

Tuesday, 20 August 2013

Electricity Authority
P O Box 10041
Wellington

By email: submissions@ea.govt.nz

Dear Sir / Madam

Re: Consultation Paper – Arrangements to manage a retailer default situation

Pioneer Generation (Pioneer) welcomes the opportunity to make submissions on the Electricity Authority's (EA) proposed arrangements to manage a situation where a retailer is unable to pay for the electricity it has sold to its customers.

Additional category of default event

Q3 Pioneer notes that an additional category of default event is proposed which applies when a retailer is no longer entitled to trade on a distribution network because its use of system agreement is terminated by the network company due to a serious financial breach. Pioneer queries whether:

- that serious financial breach can only arise in relation to a retailer's electricity retailing activity on the network - the regulated business of the network company. This means that a serious financial breach cannot arise from the unregulated activities of the network company such as connection and operation of distributed generation on the network; and
- all the events listed in Q3 have to apply to trigger a default. If so, the definition would be clearer if the word 'and' was included after each subpart.

Allocation of a default retailer's customers to other retailers

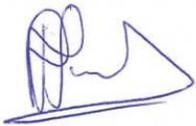
Pioneer supports the Retail Advisory Group proposal for a de minimus threshold to apply – detailed in paragraph 3.2.45 – 3.2.49 of the consultation paper. The EA proposal for any retailer to object to an assignment of customers by providing evidence and independent expert advice adds additional cost, particularly for small retailers. It also adds complexity at a time when decisions must be made within tight timeframes.

Q20 Pioneer does not agree with the EA proposal to allocate NHH and HH customers to all retailers on a network without a de minimus. Pioneer's retail operations are structured to manage financial risks while achieving our growth and strategic objectives. There would be significant financial implications if the company was randomly allocated a large number of customers that could dramatically exceed the current size of the firm.

Q21 Pioneer does not support the proposal to place the onus on retailers to prove to the EA that an allocation of customers would threaten its financial viability. There may be an option for medium sized retailers to provide this information to the EA. However, for small retailers such as Pioneer a de minimus threshold is a low cost, transparent and certain method for understanding our ongoing obligations in the event of default by any retailer.

In conclusion, Pioneer Generation is concerned to ensure market arrangements promote competition, reduce barriers to entry and achieve the efficient end to end delivery of electricity for the long term benefit of consumers.

Yours Faithfully,



Fraser Jonker

Chief Executive

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