

Minutes

Distribution Pricing Administrative Issues Working Group 27 November 2009

Electricity Commission
Meeting Room 1
Level 7 – ASB Tower
2 Hunter Street
Wellington

Members Present

Rod Crone
Tracey Kaio
Paul Goodeve
John Van Brink
Brett Butler
Stephen Peterson
Anne Herrington

Also in Attendance

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| Peter Smith | Senior Adviser Transmission, Electricity Commission |
| Karen Bradley | Director Retail, Electricity Commission |
| Nicole Gagnon | Assistant Adviser Retail, Electricity Commission, part-meeting |
| Laurie Dupont | Assistant Adviser Transmission, Electricity Commission |

1. Apologies

Lindsay McLennan and Merv Mitchell apologised for not being able to attend the meeting.

2. Minutes from the previous meeting

The Members agreed to the minutes of the 9 November 2009 subject to minor changes.

3. Discussion

- The Chair thanked John van Brink for collating information on behalf of small distributors
- Some members commented that small distributors did not engage with the industry. Other members noted that this might be due to resourcing issues. Members suggested approaching Lynne Taylor of PriceWaterhouseCoopers (PWC) (which is acting on behalf of small distributors) and see if she could be the representative of the smaller networks in ongoing work (i.e. so that they can have an expert but are able to share the costs).
- Several members commented that small distributors do not have the expertise required to understand the subtleties of As Billed, As Billed Normalised and Normalised data provided to them. Members noted that there might be a trust issue between retailers and distributors in relation to what retailers did to data before providing it to distributors because the process was rarely transparent.

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- Distributors questioned how they could cross check the information they get from retailers that is used for billing, and tie it back to meter reads and to the reconciliation manager (RM) information.
- Distributors want to be able to cross-check the information they get from retailers with regard to Electronic Information Exchange Protocol (EIEP)¹. Cross checks across EIEP¹ versus meter reads, versus RM data are not simple.
- Members suggested the publication of a short document explaining the difference between the three approaches may be helpful. Rod Crone volunteered to prepare this document, which would be published on the Commission's website and passed on to the Electricity Network Association (ENA) and PWC.
- A member noted that distributors did not regularly adjust their loss factors.
- A member commented that the Low Fixed Charge Tariff regulation should be repealed. The Commission commented that it had just completed an analysis on this matter, the result of which will shortly be provided to the Ministry of Economic Development (MED)¹.
- Members commented that there were issues around the interpretation and use of the EIEPs and that there was a need for a group (whether led by the Commission or the industry) to actively progress this matter. Some members expressed dissatisfaction at the progress made by the Commission and the Standing Data Formats Group on this issue to date.
- Retailers present at the meeting commented that managing a change in the level of distributors' prices was relatively easy, even when lots of distributors change their price levels at once. However, changes in pricing structures were difficult to deal with if lots of distributors changed their pricing structures at the same time. It was pointed out that the thresholds regime and the Commission's publication of distribution pricing principles, may encourage distributors to change their pricing structures. If lots of them do this, and they all do this in April, this would be difficult for retailers to manage.
- Some retailers are concerned that if they have to accrue/account for unknown size of wash-ups, this affects their cost to serve because they can end up paying interest charges or other costs over the 14 month period.
- Distributors have concerns about wash-ups because the Commerce Commission process means they have to account for all income earned and they have to figure out how to account for wash-ups. It was noted that as advanced meters are rolled out, issues with wash-ups will reduce as the number of estimates will reduce – however, this is going to take 3-5 years before this flows through.
- A member noted that some retailers can leverage complex pricing from distributors to offer niche products.
- The group suggested that the Commission publish Unaccounted for Electricity (UFE) information at the end of month 14 submission period by balancing area. The group also suggested that publishing residual profiles by GXP would also be useful, as would publishing energy supplied versus energy submitted (and possibly energy submitted to network) on a rolling 12 month comparison.
- Retailers noted that some distributors pass on the loss and constraint rentals to retailers in a bundled package with the trust discounts/rebates. This makes the distributor look like they are providing a bigger rebate to a customer, when the target for the loss and constraint rentals is meant to be the retailer.

¹ This was subsequently provided in early December 2009 and the Commission is likely to publish the results of its analysis in the New Year.

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- Recommendation**
- The industry should meet to progress the EIEP work. The Commission is to consider how it would like to see this matter progressed (whether as an industry-run group or as a Commission-run group).
 - The Commission should publish residual GXP profile daily values.
 - The Commission should publish UFE at the end of month 14 submission period by balancing area.
 - Lynne Taylor should be approached to see if she would be able to be the representative of the smaller networks in ongoing work if agreed to by PWC and smaller distributors.
- Action point**
- Rod Crone is to prepare a short document summarising the differences between As Billed, As Billed Normalised and Normalised. The document is to be published on the Commission's website and provided to PWC and ENA.
- Action point**
- Commission is to approach the Electricity Network Association to get feedback from small distributors who did not respond to John Van Brink's request for information.
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4. Concluding comments

The Chair thanked Members for their attendance and contribution to the meetings.