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2 June 2015

Carl Hansen
Electricity Authority
2 Hunter Street
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By email: submissions@ea.govt.nz

Dear Carl

RAG: Review of Secondary Networks

Genesis Energy Limited welcomes the opportunity to provide a submission to the Electricity Authority (“the Authority”) on the consultation paper “Review of Secondary Networks” dated 21 April 2015.

We support improving the interactions between retailers, distributors, secondary networks, and consumers.

However, we do not agree that retail competition is necessarily reduced on all secondary networks. We consider consumers do not always have sufficient transparency about secondary network arrangements. This lack of transparency enables embedded network owners leverage monopolistic charges on customers and limits end-customer choice.

Our specific responses to your questions are set out in the Appendix. If you would like to discuss any of these matters further, please contact me on 04 830 0013.

Yours sincerely

A handwritten signature in blue ink, appearing to be "R. Plachecki".

Rebekah Plachecki
Regulatory Advisor

Appendix: Responses to Consultation Questions

QUESTION	COMMENT
<p>Q1: Please provide any comments and views on the description of the characteristics for customer networks, embedded networks and network extensions. Please provide evidence on your comments and views, where possible.</p>	<p><u>Customer networks</u></p> <p>There are inherent problems with customer networks. In most cases, a customer network owner simply introduces another 1 party clipping the ticket for consumer energy needs. We also agree that there is a lack of robust data on customer networks and a lack of transparency.</p> <p><u>Embedded networks</u></p> <p>Embedded networks owners can buy network services in bulk from the local owner and then sell to retailers at the same or similar tariff rates as would apply to an equivalent ICP on the local network. However, this arrangement gives no value to the consumer, as the embedded network owner retains the saving, and sometimes adds extra to their tariffs.</p> <p>We agree that embedded networks are becoming more prevalent. It is our understanding that an embedded network manager is planning to establish 30-40 new embedded networks this year.</p>

QUESTION	COMMENT
Q2: Please provide any comments and views on the description of the legal framework for customer networks, embedded networks and networks extensions. Please provide evidence on your comments, where possible.	No comment.

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<p>Q3: Please comment on the issues identified with customer networks, embedded networks and network extensions. Please provide evidence where possible.</p>	<p><u>Choice of retailer</u></p> <p>In our view, the most significant issue for consumers on secondary networks is the removal of the customers' ability to choose the value proposition that best suits them. Customer network owners will be making choice based on their best interest, not the end user's. And whilst the network owner may select a lower price retailer, but the individual consumers do not have the opportunity to assess additional services or alternative products other retailers may provide.</p> <p>We agree that a customer network owner can benefit financially where any discount is not passed onto the consumer. This is especially relevant in areas such as shopping malls and airports where consumers have little or no option about where to locate if they want to reach their customers.</p> <p><u>Managing faults</u></p> <p>Secondary network owners are not always aware that they have responsibilities and we have seen one instance where there was no fault contract provider established so faults couldn't be fixed. To minimise customer confusion about who to contact where there is a fault, we have a 'fault number' on the customer invoice that is specific to their network (embedded network or local).</p> <p><u>Other</u></p> <p>Problems arise in transferring and decommissioning ICPs from one secondary network to another or to a local network because the Code does not specify any notice period.</p> <p>Some of the issues we have faced internally are in relation to reconciliation and transparency include:</p> <ul style="list-style-type: none"> - Short or backdated notification of change; - Mid-month changes adding complexity to the reconciliation process;

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<p>Q4: Please comment on the description of the problems relating to reduced competition efficiency and reliability of supply.</p>	<p>Customer choice of retailer is removed on customer networks. It would be helpful for consumers to be informed about the implications for their electricity supply arrangements, including choice of retailer, when moving into a customer network. However, the Authority needs to know who the customer network owners are to ensure effective compliance monitoring.</p>
<p>Q5: Do you agree that a default embedded network UoSA will promote retail competition by making it easier and less costly for retailers to supply consumers on embedded networks? Please give reasons for your view.</p>	<p>Yes. A default UoSA should apply unless an alternative is agreed between the parties. This generally improves efficiency and reduces costs.</p>
<p>Q6: Do you agree with amending the Code to prevent an embedded network owner from decommissioning an NSP before the status in the registry of the associated ICPs is also changed? Please give reasons for your view.</p>	<p>Yes. This ensures that ICPs will be against the correct network, which in turn, ensures they get the right information on their invoice and the customer experience centre can follow appropriate processes if the customer contacts us.</p>

QUESTION	COMMENT
<p>Q7: Do you agree with mandating a minimum notice period for converting an embedded network or network extension through amending the Code? Please give reasons for your view.</p>	<p>Yes. However, the Code should be amended to require that the network owners give the responsible retailer(s) 90 days' notice of an intention to convert. The paper incorrectly suggests the retailer needs to give notice. We also suggest the 90 day time period more reasonable as retailers have to take a number of steps such as:</p> <ul style="list-style-type: none"> - Amend billing and data systems to handle a new network owner; - Institute new monthly reporting; - Update pricing models for new network; - Advise customers of any price change; - Update bill creation systems to include new network contact details; - Educate staff of change.
<p>Q8: Do you consider there are other viable options, in addition to those considered by the RAG, for improving operational efficiency in respect of secondary networks? Please give reasons for your view.</p>	<p>No comment.</p>

QUESTION	COMMENT
<p>Q9: Do you agree the secondary network guidelines should specify expectations on secondary networks (particularly network extensions) to identify and allocate responsibility for business to business interactions, for example responsibility for fault management? Please give reasons for your view.</p>	<p>Yes. This is a key factor in operation of a secondary network so should be in the guidelines, particularly as some owners are new to the industry.</p>
<p>Q10: Do you consider there are viable options, in addition to those considered by the RAG, for improving reliability of supply on secondary networks? Please give reasons for your view.</p>	<p>No comment.</p>
<p>Q11: Based on your experience, what is the average time and cost for a retailer and an embedded network owner to negotiate and thereafter administer and embedded network for the first time?</p>	<p>We cannot quantify this at this time.</p>
<p>Q12: What estimated cost saving would you organisation receive from the use of a default embedded network UoSA?</p>	<p>We cannot quantify this at this stage. However, a default UoSA will reduce the element of unknown risk under common law.</p>

QUESTION	COMMENT
Q13: What would be the cost saving or additional cost to your organisation if embedded network owners were required to use EIEP 1, 2, 3 and 12?	There will be operational efficiency cost savings due to consistency of process and data.
Q14: What would be the cost saving to your organisation from adopting the notice period in the RAG's preferred option?	Unknown.
Q15: What would be the cost saving or additional cost to your organisation from clarifying with consumers on embedded networks that the embedded network owner has responsibility for the management of faults, not retailers or local network owners?	Cost savings, if any, will be minimal. We already have the embedded network owner's contract details for faults on our invoice. Customers, nevertheless, still call us as they do not understand the separate responsibilities of the network owner.
Q16: Do you agree that the adoption of a default embedded network UoSA will enhance retail competition on embedded networks? Please give reasons supporting your answer.	Yes. This will mean that a new retailer can plan a customer proposition for an embedded network without having to agree a supply agreement up front.

QUESTION	COMMENT
Q17: What is the cost estimate for your organisation to review and comment on a draft default embedded network UoSA, prepared using the Authority's model local network UoSA and the Authority's guidelines for drafting embedded network UoSAs?	We cannot quantify this at this stage. It will depend on how well the UoSA is drafted.