14 November 2023

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

Tēnā koutou

Consultation Paper—Proposed changes to the DDA template, consumption data template, and related Part 12A clauses

WEL Networks (WEL) appreciates the opportunity to provide feedback on the Electricity Authority's (the Authority) Consultation Paper – Proposed changes to the DDA template, consumption data template, and related Part 12A clauses (the consultation).

WEL is New Zealand's sixth largest electricity distribution company and is 100% owned by our community through our sole shareholder WEL Energy Trust. Our guiding purpose is to enable our communities to thrive, and we work to ensure that our customers have access to reliable, affordable and environmentally sustainable energy.

WEL supports the Authority's focus on reducing the barriers and costs associated with combining historical electricity consumption data with other datasets. We further support the Authority choosing to adopt the ENA/ERANZ data template.

However, WEL disagrees with the Authority's proposal to replace Recorded Terms with overly prescriptive Core Terms. At a time when the Authority is stating that it is constrained by funding and limited resources, WEL is concerned that the Authority would choose to expend those limited resources revisiting what WEL deems to be trivial issues in the default distributor agreement (DDA) which result in a net disbenefit to consumers.

Cost-benefit analysis issues

Accurately measuring and evaluating the economic costs and benefits of projects and proposals is an important part of efficiently managing an electricity distribution network. It is critical to the success of our business to objectively look at proposals and understand whether we can derive greater net benefit for our consumers from progressing some aspects, while discarding others.

It is disappointing to see that the Authority has elected to justify the proposed Code amendment on the basis of a positive *total estimated net benefit* for all aspects of the proposed Code amendment. In reality, the proposed changes to the DDA and the data access template changes can, and should, be treated independently from each other.

An objective interpretation of the Authority's analysis is that, as there are considerable net benefits to be realised from progressing the consumption data template changes, this proposal should be progressed. When independently

evaluating the Authority's proposed changes to the DDA, the costs significantly outweigh potential benefits, meaning this proposal should not be progressed.

Although the Authority's analysis of the proposed changes to the DDA already results in a disbenefit to consumers, it appears as though it does not capture all associated costs that will be incurred based on what is being proposed. The Authority's analysis does not appear to factor in the cost of 27 distributors having to consult on newly imposed, or amended, Operational Terms. Nor does the analysis account for distributors' upfront and ongoing costs of complying with the more onerous Core Terms being proposed (e.g. cl 9.10 and 14.2).

WEL questions why the Authority expects there to be material *"incremental dynamic efficiency benefits"* (which the Authority has not quantified) from the proposed changes to the DDA leading to *"more vigorous competition amongst electricity retailers"?* Currently, WEL has two fewer retailers (with more than a single ICP) operating on our network than in April 2021, when we migrated all retailers onto the DDA. Additionally, throughout this period, we have not had a single retailer seek to negotiate our Recorded Terms (or Operational Terms for that matter).

In WEL's experience, the DDA is neither an enhancing, nor limiting factor when it comes to retail competition on our network. WEL submits that there are many more impactful areas of the electricity sector that the Authority could focus its limited resources on to improve retail competition, and enhanced customer outcomes, in a meaningful way.

Proposal to change clause 9.10 to a Core Term

In the letter *''RE: Proposed amendments to the Electricity Industry Participation Code 2010 – default distributor agreement templates"* dated 18 September 2023[1], the Commerce Commission reminded the Authority that, notwithstanding the recent amendment to the Electricity Industry Act 2010, the Authority is unable to regulate 'prices'.

Section 52C of the Act defines price as:

(a) any 1 or more of individual prices, aggregate prices, or revenues (whether in the form of specific numbers, or in the form of formulas by which specific numbers are derived); and

(b) includes any related terms of payment

As currently proposed, clause 9.10 regulates price (a negative price is still considered a price) and the related terms of payment of said price. This would interfere with the Commerce Commission's sole jurisdiction to *"do or regulate what it is authorised and/or required to do under Part 4 of the Act"*. Subsequently, WEL does not believe that the Authority has the remit to regulate clause 9.10, as it is currently drafted.

Additionally, clause 9.10 is simply administratively burdensome and highly inefficient. The monitoring and administration costs associated with complying with this proposed clause will be significantly greater than any benefit

[1] https://www.ea.govt.nz/documents/3852/Section_54V_letter_from_Commerce_Commission_to_Electricity_Authority.pdf

realised by consumers. This is on top of the fact that distributors costs of providing lines services do not cease during consumer interruptions. If anything, they are much higher, as any and all available resources are dedicated to restoring electricity supply as quickly as possible.

Proposal to change clause 14.2 to a Core Term

Like clause 9.10, clause 14.2 appears to be drafted with the best of intentions. Unfortunately, like clause 9.10, a myopic view on a particular outcome, obscures that intended outcome from operational reality. Without a minimum threshold or flexibility to determine which concerns warrant investigation, the costs of complying with clause 14.2 will disproportionally outweigh the benefit consumers may receive from it.

In practice, many of the power quality issues consumers experience, originate from within the consumers own property (i.e. outside of the responsibility of distributors). WEL has the benefit of utilising smart metering infrastructure (connected to around 70% of connections on our network) to help proactively identify power quality issues. However, many distributors do not have access to this level of data, clause 14.2 is likely to result in a material increase in the number of reactive 'on-site' investigations undertaken. If WEL experiences this, we may have to consider recovering the cost of undertaking these investigations from the party that raised it (where it is found that WEL is not responsible for the power quality issue).

Additionally, for every power quality concern to be investigated and the consumer or retailer to be advised of the outcome, WEL would either have to divert resource away from important areas like improving reliability and resilience, or add additional resource which would negatively impact consumer affordability.

In addition to the views expressed in this submission, WEL supports the submission provided by Electricity Networks Aotearoa (ENA).

We have provided answers to the questions raised in the consultation in Appendix A of this submission.

Should you require clarification on any part of this submission please do not hesitate to contact me.

Ngā mihi nui

David Wiles

Revenue and Regulatory Manager

Appendix A Format for Submissions

Submitter	WEL NETWORKS LTD

Questions
Q1. Do you agree Issue 1, summarised in paragraph 2.21 and described in paragraphs 2.21 to 2.32 and Appendix B, is worthy of attention? WEL agrees that the use of Recorded Terms has led to inconsistencies between distributors DDA's, but does not agree that this is inherently an issue. Recorded Terms have allowed distributors the flexibility to reflect the differing operational requirements of their networks. While addressing the inconsistencies resulting from Recorded Terms may result in greater alignment with the Authority's statutory objectives, WEL does not believe the effort and resources the Authority is expending to address them is prudent or warranted.
Q2. Do you have any feedback on the Authority's assessments of changes to recorded terms, as set out in Appendix B and Appendix C? The Authority's assessment of Recorded Terms has resulted in proposed Core Terms which are overly prescriptive, costly to implement and administer, and not warranted at this time. The assessment has assumed that inconsistencies between DDA's is an issue that needs to be remedied and it has failed to consider that Recorded Terms offer distributors necessary flexibility to manage their networks.
Q3. Do you agree Issue 2 is worthy of attention? WEL agrees that the compliance of providing copies of DDA's to the Authority is somewhat burdensome, but disagrees that it is such an issue as to warrant the level of attention the Authority has given it.
Q4. Do you agree Issue 3 is worthy of attention? WEL agrees that reducing the barriers and costs associated with obtaining and combining consumption data is worthy of attention. This is the one issue raised in the consultation which has received cross-sector support to remedy and when viewed independently from the proposed updates to the DDA, still generates a considerable net benefit to consumers.
Q5. Do you agree with the objective of the proposed Code amendment? If not, why not? WEL agrees that the objective of the proposed Code amendment seeks to address the matters highlighted in 5.1 (a) – (d) of the consultation, but disagrees that the matters raised in 5.1 (a) warrant the solution the Authority is proposing.
Q6. Do you agree the benefits of the proposed Code amendment outweigh its costs? For the proposed updates to the DDA, no. For the proposed updates to the data template, yes. It is disingenuous to conflate the two as they should be evaluated on their separate merits. Additionally, it appears that the Authority's analysis fails to account for material costs relating to distributors obligations to consult on new and

amended Operational Terms, and compliance costs related to Core Terms placing more onerous obligations on distributors than existing Recorded Terms (e.g. cl 9.10 and cl 14.2).
Q7. Do you agree the proposed Code amendment is preferable to other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objectives in section 15 of the Act. WEL does not agree that the proposed Code amendment concerning updates to the DDA is preferable to the status quo. When evaluated independently from the proposed changes to the data template, and even before factoring in additional consultation and administration costs omitted from the Authority's analysis, the proposed updates to the DDA are a net disbenefit to consumers and therefore should not be progressed. Conversely, proposed updates to the data template have cross-sector support and represent a considerable net-benefit to consumers. Though WEL believes that more should be done to reduce barriers and lower costs relating to consumption data, the proposed Code amendment is preferable to the status quo.
Q8. Do you agree the proposed Code amendment complies with section 32 of the Act? WEL does not agree that the proposed Code amendment complies with section 32 (2) (b) of the Act as clause 9.10 of the proposed Code amendment is attempting to regulate 'prices'. Regulation of 'prices' is solely and expressly within the remit of the Commerce Commission.
Q9. Do you have any comments on the drafting of the proposed Code amendment? Please refer to body of submission and answers provided in Q1 – Q8 of Appendix A.