

14 November 2023



Electricity Authority
P.O. Box 10041
Wellington 6143

172 Carnarvon Street
Gisborne 4040
New Zealand
firstlightnetwork.co.nz

Delivered via email to DDA@ea.govt.nz

Proposed changes to the Default Distributor Agreement

Firstlight Network (Firstlight) welcomes the opportunity to comment on the Electricity Authority's (EA's) Proposed changes to the default distributor agreement template, consumption data template, and related Part 12A clauses released in October 2023. Firstlight is part of Clarus. For more information about the Clarus group of businesses, refer to **Attachment 1**.

We welcome the proposed changes to the consumption data template. The provision of data is crucial to the ongoing challenges of decarbonisation and future utilisation of the network and the proposed changes will enable us to make more informed decisions regarding the network. For example, combining smart meter data with weather data.

While the proposed changes to the data template are accepted, we have serious reservations with the removal of recorded terms. Our primary concern stems from certain recorded terms being made core terms where it does not appear clear that it is in the EA's powers to do so. While the majority of recorded terms are non-controversial and are appropriate to be amended to Core or Operational Terms, there are two terms in particular that cross over directly into price quality regulation measures set by the Commerce Commission and strongly recommend that they remain Recorded Terms. The clauses in question are 7.3 and 9.10.

Clause 7.3 prevents distributors from changing prices more than once a year, while clause 9.10 requires distributors to reimburse the distribution service charges to traders for interrupted ICPs experiencing continuous interruptions lasting 24 hours or more. We believe that these clauses conflict with the Commerce Commission's authority, which establishes maximum allowable revenue for distributors through price-quality path determinations, placing these matters outside the jurisdiction of the EA.

Firstlight negotiated the DDA in good faith with retailers and the recorded terms were not seen as onerous during the consultation process and were only amended where it was crucial for us to do so and to mirror the existing Use of Systems Agreements that were in place at the time.

Our detailed comments to the proposed amendments are provided in **Attachment 2**. There is no confidential information in this submission.

Firstlight is a member of Electricity Networks Aotearoa (ENA). Firstlight supports the ENA's submission.

If you have concerns, please contact Firstlight Network Ltd as soon as possible and we will endeavour to resolve your concerns in an effective and timely manner. You can view or download our resolution process at firstlightnetwork.co.nz/disputes. If we are unable to resolve any concern through our internal process, then you have the option of contacting Utilities Disputes which is a free service for resolving complaints. They can be contacted at 0800 22 33 40 or utilitiesdisputes.co.nz.

Contact details

Firstlight would welcome the opportunity to meet with the EA to discuss any points we have raised in our submission. To arrange this meeting or if you have any questions, please contact me or Nathan Astwood on 027 2592059 or via email at nathan.astwood@firstgasgroup.co.nz.

Yours sincerely

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

Saba Malik
Regulatory & Policy Manager

Attachment 1 About Clarus

Clarus is one of New Zealand's largest energy groups. Whether it's transmission, distribution, supply or storage of energy, the companies within the Clarus group service over half a million homes and businesses of all sizes around New Zealand.

Firstgas connects over 300,000 homes and businesses with natural gas through its gas distribution and high-pressure transmission systems. This essential infrastructure supports New Zealand's economy, so the group is committed to helping customers maximise value from it.

Flexgas provides energy storage services to electricity generators, offering an important source of flexibility to the electricity system and supporting high levels of intermittent wind, hydro and solar generation.

Rockgas is New Zealand's largest LPG retail supplier, providing fast and reliable service through a national network of branches and franchises.

Firstlight Network is the lines company supplying electricity to the Tairāwhiti and Wairoa region, responsible for keeping the lights on across 12,000 square kilometres of the East Coast.

We are also investing in innovative renewable energy solutions such as biomethane and hydrogen, to help New Zealand reach its net zero carbon goals by 2050. Our **First Renewables** business is leading this work, alongside other options that will bring renewable energy to New Zealand homes, businesses and energy-intensive industries in the future.

Clarus was previously known as Firstgas Group.

Firstgas

rockgas

Flexgas

Firstlightnetwork

 **FirstRenewables**

Attachment 2 Response to consultation questions

Question		Comment
1	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?	<p>We acknowledge that the proposed changes are made to ensure consistency across all EDBs.</p> <p>Firstlight does not agree with the issues identified in paragraphs 2.25 and 2.26. Firstlight's DDA has not inappropriately allocated costs to the trader and as stated below, planned outages are appropriately handled under price-quality regulation.</p>

Question	Comment
<p>2 Do you have any feedback on the Authority's assessments of changes to recorded terms, as set out in Appendix B and Appendix C?</p>	<p>We believe that two clauses exceed the EA's jurisdiction:</p> <ul style="list-style-type: none"> - Clause 7.3 preventing distributors from making price changes more than once in any 12 month period. - Clause 9.10 requiring distributors to refund traders for charges in respect of ICPs that experience a continuous interruption for 24 hours or longer. It is appropriate that this clause remains not applicable for Firstlight. <p>Both clauses are covered by Part 4 of the Commerce Act under price-quality regulation.</p> <p>We are also concerned about the unintended consequences of making clause 7.3 a core term, as it may limit flexibility in price setting. There are instances where flexibility is essential due to changes in network circumstances.</p> <p>For instance, errors in initial prices or the need to adjust prices for a large customer facing closure/solvency risk. Another classic example is flexibility needed during events like COVID-19, where networks may need to temporarily change prices to support struggling communities.</p> <p>Therefore, it's important to have the flexibility to adjust prices while still meeting the Commerce Commission's price-quality compliance requirements</p> <p>The EA might also want to note that distribution costs are largely fixed and do not change with interruptions. Also, clause 9.10 in particular is covered with the quality incentive scheme.</p> <p>In addition to the quality incentive from the Commerce Commission, this clause imposes a double penalty on distribution businesses, and as stated earlier, it also intersects with the Commerce Commission's jurisdiction.</p>

Question		Comment
3	Do you agree Issue 2 is worthy of attention?	Firstlight views the issue as immaterial
4	Do you agree Issue 3 is worthy of attention?	We agree that the Data Template, in its current form, was unworkable. Firstlight appreciates the EA's efforts to address the issue. Firstlight also agrees that the cost of obtaining the data using the template will need to be addressed.
5	Do you agree with the objective of the proposed Code amendment? If not, why not?	We agree with objectives (b)-(d)
6	Do you agree the benefits of the proposed Code amendment outweigh its costs?	The assessment presented in Table 1 appears to materially understate the cost of implementation. Negotiating the operational terms with every trader on the network, coupled with each party seeking legal advice, and arranging contract amendment approval and execution would suggest that the cost is significantly higher.
7	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.	Agree
8	Do you agree the proposed Code amendment complies with section 32 of the Act?	As stated in question 2, clauses 7.3 and 9.1 fall within the Commerce Commission's price-quality regulation and are therefore outside the EA's jurisdiction.
9	Do you have any comments on the drafting of the proposed Code amendment?	As stated in body of the submission