

14 August 2015

Submissions  
Electricity Authority  
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## **CODE REVIEW PROGRAMME 2015**

- 1 Orion New Zealand Limited (**Orion**) welcomes the opportunity to comment on the “Code Review programme” consultation paper (the **paper**) released by the Electricity Authority (Authority) in June 2015.
- 2 Our submission is in two parts:
  - General comments on the paper
  - Our response to the specific questions in the paper (as an appendix).

### **General comments**

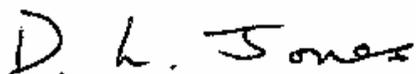
- 3 We have limited our response to a number of issues that we have concerns about. Our principle concern is with the proposed change to clause 10.33 Energisation of a point of connection. We consider that this clause is fundamentally flawed as currently drafted and the proposed change just exacerbates the existing problems.
- 4 Another major concern is the Authority’s continued acceptance that a distributed generator wanting to connect an embedded network that conveys less than 5 GWh per annum does not have to comply with any obligations in Part 6 in respect of that connection. Rather than clarify the Code to make this exemption clearer as the Authority proposes we consider that the Authority should move with urgency to block this loop hole in the Code. We consider that this is a clear safety issue and that the Authority should urgently change the Code to indicate that the connection of any distributed generation must comply with the requirements of part 6 regardless of whether the connection is to an embedded network that conveys less than 5GWh.
- 5 We are concerned that a number of the proposed changes that the Authority consider are minor (technical and non-controversial) in terms of section 39(3) of the Act and therefore are not open for consultation, are actually potentially very controversial and should be consulted on. An example of this is the proposed change to the defined term distributor which we consider is controversial because the Authority is proposing to lock in provisions that we consider may impact on safety and reliability.

- 6 As the Authority is not consulting on these proposed minor changes it is unclear what response the Authority is seeking. However a number of the proposed changes require detailed and complex consideration to ensure that they do not cause unforeseen problems with other parts of the Code and as such we would recommend that the Authority fully consult on these changes.
- 7 We provide more detail in response to the Authorities specific questions in the appendix.

### **Concluding remarks**

- 8 Thank you for the opportunity to make this submission. Orion does not consider that any part of this submission is confidential. If you have any questions please contact Dennis Jones (Industry Developments Manager), DDI 03 363 9526, email [dennis.jones@oriongroup.co.nz](mailto:dennis.jones@oriongroup.co.nz).

Yours sincerely

A handwritten signature in black ink that reads "D. L. Jones". The signature is written in a cursive, slightly slanted style.

Dennis Jones  
**Industry Developments Manager**

**Appendix – Response to specific questions**

Reference number for amendment you are submitting on:	008-002
<p><b>Question 1: Do you agree with the Authority's problem definition? If not, please provide comments.</b></p>	
<p>The Authority does not provide a clear problem definition.</p> <p>We do not consider that the word “between” in paragraphs (a) and (b) of clause 1.1(1) is confusing and we <b>do</b> consider that the clause is clear in specifying that it is “a system of lines, substations and other works used primarily for the conveyance of electricity” that is being connected to the network or another embedded network. Again in paragraph (b) the clause is clear in specifying that it is “a system of lines, substations and other works used primarily for the conveyance of electricity” that is being connected to the consumer, embedded generating station or both is.</p> <p>Indeed it is this “system of system of lines, substations and other works used primarily for the conveyance of electricity” with the electricity flow at the point of connection to a network or another embedded network quantified by a metering installation that is the embedded network.</p> <p>It would appear that the intent of the proposed amendment is to stop the creation of embedded networks in favour of customer networks. If this is the case then this may be perceived as the Authority trying to reduce competition and the proposal would not be consistent with the Authority’s statutory objective in section 15 of the Electricity Industry Act 2010.</p>	
<p><b>Question 2: Do you agree with the Authority's proposed solution? If not, please provide comments.</b></p>	
<p>We do not consider that the Authority has established that there is a problem therefor we cannot agree with the proposed solution.</p>	

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

We would suggest that the references to points of connection between an embedded network and a local network or another embedded network in the existing drafting is helpful when considering other Code requirements. Such as the Code requirements relating to the creation of an embedded network set out in Schedule 11.1 Clause 25(3)(c) and 25(3)(d) by an embedded network owner and the creation and decommissioning of an NSP. These clause refer to:

1. the interconnection point between 2 embedded networks; and
2. a point of connection between an embedded network and another network.

Which is consistent with the existing drafting.

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

It is not clear what the objectives of the proposed amendment are.

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

The Authority suggests that *“To the extent that it avoids the unnecessary establishment of one embedded network, the proposed amendment would be a positive net benefit.”* This would suggest that the value of competition on the embedded network is less than the costs of establishing an embedded network it would be useful if the Authority clarified this and quantified it.

**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.

It would appear that the intent of the proposed amendment is to stop the creation of embedded networks in favour of customer networks. While we consider that embedded networks can be a problem we consider that the proposal may be perceived as the Authority trying to reduce competition, this would appear to make the proposal inconsistent with the Authority’s statutory objective in section 15 of the Electricity Industry Act 2010.

<b>Reference number for amendment you are submitting on:</b>	<b>022-006</b>
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**Question 1: Do you agree with the Authority’s problem definition? If not, please provide comments.**

The Authority does not provide a clear problem definition. However the evaluation of the costs and benefits of the proposed amendment provide some indication of the problem. From this evaluation it appears that should the Authority enforce the Code as currently drafted (presumably this implies that the Code is not currently being enforced) then distributors may incur a monthly cost of \$16,500 in relation to responding to retailers requests to energise a site that has been de-energised for non-payment and a similar monthly cost relating to the energisation of vacant premises.

The paper notes that in 2014 on average, retailers de-energised approximately 2000 ICP’s each month for non-payment and a similar number of de-energisations for vacant properties, it does not indicate how many of these ICP’s were de-energised at a point other than the point of connection to the network i.e remotely using a contactor in a “smart” meter. We would expect that a large number of the de-energisations that are being carried out would be carried out remotely using smart meters and therefore not be covered under clause 10.33 as the point of connection would remain energised. If this is the case then the benefits that the Authority is claiming from the amendment would be much smaller than suggested.

The other point that is made in the paper is that enforcing the Code could cause the energisation to be delayed by at least 1 day. In this respect we note that S6.21 of the Final draft September 2012 of the interposed Model Use of Systems agreement provides for 3 working days for restoration of supply once the conditions for reconnection have been satisfied. (“reconnection” in the MUoSA document appears to mean re-energisation unfortunately a common terminology is not used).

**Question 2: Do you agree with the Authority's proposed solution? If not, please provide comments.**

Partially.

Section 61A of the Electricity Act requires that every electricity distributor that owns or operates an electricity supply system (above a certain size) must implement and maintain a safety management system (SMS) that requires all practicable steps to be taken to prevent the electricity supply system from presenting a significant risk of – serious harm to any member of the public, or, significant damage to property owned by a person other than the electricity distributor.

Regulation 48 of the Electricity (safety) Regulations 2010 (ESR's) identifies that compliance with NZS 7901:2008 Electricity and Gas industries – safety management Systems for Public Safety is one means of meeting this obligation.

Orion have chosen to meet this standard to comply with the requirements under the Electricity Act.

This means that we only allow personnel that meet Orion's competency requirements to work in “high risk” areas such as kiosks or substations. In these cases a reconciliation participant would not be permitted by Orion to energise a point of connection.

Therefore we would be prepared to consider the proposed amendment if it were restricted to the energisation of a low voltage point of connections (excluding the first energisation) that are not in high risk areas. Personnel carrying out these energisations would be required to be electrically competent. We consider that the Authority's blanket approach is unworkable due to safety requirements.

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

Yes. We consider that if the Authority is proposing an amendment to this clause 10.33 or any clause it should look at the clause in its entirety and resolve any other issues that are problematic with the clause should the Authority enforced the Code. It should also identify consequential changes to other documents and provide information on these changes as part of the consultation process eg MUoSA, Guidelines etc.

In this respect we consider that there is a lack of consistency between the proposed changes to Clause 10.33 and schedule 6 of the Model Use of System Agreement (Interposed) Final draft – September 2012.

While we do not endorse schedule 6 of the Model Use of System Agreement we do note that the schedule sets out the processes that the distributor and Retailer will follow in respect of:

- (a) New connections
- (b) Capacity changes to existing connections
- (c) Temporary Disconnections and associated Reconnections
- (d) Vacant site Disconnections and associated Reconnections
- (e) Decommissioning ICPs; and
- (f) Unmetered load

Any changes to the Code should be accompanied by consequential changes to the MUoSA and the cost of these changes included in the cost benefit analysis.

Other points of concern are:

The registry uses the term “Trader participant identifier” on its screen rather than the term “reconciliation participant” the registry online data dictionary information refers to

*Entity*            *Trader*

*Attribute*        *Trader Participant Identifier*

*Format*           *Char 4*

*Description*     *Identifies the Trader responsible for supplying electricity to the ICP. This value can only be changed if another Trader accepts responsibility for the ICP.*

We would suggest that the Code refers to the term trader rather than reconciliation participant.

We consider that the Code must include limitations on the ICP's that the Trader can energise or authorise to be energised that meet the practical requirements of the distributor. That is the trader should not be able to energise or authorise the energisation of an ICP where the point of connection is in an area of the distributors network that the distributor considers high risk. In these circumstances the trader should only be able to request the distributor to energise the ICP. In areas other than high risk areas providing the personnel carrying out these energisations are electrically competent we would agree that for energisations other than the first that written agreement is not required from the distributor.

We considered that clause 10.33(4) needs to be amended to provide that a distributor (or their agents) can energise ICP's that have been de-energised for operational reasons, this change is needed to legitimise a practical reality. Under the current Code if the Authority was to enforce clause 10.33(4) then there could be considerable delay in restoring supply following rectification of faults.

We also consider that it would be good practice that the party that has temporarily de-energised a site should be the party that re-energises the site.

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

We agree with the objective of reducing cost and simplifying processes where appropriate. We consider that the proposed amendment does not deal with the practicalities of the safety requirements that distributors are subject to under other legislation and may in fact conflict with these safety requirements. We consider that there are other sections of this clause 10.33 that should also be changed (as described above) to provide long term benefits to consumers.

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

We doubt that the benefit will outweigh the cost of the proposal as the Authority has not indicated how many de-energisations have occurred using contactors in "smart" meters nor has it taken into account consequential changes to its own MUoSA and the possible flow on effects on individual UoSA and the costs to negotiate changes if necessary.

**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.**

We do not agree that the proposed amendment is preferable to the other proposed options, having said that we do not consider that the other proposed options are acceptable either.

Rather we believe that the Authority must propose a Code amendment that meets the practical requirements of a distributors safety obligations under other legislation. That is the proposed amendment should limit the ability of Traders to energise ICP’s or authorise the energisation of ICPs that are supplied from area’s of the network that the distributor considers are high risk. In these cases the trader should be able to request the distributor to energise the ICP (suitable time frames must be provided for).

In areas other than high risk areas providing the personnel carrying out these energisations are electrically competent we would agree that for energisations other than the first that written agreement is not required from the distributor.

Should in all cases of first energisation require written agreement from the distributor

Should permit distributors to re-energise ICP’s that have been de-energised for operational reasons eg rectification of network faults.

We believe that an amendment of the nature proposed above will provide a more reliable supply by and efficient operation of the electricity industry for the long term benefit of consumers.

<b>Reference number for amendment you are submitting on:</b>	<b>049-013</b>
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**Question 1: Do you agree with the Authority’s problem definition? If not, please provide comments.**

Partially, currently the Code requires the Authority to establish, maintain and publish a centralised data set. The problem definition does not indicate whether the Code requires the Authority to establish maintain and publish the information on the Authority’s Electricity market Information website.

Removing the requirement to establish, maintain and publish a centralised data set without replacing it with a requirement to establish maintain and publish the equivalent information on the Authority’s Electricity market Information website may lead in the future to this information being watered down or removed.

<p><b>Question 2: Do you agree with the Authority's proposed solution? If not, please provide comments.</b></p>
<p>No. We consider that the requirement to establish, maintain and publish a centralised data set should be replaced with a requirement to establish maintain and publish the equivalent information on the Authority's Electricity market information website. This will ensure there is an ongoing obligation on the Authority to maintain this information.</p>
<p><b>Question 3: Do you have any comments on the Authority's proposed Code drafting?</b></p>
<p>See response to Q2</p>
<p><b>Question 4: Do you agree with the objectives of the proposed amendment? If not, why not?</b></p>
<p>Partially see response to Q1 and Q2</p>
<p><b>Question 5: Do you agree the benefits of the proposed amendment outweigh its costs?</b></p>
<p>No comment</p>
<p><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></p>
<p>We believe that there is a better option which is to replace the obligation to establish, maintain and publish a centralised data set with an obligation to establish maintain and publish the equivalent information on the Authority's Electricity market Information website. This will ensure there is an ongoing obligation on the Authority to maintain this information.</p>

Reference number for amendment you are submitting on:	093-014
<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>	
No comment	
<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:	050-015
<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>	
No Comment	
<b>Question 5: Do you agree the benefits of the proposed amendment outweigh its costs?</b>	
No Comment	
<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	

<b>Reference number for amendment you are submitting on:</b>	<b>051 - 016</b>
<b>Question 1: Do you agree with the Authority's problem definition? If not, please provide comments.</b>	
No. We do not see that it is an issue if the distributor and trader had previously agreed in a UoSA to exchange information to which the EIEP relates in another way that they should be obliged to renegotiate. Particularly if this renegotiation ends up with the status quo.	
<b>Question 2: Do you agree with the Authority's proposed solution? If not, please provide comments.</b>	
No. We consider that the proposed solution is unworkable. We do not believe that it is reasonable to expect that every time a new EIEP has been published (or presumable amended) that UoSA should be renegotiated.	
<b>Question 3: Do you have any comments on the Authority's proposed Code drafting?</b>	
We consider that if the Authority wants to give effect to this proposed change it should do so in a manner that does not require changes to the UoSA.	
<b>Question 4: Do you agree with the objectives of the proposed amendment? If not, why not?</b>	
No Comment	
<b>Question 5: Do you agree the benefits of the proposed amendment outweigh its costs?</b>	
No. We consider that the costs of renegotiating a UoSA could outweigh the benefits.	
<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.
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<b>Reference number for amendment you are submitting on:</b>	<b>007-024</b>
<b>Question 1: Do you agree with the Authority's problem definition? If not, please provide comments.</b>	
We have on numerous occasions recommended simplifying definitions and where possible aligning them with the Act.	
<b>Question 2: Do you agree with the Authority's proposed solution? If not, please provide comments.</b>	
<p>While we agree with some parts of the proposal we strongly disagree with the proposal to exclude the application of Part 6 to embedded and islanded networks that convey less than 5 GWh.</p> <p>We believe that the Authority is locking in a serious safety problem by not removing the loophole in the Code that potentially allows distributed generation to connect to an embedded network or an islanded network that conveys less than 5GWh without notification.</p> <p>We note that the Authority has previously noted the safety issues that can occur with connection of non-notified small scale distributed generation (SSDG)<sup>1</sup>. Given that the Authority is aware of these safety issues and the impacts this can have in relation to the Authority's mandate regarding reliability of supply we consider that the requirements of Part 6 should apply in all situations. The fact that a network may conveys less than 5 GWh does not make it any safer to connect non-notified SSDG.</p> <p>This arbitrary exception from the Code will also add difficulties to installers of DG who will have to establish whether they are connecting the distributed generation to an embedded network that conveys more or less than 5 GWh in the former case they will have to apply in the latter they won't. It is also not clear what would happen if a distributed generator was connected that exported more than 5 GWh would the embedded network then have to request an application.</p>	

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<sup>1</sup> An operational Review of Part 6 of the Code: Connection of Distributed generation consultation Paper 2012

We do not agree with the introduction of the definition connected asset owners this would appear to be used in Part 8 and we consider it would be better to use both defined terms the “local network distributor or a direct customer” rather than create another new defined term.

We do not agree that the proposed change is technical and non-controversial and does not need to be consulted on.

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

See response to Q1 and Q2

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

Partially

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

No Comment

**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 consider that the Authority needs to develop a proposal that requires Part 6 to apply in all cases.

<b>Reference number for amendment you are submitting on:</b>	<b>009 - 027</b>
<b>Question 1: Do you agree with the Authority's problem definition? If not, please provide comments.</b>	
<p>We note that the registry uses the term event date frequently with a meaning that does not match that of the proposed Code definition. We expect that this has the potential to lead to confusion we suggest that the Authority considers using a different name to “event date”.</p>	

<b>Reference number for amendment you are submitting on:</b>	<b>082 - 028</b>
<b>Question 1: Do you agree with the Authority's problem definition? If not, please provide comments.</b>	
<p>The proposed definition of metering refers to the defined term “electricity” which means electrical energy measured in kilowatt-hours (kWh). This conflicts with the requirements of Clause 10.37 Active and reactive measuring and recording requirements.</p>	