

14 August 2015

Submissions  
Electricity Authority  
Level 7, ASB Bank Tower  
2 Hunter Street  
Wellington

By email

Dear Electricity Authority

**Code Review Programme**

Thank you for the opportunity to provide feedback on the Electricity Authority's (Authority's) Code Review Programme 2015 consultation paper.

Contact's responses can be found from page two. Should you wish to discuss any matter raised in this submission please do not hesitate to contact me on 04 496 1567.

Yours sincerely



Louise Griffin  
**Head of Regulatory Affairs and Government Relations**

### Appendix A: Response of Contact Energy

<b>Reference number for amendment you are submitting on:</b>	Contact's responses to the following reference numbers can be found below: 078-007, 087-009, 046-011, 049-013, 050-015, 069-017, 007-024, 082-028, 013-029, 015-030, 004-031, 017B-033, 024-034, 056-042, 059-044, 061-045, 064-046.
<b>Question 1: Do you agree with the Authority's problem definition? If not, please provide comments.</b>	
Yes.	
<b>Question 2: Do you agree with the Authority's proposed solution? If not, please provide comments.</b>	
Yes.	
<b>Question 3: Do you have any comments on the Authority's proposed Code drafting?</b>	
No.	
<b>Question 4: Do you agree with the objectives of the proposed amendment? If not, why not?</b>	
Yes.	
<b>Question 5: Do you agree the benefits of the proposed amendment outweigh its costs?</b>	
Yes.	
<b>Question 6: 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.</b>	
Yes.	

Reference number for amendment you are submitting on:	097-001 (Replacing the definition of “contract for differences”).
<b>Question 1: Do you agree with the Authority's problem definition? If not, please provide comments.</b>	
No. While the Authority has rightly identified that an increase in disclosure is required because of changes to the ASX rules, it does not consider the policy behind the disclosure process. We think that the current process already drives unnecessary cost into a participant’s business. The proposed change will only exacerbate this cost.	
<b>Question 2: Do you agree with the Authority's proposed solution? If not, please provide comments.</b>	
No. The solution should also consider ways to make increased costs less onerous, including to remove the process for providing a statutory declaration.	
<b>Question 3: Do you have any comments on the Authority's proposed Code drafting?</b>	
Yes. The proposed drafting should also remove the process for providing a statutory declaration.	
<b>Question 4: Do you agree with the objectives of the proposed amendment? If not, why not?</b>	
No. The Authority identifies that increased disclosure will increase costs. Those increased costs can be mitigated to an extent by removing the process for providing a statutory declaration. In our view there would be no reduction in the quality of the data received by the Authority if this was to occur. The Authority has an extensive auditing right to check trade information if it chooses. The mere presence of an audit right is an incentive for participants to provide accurate data.	
<b>Question 5: Do you agree the benefits of the proposed amendment outweigh its costs?</b>	
No.	
<b>Question 6: 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.</b>	
No. The proposed drafting should also remove the process for providing a statutory declaration.	

Reference number for amendment you are submitting on:	008-002 (Replacing the definition of “embedded networks”).
<b>Question 1: Do you agree with the Authority's problem definition? If not, please provide comments.</b>	
Yes.	
<b>Question 2: Do you agree with the Authority's proposed solution? If not, please provide comments.</b>	
Yes.	
<b>Question 3: Do you have any comments on the Authority's proposed Code drafting?</b>	
Yes. Point (a) implies an embedded network is connected to the grid. In our view it would be clearer if this read “is not directly <b>connected</b> to the <b>grid</b> but is supplied through one or more other networks”.	
<b>Question 4: Do you agree with the objectives of the proposed amendment? If not, why not?</b>	
Yes.	
<b>Question 5: Do you agree the benefits of the proposed amendment outweigh its costs?</b>	
Yes.	
<b>Question 6: 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.</b>	
Yes.	

Reference number for amendment you are submitting on:	084-003 (Replacing the definition of “use of system agreements”).
<b>Question 1: Do you agree with the Authority's problem definition? If not, please provide comments.</b>	
Yes.	
<b>Question 2: Do you agree with the Authority's proposed solution? If not, please provide comments.</b>	
Yes.	
<b>Question 3: Do you have any comments on the Authority's proposed Code drafting?</b>	
No.	
<b>Question 4: Do you agree with the objectives of the proposed amendment? If not, why not?</b>	
Yes. We note Contact brought this anomaly to the attention of the Authority on 6 January 2014.	
<b>Question 5: Do you agree the benefits of the proposed amendment outweigh its costs?</b>	
Yes.	
<b>Question 6: 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.</b>	
Yes.	

Reference number for amendment you are submitting on:	093-014 (Revocation of distributor indemnity from the Code: clause 12A.6 and Schedule 12A.1)
<b>Question 1: Do you agree with the Authority's problem definition? If not, please provide comments.</b>	
Yes.	
<b>Question 2: Do you agree with the Authority's proposed solution? If not, please provide comments.</b>	
Yes. However Contact considers that the model use of system agreement (UOSA) clause 26.8 should be amended rather than deleted as implied by the last paragraph of the issues section. Contact has drafted short form and long form options for new UOSAs negotiated since 17 June 2014.	
<b>Question 3: Do you have any comments on the Authority's proposed Code drafting?</b>	
No.	
<b>Question 4: Do you agree with the objectives of the proposed amendment? If not, why not?</b>	
Yes.	
<b>Question 5: Do you agree the benefits of the proposed amendment outweigh its costs?</b>	
Yes.	
<b>Question 6: 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.</b>	
Yes.	

Reference number for amendment you are submitting on:	051-016 (Electricity Information Exchange Protocols)
<b>Question 1: Do you agree with the Authority's problem definition? If not, please provide comments.</b>	
Yes.	
<b>Question 2: Do you agree with the Authority's proposed solution? If not, please provide comments.</b>	
Yes.	
<b>Question 3: Do you have any comments on the Authority's proposed Code drafting?</b>	
Clause 12A.14 implies having to execute a new amended UOSA every time the distributor and trader agree to opt-out of exchanging information in accordance with the publicised EIEP. Subclause 3 should provide for more efficient options to record the agreement – e.g. by email or letter exchange or variation agreement to the already executed UOSA. Accordingly we suggest replacing ‘each <b>use-of-system agreement</b> ’ with ‘writing’.	
<b>Question 4: Do you agree with the objectives of the proposed amendment? If not, why not?</b>	
Yes.	
<b>Question 5: Do you agree the benefits of the proposed amendment outweigh its costs?</b>	
Yes.	
<b>Question 6: 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.</b>	
Yes.	

Reference number for amendment you are submitting on:	020-005 (Requirements for distributors in relation to recertified NSPs that are not points of connection to the grid).
<b>Question 1: Do you agree with the Authority's problem definition? If not, please provide comments.</b>	
No.	
<b>Question 2: Do you agree with the Authority's proposed solution? If not, please provide comments.</b>	
No.	
<b>Question 3: Do you have any comments on the Authority's proposed Code drafting?</b>	
<p>No. A change to the registry's functionality should be made to enable metering to be added to the registry where a network supply point (NSP) is already represented by a LE ICP on the registry.</p> <p>The only non-grid connected NSPs that should require an addition to the register are interconnection points.</p> <p>Changing the Code in this way would remove the need for the embedded network owner to translate ICP information for the related NSP.</p>	
<b>Question 4: Do you agree with the objectives of the proposed amendment? If not, why not?</b>	
No. Please see our response to question three.	
<b>Question 5: Do you agree the benefits of the proposed amendment outweigh its costs?</b>	
N/A.	
<b>Question 6: 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.</b>	
No. We do not believe the option for embedded network NSPs to utilise LE ICPs on the registry has been adequately considered.	

<b>Reference number for amendment you are submitting on:</b>	<b>083-025 (Amending the definition of “electricity supplied”)</b>
<b>Question 1: Do you agree with the Authority's problem definition? If not, please provide comments.</b>	
<p>No.</p> <p>Contact does not believe this change to be “technical and non-controversial”, and to have “no impact on current practice”.</p> <p>The proposed change to require unbilled or vacant consumption (from non-financial records) to be included will invalidate the whole purpose and intent of the requirement to submit electricity supplied.</p> <p>We disagree there is confusion with the current definition. In our view its application and purpose are appropriate and consistent with the gas reconciliation rules.</p> <p>The original purpose of requiring ‘electricity supplied’ was to enable the early detection of a disconnect between consumption submitted for settlement sourced from the retailer’s or their agent’s reconciliation system, and consumption billed to consumers sourced directly from the retailer’s financial records – i.e. billing system.</p> <p>This rolling 12 month comparison with billed consumption is a common validation performed by retailers to check the accuracy and completeness of the consumption data submitted for energy settlement (and to distributors for network billing purposes).</p> <p>To amend the requirement to include unbilled or vacant consumption (therefore removing the connection to financial records) would compromise the purpose of submitting electricity supplied.</p> <p>The requirement was originally proposed by the industry following earlier discrepancies between a third party’s reconciliation system and the retailer’s billing system that went undetected for some time.</p> <p>It is noted that the fraudulent E-Gas activity was ultimately proven through the comparison between actual billed consumption (sourced from their financial records), and the consumption the company submitted to the allocation agent for allocation purposes.</p>	
<b>Question 2: Do you agree with the Authority's proposed solution? If not, please provide comments.</b>	

No.

**Question 3: Do you have any comments on the Authority's proposed Code drafting?**

No. We strongly oppose the proposed amendment.

**Question 4: Do you agree with the objectives of the proposed amendment? If not, why not?**

No.

**Question 5: Do you agree the benefits of the proposed amendment outweigh its costs?**

No. The system changes required to meet the proposed amendment would be extensive, noting that, as vacant consumption is unbilled, there is no consumption in the financial records. To amend this would involve costly system changes for no practical benefit.

**Question 6: 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.**

No. We believe the status quo is preferable.

Reference number for amendment you are submitting on:	081-023 (Amending the definition of Electricity Information Exchange Protocols)
<b>Question 1: Do you agree with the Authority's problem definition? If not, please provide comments.</b>	
Yes.	
<b>Question 2: Do you agree with the Authority's proposed solution? If not, please provide comments.</b>	
No.	
<b>Question 3: Do you have any comments on the Authority's proposed Code drafting?</b>	
Our only concern would be if the Code amendment allowed the Authority to further amend the formats already part of the publicised procedures without adequate consultation or notice period, noting that the cost and time required to develop new or revised EIEP file formats is often underestimated.	
<b>Question 4: Do you agree with the objectives of the proposed amendment? If not, why not?</b>	
No.	
<b>Question 5: Do you agree the benefits of the proposed amendment outweigh its costs?</b>	
No.	
<b>Question 6: 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.</b>	
No.	

Reference number for amendment you are submitting on:	071-019 (Certification of reconciliation participants)
<b>Question 1: Do you agree with the Authority's problem definition? If not, please provide comments.</b>	
Yes.	
<b>Question 2: Do you agree with the Authority's proposed solution? If not, please provide comments.</b>	
No.	
<b>Question 3: Do you have any comments on the Authority's proposed Code drafting?</b>	
The Code amendment should require the participant to have engaged a suitable auditor to at least perform a high level review (desktop audit) of their systems and processes and ensure the participant's understanding of the Code is sufficient for them to begin operating in the market, prior to a participant beginning to perform functions under the Code.	
<b>Question 4: Do you agree with the objectives of the proposed amendment? If not, why not?</b>	
The benefit of participants having to request exemptions is that it allowed the Authority to consider supporting information (e.g. system outputs for switching and registry management functions, settlement file formats, review of personnel qualifications / experience), prior to granting an exemption.	
<b>Question 5: Do you agree the benefits of the proposed amendment outweigh its costs?</b>	
No.	
<b>Question 6: 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.</b>	
No – an additional clause is needed to require a participant to be able to provide the results of a high level review of their systems and process to ensure that once they begin to perform functions that they do not adversely impact other participants.	

**Other comments:**

On 28 June 2012, Contact put forward a Code amendment proposal (supported by other retailers) that ICP-days scaling cease. The rationale for this was that we do not consider automated ICP-days scaling to be serving any useful purpose and it is invalidly creating unaccounted-for energy when a retailer's submission for electricity reconciliation purposes is complete, accurate, and fully compliant with submission build requirements. We are disappointed that this has not been included in the Authority's Code review and reattach our original Code amendment proposal. We believe our proposal remains valid and would like to see this considered in any future change.