation

Follow us on [Twitter](#)

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cid:image001.jpg@01D24A7D.C972F020



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From: [Submissions Mailbox](#)
To: [Todd Collins](#); [Daniel Tulloch](#)
Subject: FW: DDA consultation timing
Date: Thursday, 30 May 2019 2:04:36 PM
Attachments: [REDACTED]

Regards,
Saltanat

From: Paul Fuge [mailto:paul.fuge@eranz.org.nz]
Sent: Thursday, 30 May 2019 1:38 PM
To: Submissions Mailbox
Subject: DDA consultation timing

Hello,

In its recent Market Briefing (21 May) the Electricity Authority requested feedback on the timing of upcoming consultation on the Default Distributor Agreement (DDA).

ERANZ position is that this consultation should take place as soon as possible.

This aligns with the views of the majority of ERANZ members who support quicker progression.

We believe a 6-week consultation period would be adequate.

Significant consultation on the DDA was undertaken by the EA early in 2016. ERANZ is unchanged in our position that a DDA will lead to a more competitive retail market that delivers greater value to consumers by reducing transaction costs and creating more equal and open access to distribution services. These benefits will be significant and have already been delayed for several years.

ERANZ view aligns with proposal C4: *'Make distributors offer retailers standard terms for network access'*, in the Electricity Price Review (EPR) options paper. The panel identified this as an area in need of action: *"This lack of standardisation also hinders retail competition and is a key reason why fewer retailers operate on smaller networks."*

We look forward to participating in this important workstream and would be happy to meet with you to discuss at any time.

Paul Fuge
Senior Principal Advisor
Electricity Retailers' Association of New Zealand

Mobile: 021 390 526
Level 1, 166 Featherston Street, Wellington 6011
PO Box 25596, Wellington 6140

www.eranz.org.nz

From: [Submissions Mailbox](#)
To: [Todd Collings](#); [Daniel Tulloch](#)
Subject: FW: DDA consultation timing
Date: Friday, 24 May 2019 3:32:11 PM
Attachments: [REDACTED]

Regards,

Saltanat

From: Luke Blincoe [mailto:luke.blincoe@electrickiwi.co.nz]
Sent: Friday, 24 May 2019 1:26 PM
To: Submissions Mailbox
Subject: DDA consultation timing

Please find attached a joint submission from Electric Kiwi and Haast in reference to Default Distributor Agreements.

Yours sincerely

Luke Blincoe
Chief Executive
+64 27 601 3142

www.electrickiwi.co.nz

Released under the Official Information Act



24 May 2019

Submissions
Electricity Authority
By e-mail: submissions@ea.govt.nz

Support for delay in Default Distributor Agreement consultation timing

Electric Kiwi and Haast Energy Trading support the Electricity Authority's proposal to delay the scheduled consultation on the proposed Default Distributor Agreement (DDA).

The Electricity Authority should park the DDA project until it has addressed more important competition issues such as the two-tier retail market (saves and win-backs), spot market trading conduct and hedge market development (market-making). The Authority's intention to adopt a 9 month time-frame for hedge market/market-making reform is ambitious by its normal standards, and would be aided by ensuring attention isn't diverted by less important matters.

The Electricity Authority has far more important competition issues to address than DDAs

We reiterate the comments we made in relation to the Electricity Authority's 2019/20 appropriations and work priorities consultation, that addressing the two-tier retail market (saves and win-backs), spot market trading conduct and hedge market development (market-making) problems should be the Authority's highest priority projects.

There is nothing in the Electricity Authority's work programme that should be as high a priority as these matters.

Our views are clearly supported by the Electricity Price Review (EPR) and submissions in response to the EPR Options Paper. Since the appropriations and EPR consultations there have been additional worrying developments, including the issues raised by the Electricity Authority in respect of Genesis Energy's trading conduct and the matters the independent retailers raised about breakdown of market-making arrangements.¹ These reinforce our views about the Authority's priorities.

DDA is a low priority issue

The fact the Electricity Authority has undertaken only two consultations² on the topic since it announced review of access agreements in May 2013³ indicates the matter is being treated as a low priority, regardless of its work programme status. We consider the DDA project should continue to be treated as low priority.

The DDA is not a priority issue for promotion of competition. While the ERANZ and its incumbent retailer membership have raised distribution as a competition issue, we consider this is more to do with deflecting attention, than addressing genuine competition issues.

The distribution access issue is about enabling market entry. The number of electricity retailers (36) in the electricity market suggest there are low barriers to entry. The fact entrant retailers have less than 8% market share, and entrant retailer market share has contracted in the last month,⁴ suggests the barriers the Electricity Authority should be focussing on relate to growth rather than entry.

¹ Letter from the Independent Retailers to the Expert Advisory Panel and Electricity Authority, New information about the fragility of voluntary market making arrangements and discussions amongst the Market Makers, 8 May 2019.

² Plus a minor follow-up consultation on one question.

³ <https://www.ea.govt.nz/dmsdocument/16001-letters-sent-to-participants>

⁴ Incumbent retailer market share rose from 91.33% in March to 92.13% in April.



In response to the Electricity Price Review Options Paper we stated:⁵

Standard terms for network access: This option is not a priority. Use-of-system agreements aren't a meaningful barrier to entry, as demonstrated by the number of electricity retailers in New Zealand. Market entry isn't the issue, it's having a level playing field for competition that will drive consumer value – things like saves and winbacks have protected the incumbents more than use-of-system agreements. The issues incumbent retailers have raised about use-of-system agreements have more to do with diverting attention away from themselves and trying to blame others (the distributors) for problems in the retail market. Common standards for equipment on networks and consistent pricing approaches are a much higher priority.

We are also concerned the Authority's DDA proposals are potentially disruptive, and could require renegotiation of exiting UoSAs. This could raise transaction costs and distract from competitive market engagement during the transition.

Other low value projects should also be deferred to allow focus on promotion of competition and delivery of better outcomes for consumers

We suggest the Authority defer other projects that are of low value for consumers, such as the TPM review. We have long been concerned that the TPM is a distraction which has come at the expense of progressing reforms which would promote competition and better outcomes for consumers.

The Authority should not rely on the perspectives of ERANZ

The Electricity Authority has stated “We will be discussing this with the Electricity Network Association (ENA) and the Electricity Retailers' Association (ERANZ) to better understand whether their members would prefer us to consult on the proposed DDA as soon as possible, or to delay consultation”.

The Electricity Authority, and other bodies, should avoid treating ERANZ as a proxy for electricity retailer views. Engaging with ERANZ won't result in a representative perspective about what is important for retailers/promotion of competition. Electric Kiwi and Haast Energy, along with other independent retailers, have been clear ERANZ does not reflect our views or interests.

ERANZ represents an incumbent retailer perspective. ERANZ membership is made up of ALL the incumbent retailers and only one, very small, independent retailer, PrimeEnergy. PrimeEnergy has 1,352 retail customers.⁶ ERANZ only represents 7 of the 36 electricity retailers that are presently in the New Zealand electricity retail market.

We welcome though that ERANZ has recently removed the claim it represents 99.5% of the electricity retail market⁷ and now refers vaguely to its membership including the “vast majority of the customer base in New Zealand”. The market share of ERANZ' membership is 92.19%.⁸ The market share of ERANZ' independent retailer representation is 0.06%.

Concluding remarks

We welcome the Electricity Authority intention to to adopt a tighter and more focussed work programme. The Authority should prioritise addressing the negative impact the vertically-integrated and oligopolistic structure of the wholesale and retail markets has on competition.

In our appropriations submission last year, we submitted that the work programme should prioritise removal barriers to entry **and growth** of new entrant retailers, and address the issues that can arise from retail-generation vertical integration. This specifically includes two-tier retail market (saves and

⁵ <https://www.mbie.govt.nz/dmsdocument/4837-electric-kiwi-and-haast-energy-submission-electricity-price-review-options-paper-pdf>

⁶ As at 30 April 2019: https://www.emi.ea.govt.nz/Retail/Reports/R_MSS_C?seriesFilter=PRME&_si=v|3

⁷ A claim ERANZ was making on its website until at least late February 2019.

⁸

https://www.emi.ea.govt.nz/Retail/Reports/R_MSS_C?Percent=Y&seriesFilter=CTCT,GENE,MRPL,MERI,TODD,PRME,TRUS&DateTo=20180430&_si=v|3



win-backs), spot market trading conduct and hedge market development (market-making). We have seen little sign of positive progress on any of these matters over the last several months.

We would like to see the Electricity Authority fast-track progress on each of the two-tier retail market (saves and win-backs), spot market trading conduct and hedge market development projects, and would support the Authority putting other projects, such as DDA and the TPM review, on hold until these are completed.

Yours sincerely,


A handwritten signature in blue ink, appearing to read 'L. Blincoe', located below the 'Yours sincerely,' text.

Luke Blincoe
Chief Executive, Electric Kiwi Ltd
luke.blincoe@electrickiwi.co.nz
+64 27 601 3142

A handwritten signature in black ink, appearing to read 'P. Anderson', located below the 'Yours sincerely,' text.

Phillip Anderson
Managing Director, Haast Energy
phill@haastenergy.com
+64 21 460 040

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From: [Submissions Mailbox](#)
To: [Todd Collings](#); [Daniel Tulloch](#)
Subject: FW: Mercury submission to EA on DDA timing
Date: Friday, 31 May 2019 2:17:32 PM
Attachments: 

Regards,
Saltanat

From: Rebekah McCrae [mailto:Rebekah.McCrae@mercury.co.nz]
Sent: Friday, 31 May 2019 1:54 PM
To: Submissions Mailbox
Cc: Nick Wilson
Subject: Mercury submission to EA on DDA timing

Good Afternoon

Please find attached response on feedback re timing for release of the DDA consultation.

Kind regards,
Rebekah

Rebekah McCrae
Regulatory Strategist

MERCURY.CO.NZ

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E rebekah.mccrae@mercury.co.nz

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Electricity Authority
By email: submissions@ea.govt.nz

31 May 2019

Default Distribution Agreement Consultation Timing

Thank you for the opportunity to comment on timing for the Authority's Default Distribution Agreement (DDA) consultation.

We strongly support this project being consulted on as a matter of priority and together with the Authority's draft data access template. Retailers have been waiting over three years for this matter to be progressed which has been delayed due to the litigation against the Authority. Standardised terms will have significant benefits to the market. Default terms promote efficiency as retailers have very little power to influence a monopoly in negotiations, particularly, lack of standardisation creates unnecessary costs and creates barriers for new entrant retailing.

We appreciate there are a few forthcoming regulatory workstreams anticipated for release mid-year but that shouldn't be reason to delay this consultation. The DDA is not a new project and has been consulted on in the past. The project is long-standing with its first round of consultation back in January 2016. Participants in our view would be familiar with the substance of the project and will have prior resources to draw on. Further, views around standardised default terms were sought as part of the Electricity Pricing Review consultation so there has been opportunity for stakeholders to re-engage on these issues.

The DDA ties in with the data access arrangements that retailers and distributors have been considering for some time as part of the ERANZ Data Working Group. We understand that both retailers and distributors would like to see resolution on the issues around terms for sharing data that addresses well-known privacy and competitive issues. Given the challenges to the sector in agreeing such terms within the confines of Part 2 of the Commerce Act Mercury considers the Authority's regulated data sharing regime will be most efficient and timely option to resolve the issues. It would be pragmatic to tie these projects together given Authority now has clarity from the Court of Appeal that it can proceed with the project in its entirety.

We support the Authority consulting on the DDA (including data access terms) as soon as possible.


If you wish to discuss anything further please contact Rebekah McCrae on 09 308 8237 or at rebekah.mccrae@mercury.co.nz

Yours sincerely



Rebekah McCrae
Regulatory Strategist



From: [Submissions Mailbox](#)
To: [Todd Collings](#); [Daniel Tulloch](#)
Subject: FW: DDA consultation timing
Date: Friday, 31 May 2019 1:19:51 PM
Attachments: 

Regards,

Saltanat

From: Jason Woolley [mailto:Jason.Woolley@MeridianEnergy.co.nz]
Sent: Friday, 31 May 2019 1:16 PM
To: Submissions Mailbox
Cc: Stefan Kirkwood - External; Brendon Feary
Subject: DDA consultation timing

The Authority's Market Brief of 21 May 2019 asked for feedback on the question of whether the Authority should consult on the proposed Default Distributor Agreement as soon as possible, or delay consultation.

Meridian and Powershop are both firmly of the view that the Authority should consult on the proposed DDA **as soon as possible**.

The process of getting to this point has been a long one - taking many years and we have repeatedly stressed to the Authority the importance of a DDA and its potentially transformational effect in lowering barriers to competition for retailers looking to expand into new network areas. The Electricity Price Review's recent Options Paper favoured as one of 7 potential options for Increasing Retail Competition the option of making distributors offer retailers standard terms for network access.

We repeat, the Authority should move ahead on this as soon as possible. We would be extremely disappointed if the Authority allowed for further delay now.

Please contact me if you have any questions.

Regards

Jason Woolley

Jason Woolley – Head of Regulatory and Corporate Legal

Meridian Energy Limited

Level 2, 55 Lady Elizabeth Lane, PO Box 10840

Wellington 6143, New Zealand

DDI. +64 4 381 1206 M. 021 309962



From: [Andrew Springett](#)
To: [Andrew Springett](#)
Subject: FW: Default Distribution Agreement consultation timing
Date: Thursday, 24 October 2019 8:44:07 AM
Attachments: [REDACTED]

From: Ralph Matthes <ralph.matthes@meug.co.nz>
Sent: Friday, 31 May 2019 3:05 PM
To: Submissions Mailbox <Submissions.Mailbox@ea.govt.nz>
Cc: Daniel Tulloch <Daniel.Tulloch@ea.govt.nz>
Subject: Default Distribution Agreement consultation timing

Hi Saltanat
cc Daniel

Attached in .doc and .pdf formats is feedback from MEUG.

Kind regards
Ralph
M 0274 760 500

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31 May 2019

Daniel Tulloch
Senior Advisor
Electricity Authority
By email to submissions@ea.govt.nz

Dear Daniel

Default Distributor Agreement consultation timing

1. This is a submission by the Major Electricity Users' Group (MEUG) to the request for feedback by the Electricity Authority on the preference of interested parties for consultation on the proposed Default Distribution Agreement (DDA) as soon as possible, or to delay consultation.¹
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. MEUG prefers consultation on the draft DDA to commence as soon as possible because:
 - a) The changes are minor as noted in the request for feedback "The Authority has made some minor changes to its proposed Default Distributor Agreement (DDA) and will be ready to release the DDA proposal for consultation in June."

If the proposed changes are minor compared to prior iterations of the draft, then the consultation process should be manageable.

- b) We would prefer changes in distributor prices effective 1st April 2020 to be aligned with changes in other contract terms and conditions resulting from a DDA prescribed in the Code. To achieve that will require early consultation on the DDA.

If codifying a DDA and having distributors implement that effective 1st April 2020 is not achievable, it will be better for distributors to be aware of likely DDA terms and conditions earlier as they reassess and consult on their tariff offerings to come into effect that date. It would be a poor outcome if distributors restructured their tariffs for 1st April 2020 only to find after that date that the final DDA materially affected some of the balance of risks and rewards in contracts with customers that had those been known would have resulted in different tariff decisions. This outcome could disadvantage either the distributor or customers. Hence, it's better to progress the DDA as early as possible to mitigate that risk.

¹ <https://www.ea.govt.nz/development/work-programme/consumer-choice-competition/default-distribution-agreement/development/default-distributor-agreement-consultation-timing/>

- c) The initial DDA is likely to be a good starting point to develop add-on default terms and conditions for parties contracting for services from distributors to use new technologies and business models to complement initiatives to improve liquidity and innovation in the hedge market.

Nascent opportunities for direct market participation by more end consumers are hindered by poor liquidity in the hedge market, numerous different Use-of-System-Agreements and uncertainty on contracting terms for services outside the historic passive demand for line connections. The sooner we can start down the path of reducing uncertainty and providing a consistent default position with a DDA the better.

- d) Different expertise is needed to respond to the draft DDA compared to the IPP and DPP resets and TPM. The DDA requires legal and contract experience. The rest require economic and cost-benefit-analysis expertise. Hence, we expect earlier DDA consultation to be manageable and any incremental management co-ordination costs outweighed by the benefit of having an early DDA in place as noted above.

Yours sincerely



Ralph Matthes
Executive Director

From: [Andrew Springett](#)
To: [Andrew Springett](#)
Subject: FW: DDA consultation timing
Date: Thursday, 24 October 2019 8:44:37 AM
Attachments: [REDACTED]

From: Paul Baker [<mailto:PBaker@novaenergy.co.nz>]
Sent: Tuesday, 21 May 2019 4:57 PM
To: Submissions Mailbox
Cc: Paul Fuge
Subject: DDA consultation timing

Hi

Nova's view is that the DDA should be opened for a minimum 6-week consultation period as soon as possible; with the closing date perhaps linked to when the Authority will have the resource available to process submissions.

Regards
Paul



PAUL BAKER | Commercial & Regulatory Manager

|p| +64 4 901 7338 |m| +64

|e| pbaker@novaenergy.co.nz

|a| Todd Building, 95 Customhouse Quay | PO Box 10141 | Wellington 6143 |w| www.novaenergy.co.nz

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From: [Submissions Mailbox](#)
To: [Todd Collings](#); [Daniel Tulloch](#)
Subject: FW: Consultation timing: DDA and TPM
Date: Thursday, 23 May 2019 9:40:56 AM

Hi,

Please see below feedback on the consultation timing from Transpower.

Regards,

Saltanat

From: Rebecca Osborne [mailto:Rebecca.Osborne@transpower.co.nz]
Sent: Thursday, 23 May 2019 9:33 AM
To: Submissions Mailbox
Cc: Alison Andrew; Rob Bernau
Subject: Consultation timing: DDA and TPM

We welcome the Authority's request for feedback on timing of consultation on the proposed Default Distributor Agreement. We support the option of delaying consultation. We also consider that the consultation on TPM, signalled to commence in late June, should be delayed.

Our particular concern is that TPM consultation should commence after consultation on our draft IPP (draft decision and determination for RCP3), which ends on 11 July. Both the draft IPP consultation and the TPM are hugely important for our business: we are concerned about our ability to prioritise both should they overlap.

In parallel the Commission is also consulting on the DPP for regulated distributors. Submissions are due on 18 July and cross-submissions on 8 August. This consultation is equally of huge importance to distributors, as is the TPM consultation.

Our draft IPP and the draft DPP are both very important consultations, which will impact price and service quality for distribution and transmission services into the future. In our view it is extremely important that stakeholders, including consumers, retailers, generators and Transpower, have the capacity to respond meaningfully to both. It is very important to us that stakeholders have the opportunity to be fully involved and engaged in these important decision processes, which have been well signalled in advance. We are concerned that if either or both of the TPM and DDA consultations (also both important to the future of the industry) are to run in parallel the quality of stakeholder contribution across all topics will be materially compromised.

While the Market Brief mentioned the draft IPP and DPP resets, the Commerce Commission's consultation on fibre Input Methodologies (progressing in parallel) is also highly relevant. There are an increasing number of electricity market participants (network and retail) engaged in both electricity and telecommunications activities. In addition, the legislation for the fibre Input Methodologies is modelled tightly on the Part 4 Commerce Act regime that applies to Transpower, and includes things like a requirement for a Capex IM. Decisions on the fibre Input Methodologies could have material precedent value for the electricity industry, including the transmission investment approval process.

We request the Authority delay consultation on the TPM until after 18 July at the earliest, and similarly delay consultation on the proposed Default Distribution Agreement.

Nga mihi

REBECCA OSBORNE

Regulatory Affairs & Pricing Manager

Transpower New Zealand Ltd

Waikoukou, 22 Boulcott Street, PO Box 1021, Wellington

P 04 590 8638

M 027 884 7516

www.transpower.co.nz

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From: [Submissions Mailbox](#)
To: [Todd Collings](#); [Daniel Tulloch](#)
Subject: FW: DDA consultation timing
Date: Wednesday, 29 May 2019 3:24:08 PM

Regards,

Saltanat

From: Fiona Wiseman [mailto:fiona.wiseman@trustpower.co.nz]
Sent: Wednesday, 29 May 2019 1:44 PM
To: Submissions Mailbox
Subject: DDA consultation timing

Good afternoon,

Thank you for providing an opportunity to share our thoughts on the timing of consultation on the DDA.

Trustpower's view is that consultation should be delayed on the DDA given the significant amount of regulatory work currently on, including within the telecommunications industry (which a number of electricity market participants also operate in including Nova, Trustpower, Vocus and Contact Energy). For example, there are 4 significant consultations underway by the Commerce Commission currently that we are considering and potentially will be preparing responses to: the IPP reset, DPP reset, mobile market study and new fibre regulatory arrangements. When combined with the TPM consultation (due late June), gas market information disclosure consultation underway by the GIC (and related changes to the Gas Act being consulted on by MBIE), and the joint work programme by the Commerce Commission and Electricity Authority into emerging tech, it is unlikely we will have sufficient capacity to adequately consider matters that might arise in the DDA consultation.

It is also unclear what time lines might be associated with the release of any decisions by the Government relating to the EPR – and it is most likely this will require attention by regulatory resources both within participants and the relevant regulators when released.

To enable Trustpower to properly consider the DDA consultation we would appreciate if the Electricity Authority delayed its consultation till later in the year. We appreciate that ERANZ has a different view which reflects, in part, the fact that a number of members are not impacted by those significant consultations that are currently underway in the telecommunications industry.

Thanks and happy to discuss further,

Fiona

Fiona Wiseman

Senior Advisor - Strategy and Regulation

Trustpower

M 027 549 9330


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Trustpower Limited, Private Bag 12023, Tauranga Mail Centre 3143

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From: [Submissions Mailbox](#)
To: [Todd Collings](#); [Daniel Tulloch](#)
Subject: FW: Vector's Submission on Default Distributor Agreement Consultation Timing
Date: Friday, 31 May 2019 12:40:29 PM
Attachments: 

Importance: High

Hi,

More feedback.

Regards,

Saltanat

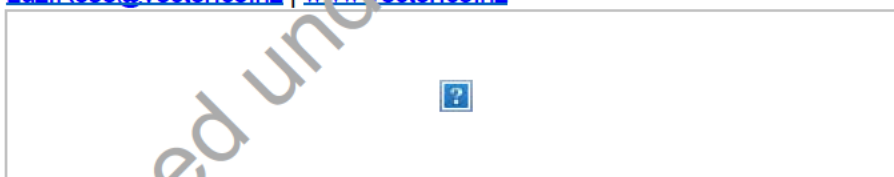
From: Luz Rose [mailto:Luz.Rose@vector.co.nz]
Sent: Friday, 31 May 2019 12:20 PM
To: Submissions Mailbox
Subject: Vector's Submission on Default Distributor Agreement Consultation Timing
Importance: High

Please find attached Vector's submission on the Electricity Authority's consultation question on the *Default Distributor Agreement consultation timing* issued on 21 May 2019.

Let me know if you have any questions, or require further information.

Regards

Luz Rose | Senior Regulatory Specialist
Vector Limited | Level 1, 110 Featherston Street | Wellington 6011
DDI: 04 803 9051 | 021 253 5811
Luz.Rose@vector.co.nz | www.vector.co.nz



Released under the Official Information Act

31 May 2019

Electricity Authority
Level 7, Harbour Tower
2 Hunter Street
Wellington

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NEW ZEALAND
+64 9 978 7788 / VECTOR.CO.NZ


Default Distributor Agreement Consultation Timing

1. This is Vector Limited's (Vector) response to the Electricity Authority's (the Authority) consultation on the timing of its consultation on the Draft Default Distributor Agreement (*Draft DDA*).
2. Vector is of the strong view that the Authority should defer this consultation from June 2019 to a much later date. Our regulatory workload is extremely heavy during this period, having to deal with multiple ongoing and upcoming consultations that have implications for the electricity sector, including the following, among others:
 - a. Transmission Pricing Methodology – consultation in July 2019;
 - b. ACCES Project Quick Wins consultation – submissions due on 11 June 2019;
 - c. Distribution Pricing Principles – release of decision paper in early June 2019, then implementation;
 - d. Default Price Path for electricity distribution businesses for 2020-2025 – submissions due on 18 July 2019;
 - e. Spotlight on Emerging Contestable Services – consultation in June 2019;
 - f. Electricity Distribution Information Disclosure – must be published by 31 August 2019;
 - g. Electricity Price Review – final recommendations in mid-2019, then implementation;
 - h. Zero Carbon Bill – consultation at Environment Select Committee stage;
 - i. Emissions Trading Scheme amendments – consultation this year, in the context of the Zero Carbon Bill; and
 - j. Options for amending the Gas Act – submissions due on 12 June 2019.
3. The above list reflects our need to deal with more urgent regulatory matters than the DDA. We believe this is the case for most other industry participants.
4. In addition, consultation on the *Draft DDA* at a later date will provide us with sufficient time to consider it more carefully. This is particularly important given the DDA's wide-ranging implications for our electricity distribution business and customers.
5. Furthermore, with the impending release of the Electricity Price Review recommendations, we believe the Authority should focus on more urgent issues such as those affecting the wholesale electricity market.
6. Please contact Luz Rose (Senior Regulatory Specialist) if you have any questions or require further information at Luz.Rose@vector.co.nz or 04 803 9051.

Yours sincerely
For and on behalf of Vector Limited



Richard Sharp
Head of Regulatory and Pricing

From: [Submissions Mailbox](#)
To: [Todd Collings](#); [Daniel Tulloch](#)
Subject: FW: Vocus - EA DDA deferral - EPR 04062019
Date: Tuesday, 4 June 2019 4:48:48 PM
Attachments: 

Regards,
Saltanat

From: Johnathan Eele [mailto:Johnathan.Eele@vocusgroup.co.nz]
Sent: Tuesday, 4 June 2019 4:46 PM
To: Submissions Mailbox
Subject: Vocus - EA DDA deferral - EPR 04062019

Apologies this submission is late, this has occurred due to ill health and I trust this submission can still be considered.

Kind regards Johnathan

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V  **OCUS**
communications

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4th June 2019

ABOUT VOCUS

1. Vocus New Zealand is the third largest fixed line telecommunications operator employing over 800 staff in New Zealand. Our retail operation includes a number of challenger brands Slingshot, Orcon, Flip, CallPlus and 2Talk. We are also an active wholesaler of telecommunications services including access, voice and broadband over both fibre and copper.
2. Vocus has made significant investments in New Zealand. We are the largest copper unbundler with a presence in over 200 exchanges throughout New Zealand. In addition we operate 4,200km fibre optic network transits between virtually all major towns and cities, and connects directly into all major peering exchanges.
3. Our 200,000+ customers in New Zealand range from government agencies, integrators, large corporate, SME and residential households. We are committed to New Zealand's fibre future.
4. Vocus is committed to New Zealand and is one of the few large NZ telecommunications companies to base all its customer service call centres here in New Zealand rather than outsourcing its customer service operations overseas.
5. Vocus Group is one of the fastest growing telecommunications companies in Australasia and a major provider of voice, broadband, domestic and international connectivity and data centers throughout New Zealand and Australia.
6. Vocus Group bought New Zealand electricity retailer Switch Utilities in December 2015 and since May 2016 has retailed electricity under the Slingshot, Orcon, Vocus and Switch Utilities brands. During this time Vocus has acquired some 16,000 ICPs through various marketing channels and upselling to our telecommunications customer base.
7. Thank you for the opportunity to make this submission. If you would like any further information about the topics in this submission or have any queries about the submission, please contact:

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4 June 2019

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Submission in support of deferral of the DDA project

To whom it may concern,

1. Vocus supports deferral of the consultation on the proposed Default Distribution Agreement (DDA), and related Code amendments.
2. We would also support deferral of other projects, such as the TPM review, to enable the Authority to refocus its immediate term work programme on resolving outstanding retail competition issues. Given the gaps since the last consultations on both DDA and TPM, we don't think a few more months delay would be material.

The Authority's immediate term focus should be on urgent outstanding competition issues

3. Vocus considers the Authority's priorities should be hedge market development, saves and win-backs/the two-tier market issue, strengthening wholesale disclosure rules and addressing spot market trading conduct issues. Each of these has the potential to promote a substantially more competitive and healthy electricity market, and deliver better long-term outcomes for consumers.
4. The views outlined in the Electric Kiwi, Flick Electric, Pulse Energy and Vocus joint independent retailer submission on appropriations, last year, are worth reiterating, including that projects such as two-tier retail market, hedge market development, and spot market trading conduct are taking too long to resolve, and the proposed KPIs allow the projects to continue to take too long to progress and complete.¹
5. Advocates that the electricity retail market is highly competitive are quick to point out there are 36 electricity retailers in New Zealand. While market concentration is a better measure of the level of competition, the number of retailers highlights access arrangements with distributors isn't a principal retail competition problem. Even for an electricity retailer just entering the market, structural issues relating to the hedge market, retail-generation vertical-integration etc will likely be much more substantive concerns than use-of-system arrangements.

¹ Joint submission from independent retailers – indicative work programme for 2019/20, 6 December 2018.

Network access issues are a much more substantive issue in telecommunications than electricity

6. Issues relating to network access, and access terms and conditions, are much more of a pressing competition issue in telecommunications than in electricity. We would be unlikely to support or want deferral of access issues relating to Chorus' fibre network, for example.

The Commerce Commission's fibre IMs consultation is an important priority for many electricity market participants

7. The Market Brief pointed out the sector is coming into a busy regulatory period with Commerce Commission consultation on DPP and IPP price resets, as well as the planned TFM consultation. The Authority should also note the Commerce Commission is currently consulting on its mobile market review and development of Input Methodologies for regulated fibre access services. There are a number of network businesses and retailers, including Vocus, operating in both electricity and telecommunications, affected by the telecommunications consultations.

The DDA proposals would benefit from further work to reflect best regulatory practice for network access

8. The last Electricity Authority consultation on its DDA proposals pre-dates Vocus entry into the electricity retail market so we have not had opportunity to engage on this topic. While we don't consider the DDA project is important, for promotion of competition, we don't see it as benign either.
9. Based on our initial assessment of the material the Authority posted on 15 January,² and the previous consultation material, Vocus is concerned the DDA proposals overstep facilitation of network access and effectively regulate aspects of access terms and conditions that both network businesses and access seekers are required to adopt.
10. We consider the Authority's intended network access framework could draw more from Telecommunications Act. The Authority's DDA proposals would benefit from more changes than those necessitated by the recent High Court and Court of Appeal judgments. The time and resource required to make these changes is not justified at this time.

Closing remarks

11. Vocus appreciates the Authority engaging with stakeholders on whether to delay consultation on the proposed DDA. We recognise the Authority is presently going through a transition phase where it wants to refocus on a small number of priority projects, before commencing new or additional projects. The DDA project is a legacy issue that needs to be managed as part of this transition.
12. The Authority's suggestion the DDA consultation be deferred is a good one. There are much more important competition issues that remain outstanding. It is also important for the Authority to consider potential regulatory bottlenecks resulting from it, and other regulators' work programmes. The present time is particularly busy given the confluence of Commerce Commission consultation on electricity IPP and DPPs, as well as the fibre IMs and the mobile market review.

² <https://www.ea.govt.nz/development/work-programme/consumer-choice-competition/default-distribution-agreement/development/>



Regards,

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