

3 October 2014

Nicole Gagnon  
Electricity Authority  
2 Hunter Street  
WELLINGTON

11 Chews Lane  
PO Box 10568  
The Terrace  
Wellington 6143  
New Zealand

Genesis Energy Limited

Fax: 04 495 6363

By email: [submissions@ea.govt.nz](mailto:submissions@ea.govt.nz)

Dear Nicole,

## Submission on Proposed Code Amendments: Implementing Retailer Default

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Genesis Energy Limited welcomes the opportunity to provide a submission to the Electricity Authority (“the Authority”) on the consultation paper “Proposed Code Amendments: Implementing Retailer Default” dated 26 August 2014.

Genesis Energy agrees with some of the proposed amendments that are necessary for implementation of the Retailer Default Scheme (Issue 2). Genesis Energy, however, does not support all of the proposed amendments including those that propose changes to include type 2 retailers on the registry. Nor do we support the requirements for traders to provide current information on non-tradable ICPs and personal customer data to the Authority. These proposed amendments have the potential to drive cost, complexity and high levels of compliance overhead to address what we view as an extremely rare event.

We expand on these issues below. Our answers to the consultation questions are set on in the appendix to this letter.

### **Including type 2 retailers on the Registry is not necessary**

We do not agree that the Registry needs to include information about type 2 retailers. In our view, including type 2 retailers noted on the Registry adds no value to the retailer default scheme. In particular, it is outweighed by the significant cost of change and maintenance of the code identified in the paper.

The extension of the Registry to include type 2 retailers gives this class of customer preferential treatment over other customers of the defaulting trader. Furthermore, the proposed extension may dissuade type 2 retailers from

following good due diligence practice. One of the business risks type 2 retailers must consider when selecting a trader, is the risk of supplier failure. This evaluation is part of the due diligence that should accompany any commercial arrangement.

In our view, the proposed retailer default scheme will not disadvantage type 2 traders over other consumer types, for example aggregator services. For example, in the event of a trader default, type 2 retailers can enter into an arrangement with another trader immediately – in which case the type 2 retailer ICPs would not be available for distribution by the Authority. Alternatively a type 2 retailer can have their ICPs distributed by the scheme, and then arrange for a new trader after the distribution of ICPs by the Authority. They can then switch their distributed ICPs to that trader.

We suggest that, if necessary, the Authority can obtain information on a type 2 retailer from the default traders systems via the liquidator at the time of default.

### **Issue 3 – Information about ICPs at which traders cannot trade**

We disagree with the proposed amendments for traders to provide information on ICPs at which they cannot trade.

This proposal places an onerous and resource intensive obligation on retailers. It implies that a trader is static on where they can trade, but in reality this will change over time. The current proposal will require substantial resources to be allocated to the consideration and review of what ICPs the trader cannot trade which is far from practical. Similarly the Authority is required to collect, store, and maintain the data in case of a rare default event, only to have to confirm it at the time of default.

We suggest that it is preferable for the Authority to specify that all traders be able to provide this information at the time of default. Compliance with this requirement can be included in the compliance report.

We also disagree that 20 business days is sufficient time for a trader to comply with the proposed requirements in paragraph 2.2.32, given all the additional work required just to get customers onto their billing system and would suggest that this should be 30 business days at a minimum.

### **Do not support providing customer information to the Authority**

We do not support the proposed obligation on traders to regularly provide customer data to the Authority. This information is simply not necessary for the objective of effectively dealing with a retailer default.

We have two key concerns with this proposal:

- Requiring traders to regularly supply customer data is incredibly onerous and will impose significant costs on the trader. We suggest that these costs will be unreasonable for a situation which may not arise. This information is not needed for the EA's purpose of this consultation.
- Any information regarding current customer details will be out of date in a matter of days (for example in a six week period we had 25,000 customer change interactions). A related issue is that keeping this information up-to-date will require significant resources on both the part of the trader and the Authority. Again we strongly oppose this information being gathered for an unnecessary purpose.
- Genesis Energy, and other retailers, has an obligation to our customers to ensure that our customer's private information is kept securely. We have not been provided any assurance as to the level of data security that will be applied to this information.

A more cost effective and practical solution is for the customer data (format and content to be specified by the Authority) to be supplied in the event of default – but not before. This way the Authority can still achieve the objective of the retailer default scheme without the unnecessary and costly overhead of continuing to supply data that will not be completely accurate at the time it is needed.

If you would like to discuss any of these matters further, please contact me on 04 830 0013.

Yours sincerely



Rebekah Plachecki  
Regulatory Advisor

## Appendix A: Responses to Consultation Questions

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QUESTION	COMMENT
Q1: Do you agree with the issues identified by the Authority? Please give reasons.	No. Please see above comments in the body of our letter.
Q2: Do you have any comments on the functional specification provided in Appendix C for issue 3: information about ICPs at which traders cannot trade?	No. The format of the data seems logical but we disagree with the supply timing.
Q3: Which option would you prefer (option 1 or option 2) if providing customer information to the registry? Please give reasons.	Neither option. Please see above comments in body of our letter.

QUESTION	COMMENT
<p>Q4: Do you have any comments on the proposed draft format for providing customer information in Appendix D?</p>	<p>The following fields should be removed:</p> <ul style="list-style-type: none"> <li>- Recipient Participant identifier (this is always going to be the EA);</li> <li>- Utility type (this is always going to be electricity);</li> <li>- File status (this will always be 'Replacement');</li> <li>- Customer name (this is duplicated by first name and surname fields);</li> <li>- Event date (not relevant);</li> <li>- Customer number (not relevant);</li> <li>- Consumer number (not relevant);</li> <li>- Blank fields (not relevant).</li> </ul> <p>Further, "Customer Title", "Surname" "First Name" fields should be moved from end of file to after "ICP identifier".</p>
<p>Q5: Do you agree with the objectives of the proposed amendment? Please give reasons.</p>	<p>We agree with objectives (a), (c), (d) and (e). We do not agree with objective (b) which is a business risk that type 2 retailers should manage.</p>
<p>Q6: Do you agree with the proposed implementation timeframes for the proposed amendment? If not, why not?</p>	<p>For the avoidance of doubt, we do not agree with the proposed amendment. However, if the Authority proceeds with the change, we would need a minimum of 6 months' notice of required system changes. This six-month notice period will need to start from the time the final decision and specification of changes are published.</p>

QUESTION	COMMENT
<p>Q7: Do you agree the benefits of the proposed amendment outweigh its costs? Please give reasons.</p>	<p>No. We consider very little benefit will be delivered by the proposed changes but significant implementation costs will result.</p> <p>What are the costs?</p>
<p>Q8: Do you agree with the Authority's assessment of costs in Appendix E? Please give reasons.</p>	<p>Table 4</p> <p>Issue 1: We do not agree that there is any benefit here.</p> <p>Issue 2: We agree.</p> <p>Issue 3: We agree there is a benefit in the EA having this information, but we consider it can be achieved at 1/11th of the cost to traders and no cost to the registry on a supply at event only.</p> <p>Issue 4: We agree that this information is required but disagree with it being provided on a 'just in case' basis. We suggest providing this information ahead of any need, will impose a significant cost on traders, and will not necessarily be accurate at the time of default. We reiterate our comments in the main body of our letter and proposed solution.</p> <p>Tables 5, 6 and 7: no comment.</p>
<p>Q9: Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010.</p>	<p>No. Please see our alternatives discussed in the main body of our letter.</p>
<p>Q10: Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?</p>	<p>No, we disagree. The proposed solution does not provide for the efficient operation of the industry.</p>

QUESTION	COMMENT
Q11: Do you have any comments on the drafting of the proposed amendment?	Genesis Energy is currently reviewing the text and will revert with any comments in due course.