

17 May 2013

Retailers

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XXX

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Dear

Model use of system agreement

The Authority recently undertook a post implementation review of the model use of system agreement (MUoSA) that was developed with the industry over a number of years and finalised in the third quarter of calendar year 2012. This review was discussed by the Authority at its May Board meeting.

The review found there was significant divergence between the MUoSA and the use of system agreements being negotiated between retailers and distributors. It also found a pattern of distributors negotiating use of system agreements with large retailers and then offering these agreements to smaller retailers.

The Authority is aware that several use of system agreements are being negotiated now and others will be negotiated shortly. It is also aware the Electricity Networks Association (ENA) is working on common terms for use of system agreements.

The Board is concerned about the extent to which use of system agreements that diverge from the MUoSA constitute a barrier to entry to the retail market. As a result, the Authority has decided to undertake an alignment review of use of system agreements. This will reveal the extent of the variation of use of system agreements from the MUoSA, any justification for the variation, and also shed light on the extent to which use of system agreements constitute a barrier to entry to the retail market.

The second piece of work the Authority will start is a review of the MUoSA to ensure that any provisions that may inhibit entry to the retail market are remedied. This work will be considered alongside other priorities when we finalise our 2013/14 work programme.

The third piece of work is to reassess the earlier cost benefit analysis of making the MUoSA the default use of system agreement. In other words, the MUoSA would become the use of system agreement unless both parties agree to a variation. This work will also be considered alongside other priorities when we finalise our 2013/14 work programme.

I encourage retailers to ask for a MUoSA from lines companies and to let the Authority know about what response they receive. In particular, the Authority is keen to see that distributors clearly identify and justify any departures from the MUoSA. An email to [this email address] would be very useful.

The attached chart shows a lot of variation in the numbers of retailers active in each region. We can speculate about the causes of this variation, such as market size for example. But it would

be very useful for the Authority to hear the view of retailers. If you can please let us know any ideas that you have explaining this variation we would appreciate it [same email address].

Yours sincerely

Carl Hansen
Chief Executive

Retailers serving ICPs on each network

	Genesis Energy	Contact Energy	Mercury Energy	Meridian Energy	TrustPower	Energy Online	Nova Energy	Powershop	Empower	Just Energy	King Country Energy	Glo-Bug	Tiny Mighty	Energy Direct	Bosco Connect	Pulse Energy	Hunet Energy	Prime Energy	Simply Energy	Pulse Community	Opunake Hydro	Payless Energy
Bay of Islands (Top Energy)	█	█	█	█	█					█									★			
Whangarei and Kaipara (Northpower)	█	█	█	█	█					█						█						
Waitemata (Vector)	█	█	█	█	█	█	█	█	█	█		█			█	█	█	★	█	█		
Auckland (Vector)	█	█	█	█	█	█	█	█	█	█		█			█	█	█	★	█	█		
Counties (Counties Power)	█	█	█	█	█					█									★			
Thames Valley (Powerco)	█	█	█	█	█					█	★		█									
Waikato (WEL Networks)	█	█	█	█	█					█						█						
Waipa (Waipa Networks)	█	█	█	█	█					█						█						
King Country (The Lines Company)	█	█	█	█	█					█												
Tauranga (Powerco)	█	█	█	█	█			★		█												
Rotorua (Unison Networks)	█	█	█	█	█					█												
Western Bay of Plenty (Horizon Energy)	█	█	█	█	█					█			★									
Taupo (Unison Networks)	█	█	█	█	█			★		█			★									
Eastland (Eastland Network)	█	█	█	█	█					█				█								
Hawkes Bay (Unison Networks)	█	█	█	█	█	█	█	█		█				█		█						
Central Hawkes Bay (Centralines)	█	█	█	█	█					█	★			█								
Southern Hawkes Bay (Scanpower)	█	█	█	█	█					█												
Wairarapa (Powerco)	█	█	█	█	█	█	█	█	█	█			█	█								
Taranaki (Powerco)	█	█	█	█	█	█	█	█	█	█				█		█						█
Wanganui (Powerco)	█	█	█	█	█	█	█	█	█	█				█								
Manawatu (Powerco)	█	█	█	█	█	█	█	█	█	█			█	█								
Kapiti and Horowhenua (Electra)	█	█	█	█	█	█	█	█	█	█				█		█						█
Wellington (Wellington Electricity)	█	█	█	█	█	█	█	█	█	█				█	█							█
Nelson (Nelson Electricity)	█	█	█	█	█					█						█						
Tasman (Network Tasman)	█	█	█	█	█					█						█						
Marlborough (Marlborough Lines)	█	█	█	█	█					█			█			█						
Buller (Buller Electricity)	█	█	█	█	█					█						█						
West Coast (Westpower)	█	█	█	█	█					█												
North Canterbury (MainPower NZ)	█	█	█	█	█					█			█									
Central Canterbury (Orion New Zealand)	█	█	█	█	█				█	█		★										
Ashburton (Electricity Ashburton)	█	█	█	█	█					█												
South Canterbury (Alpine Energy)	█	█	█	█	█					█												
Waitaki (Network Waitaki)	█	█	█	█	█					█												
Queenstown (Aurora Energy)	█	█	█	█	█				█	█						█			★			
Central Otago (Aurora Energy)	█	█	█	█	█					█						█			★			
Otago (OtagoNet JV)	█	█	█	█	█				★	█												
Dunedin (Aurora Energy)	█	█	█	█	█		★		★	█									★			★
Southland (The Power Company)	█	█	█	█	█				★	█									★			
Invercargill (Electricity Invercargill)	█	█	█	█	█				★	█									★			

14 May 2013

Distributors with few retailers

XXX

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Dear

Model use of system agreement

The Authority recently undertook a post implementation review of the model use of system agreement (MUoSA) that was developed with the industry over a number of years and finalised in the third quarter of calendar year 2012. This review was discussed by the Authority at its May Board meeting.

The review found there was significant divergence between the MUoSA and the use of system agreements being negotiated between retailers and distributors. It also found a pattern of distributors negotiating use of system agreements with large retailers and then offering these agreements to smaller retailers.

The Authority is aware that several use of system agreements are being negotiated now and others will be negotiated shortly. It is also aware the Electricity Networks Association (ENA) is working on common terms for use of system agreements.

The Board is concerned about the extent to which use of system agreements that diverge from the MUoSA constitute a barrier to entry to the retail market. As a result, the Authority has decided to undertake an alignment review of use of system agreements. This will reveal the extent of the variation of use of system agreements from the MUoSA, any justification for the variation, and also shed light on the extent to which use of system agreements constitute a barrier to entry to the retail market.

The second piece of work the Authority will start is a review of the MUoSA to ensure that any provisions that may inhibit entry to the retail market are remedied. This work will be considered alongside other priorities when we finalise our 2013/14 work programme.

The third piece of work is to reassess the earlier cost benefit analysis of making the MUoSA the default use of system agreement. In other words, reassess the costs and benefits of the MUoSA becoming the use of system agreement unless both parties agree to a variation. This work will also be considered alongside other priorities when we finalise our 2013/14 work programme.

Improving competition in the retail electricity market is a strategic focus for the Authority and to this end we expect to see distributors agreeing UoSAs that do not impede competition. Our benchmark for this is the MUoSA, so the alignment review will be an important piece of work for us to determine what, if any, further steps are needed.

I have written to retailers encouraging them to ask for a MUoSA from lines companies and to let the Authority know about what response they receive. In particular, the Authority is keen to see

that distributors clearly identify and justify any departures from the MUoSA in terms of particular characteristics of their network.

The attached chart shows a lot of variation in the numbers of retailers active in each region. We can speculate about the causes of this variation, such as market size for example. But it would be very useful for the Authority to hear the view of distributors. We would appreciate receiving your views about why there are only a few retailers operating on your network, and whether any prospective retailers have approached you to operate on your network and have not proceeded to do so. Please forward your explanation to [some email address].

Yours sincerely

Carl Hansen
Chief Executive

Retailers serving ICPs on each network

	Genesis Energy	Contact Energy	Mercury Energy	Meridian Energy	TrustPower	Energy Online	Nova Energy	Powershop	Empower	Just Energy	King Country Energy	Glo-Bug	Tiny Mighty	Energy Direct	Bosco Connect	Pulse Energy	Hunet Energy	Prime Energy	Simply Energy	Pulse Community	Opunake Hydro	Payless Energy
Bay of Islands (Top Energy)	■	■	■	■	■					■									★			
Whangarei and Kaipara (Northpower)	■	■	■	■	■					■						■						
Waitemata (Vector)	■	■	■	■	■	■	■	■	■	■		■			■	■	■	★	■	■		
Auckland (Vector)	■	■	■	■	■	■	■	■	■	■		■			■	■	■	★	■	■		
Counties (Counties Power)	■	■	■	■	■					■									★			
Thames Valley (Powerco)	■	■	■	■	■					■	★		■									
Waikato (WEL Networks)	■	■	■	■	■					■										■		
Waipa (Waipa Networks)	■	■	■	■	■					■	■		■			■				■		
King Country (The Lines Company)	■	■	■	■	■					■										■		
Tauranga (Powerco)	■	■	■	■	■		■	★	■	■												
Rotorua (Unison Networks)	■	■	■	■	■					■	■											
stern Bay of Plenty (Horizon Energy)	■	■	■	■	■					■			■									
Taupo (Unison Networks)	■	■	■	■	■				★	■	■		■									
Eastland (Eastland Network)	■	■	■	■	■					■				■								
Hawkes Bay (Unison Networks)	■	■	■	■	■	■	■	■	■	■				■		■						
Central Hawkes Bay (Centralines)	■	■	■	■	■					■	★			■								
Southern Hawkes Bay (Scanpower)	■	■	■	■	■					■												
Wairarapa (Powerco)	■	■	■	■	■					■		■		■								
Taranaki (Powerco)	■	■	■	■	■					■				■		■						■
Wanganui (Powerco)	■	■	■	■	■					■	■			■								■
Manawatu (Powerco)	■	■	■	■	■					■			■									
Kapiti and Horowhenua (Electra)	■	■	■	■	■					■						■				■		
Wellington (Wellington Electricity)	■	■	■	■	■	■	■	■	■	■				■	■	■				■		■
Nelson (Nelson Electricity)	■	■	■	■	■					■												
Tasman (Network Tasman)	■	■	■	■	■					■												
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Buller (Buller Electricity)	■	■	■	■	■					■						■						
West Coast (Westpower)	■	■	■	■	■					■												
North Canterbury (MainPower NZ)	■	■	■	■	■					■			■									
tral Canterbury (Orion New Zealand)	■	■	■	■	■				■	■		■										
Ashburton (Electricity Ashburton)	■	■	■	■	■					■												
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Otago (OtagoNet JV)	■	■	■	■	■				■	■												
Dunedin (Aurora Energy)	■	■	■	■	■		■	★	■	■										■		■
Southland (The Power Company)	■	■	■	■	■				■	■										■		
Invercargill (Electricity Invercargill)	■	■	■	■	■				■	■										■		■

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Distributors with many retailers

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The attached chart shows a lot of variation in the numbers of retailers active in each region. It is good to see that your network is one with a higher number of retailers. Enhancing competition in the retail electricity market is a strategic focus for the Authority, and to this end we expect to

see distributors agreeing UoSAs that do not impede competition. This includes achieving a high level of standardisation across networks on provisions that are important for facilitating the entry of new retailers. Our benchmark for this is the MUoSA, and so the alignment review will be an important input into our work on assessing whether the MUoSA should become a default agreement if distributors as a group are unable to meet the Authority's requirements.

Yours sincerely

Carl Hansen
Chief Executive

Retailers serving ICPs on each network

	Genesis Energy	Contact Energy	Mercury Energy	Meridian Energy	TrustPower	Energy Online	Nova Energy	Powershop	Empower	Just Energy	King Country Energy	Glo-Bug	Tiny Mighty	Energy Direct	Bosco Connect	Pulse Energy	Hunet Energy	Prime Energy	Simply Energy	Pulse Community	Opunake Hydro	Payless Energy	
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Counties (Counties Power)	Orange	Red	Yellow	Blue	Blue	Orange	Brown	Pink		Green						Green	Green		Star				
Thames Valley (Powerco)	Orange	Red	Yellow	Blue	Blue	Orange	Brown	Pink	Red	Green	Yellow		Yellow			Green							
Waikato (WEL Networks)	Orange	Red	Yellow	Blue	Blue	Orange	Brown	Pink	Red	Green	Brown		Yellow			Green				Grey			
Waipa (Waipa Networks)	Orange	Red	Yellow	Blue	Blue	Orange				Green	Brown		Yellow			Green							
King Country (The Lines Company)	Orange	Red	Yellow	Blue	Blue	Orange			Red	Green	Brown								Grey				
Tauranga (Powerco)	Orange	Red	Yellow	Blue	Blue	Orange	Brown	Star	Red	Green	Brown												
Rotorua (Unison Networks)	Orange	Red	Yellow	Blue	Blue	Orange	Brown	Pink	Red	Green	Brown												
stern Bay of Plenty (Horizon Energy)	Orange	Red	Yellow	Blue	Blue	Orange	Brown			Green	Brown		Yellow	Star									
Taupo (Unison Networks)	Orange	Red	Yellow	Blue	Blue	Orange	Brown	Star	Red	Green	Brown		Yellow	Star									
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