



18 May 2021

Wholesale Consultation
Electricity Authority
Wellington

By email: wholesaleconsultation@ea.govt.nz

Internal transfer prices and segmented profitability reporting

1. Thank you for the opportunity to submit on the Electricity Authority's consultation on Internal Transfer Prices and segmented profitability reporting.
2. Contact publicly reports its Internal Transfer Price, together with our retail margin on a six-monthly basis consistent with generally agreed accounting practice. Our current reporting is consistent with the Authority's proposed amendments to mandate disclosure across the industry in the Electricity Industry Code.
3. Provision of this information by all gentailers, and retail margins for larger independent retailers, will improve market transparency, and allow all parties to assess whether competition issues exist or merit further analysis.
4. Contact agrees with the Authority's view that:

Independent retailers have expressed concern that in recent years the ITPs of large generator-retailers are too low and stable, given the volatility and level of spot prices and Australian Securities Exchange (ASX) New Zealand (NZ) electricity futures. The Electricity Authority's own analysis does not support these claims and indicates large generator-retailers' internal transfer prices are plausible given historical time-series of ASX futures prices and other factors.¹
5. Contact's internal transfer pricing is transparent, consistent and reflects the long term. Our methodology for setting the ITP mitigates the risk of wholesale pricing volatility by essentially mimicking the approach for a hypothetical prudent retailer that builds up hedging over a three-year period utilising the ASX futures market. The ITP removes any spot price exposure as it provide an ITP volume price at each GXP where retail sales are made.

¹ Electricity Authority, *Internal transfer prices and segmented profitability reporting, Consultation paper*, 8 April 2021, Executive Summary

Contact Retail Transfer Prices

6. Consistent with GAAP reporting, Contact publicly reports on Internal Transfer Prices on a six-monthly basis. In February 2021, Contact reported on its first half year result:²

SEGMENTAL PERFORMANCE

Wholesale segment

	1H21 Six months ended 31 December 2020			1H20 Six months ended 31 December 2019			Reference number for Wholesale segment note (see following page)
	Volume GWh	GWAP \$/MWh	\$m	Volume GWh	GWAP \$/MWh	\$m	
Note: this table has not been rounded and might not add							
Electricity sales to Customer	1,959	93.2	183	1,966	95.2	189	1
Electricity sales to C&I (netback)	934	76.7	72	1,152	79.1	91	
Electricity sales – Direct	48	110.4	5	50	105.1	5	2
Electricity sales to C&I	982	79.0	78	1,202	80.2	96	
CFDs – Tiwai support	353			436			
CFDs - Long term sales	301			301			
CFDs - Short term sales	544			243			3
Electricity sales - CFDs	1,198	84.3	101	980	71.0	70	
Total contracted electricity sales	4,138	87.1	361	4,168	80.4	335	
Steam sales	390	44.1	17	343	49.4	17	
Other income			1			(1)	4
Net income on gas sales			1			1	5
Net income on electricity related services			1			0	6
Net other income			2			(0)	7
Total contracted revenue (1)	4,528	84.0	380	4,512	77.9	352	
Generation costs	4,426	(34.3)	(152)	4,409	(33.6)	(148)	
Acquired generation cost	189	(117.4)	(22)	208	(111.3)	(23)	8
Generation costs (including acquired generation) (2)	4,615	(37.7)	(174)	4,617	(37.1)	(171)	9
Spot electricity revenue	4,378	117.1	513	4,359	105.2	459	10
Settlement on acquired generation	189	116.8	22	208	124.7	26	11
Spot revenue and settlement on acquired generation (GWAP)	4,567	117.1	535	4,567	106.1	485	
Spot electricity cost	(2,893)	(127.6)	(369)	(3,138)	(114.1)	(358)	12
Settlement on CFDs sold	(1,198)	(119.0)	(142)	(980)	(105.2)	(103)	13
Spot purchases and settlement on CFDs sold (LWAP)	(4,091)	(125.1)	(512)	(4,118)	(112.0)	(461)	
Trading, merchant revenue and losses (3)			23			23	
Wholesale EBITDAF (1+2+3)			229			204	

Contact Energy / FY21 Interim Results Presentation / 15 February 2021

SEGMENT NOTE TO OPERATIONAL PERFORMANCE

Wholesale segment key

	Wholesale segment	Reference to detailed operating segment performance	Comment
Revenue	C&I electricity – Fixed Price	2	
	C&I electricity – Spot	2-spot	Spot sales are regarded as a pass-through and not reflected in performance reporting, any margin included in C&I netback
	Wholesale electricity, net of hedging	3 + 10 + 13	
	Electricity related services revenue	7	
	Inter-segment electricity sales	1	
	Gas	6	Revenue from wholesale gas sales, purchase cost in gas and diesel purchases
Costs	Steam	4	
	Other income	5	
	Electricity purchases, net of hedging	9 + 11 + 12	
	Electricity purchases – Spot	2-spot	Spot sales are regarded as a pass-through
	Electricity related services cost	7	
	Gas and diesel purchases	8 (less costs identified relating to 6)	Includes wholesale gas sales purchases (if any)
	Gas storage costs	8	
	Carbon emissions	8	
	Generation transmission and reserve costs	8	
	Electricity networks, transmission and meter costs – Fixed Price	2	
	Electricity networks, transmission and meter costs – Spot	2-spot	Spot sales are regarded as a pass-through
	Gas networks, transmission and meter costs	8	
Other operating expenses	8 (less costs identified relating to 2)	C&I operating costs are included in the calculation of netback (2) and are excluded from generation operating costs	

Contact Energy / FY21 Interim Results Presentation / 15 February 2021

² See page 38: <https://contact.co.nz/aboutus/investor-centre/reports-and-presentations#Annual-and-half-year-reports>, 15 February, 2021.



Contact Retail Margins

7. Similarly, Contact publicly reports on gross margins on a six-monthly basis, broken down between mass market retail, SME and C&I. In February 2021, Contact reported on its first half year result:³

HISTORIC PERFORMANCE

Customer segment

Residential electricity					Residential gas						
	unit	1H18	1H19	1H20	1H21		unit	1H18	1H19	1H20	1H21
Average connections	#	361,412	352,159	355,216	357,756	Average connections	#	60,870	61,332	61,959	60,563
Sales volumes	GWh	1,343	1,335	1,328	1,349	Sales volumes	TJ	946	936	911	954
Average usage	per ICP	3.7	3.8	3.7	3.8	Average usage	per ICP	15.5	15.3	14.7	15.7
Tariff	\$/MWh	247.8	249.9	248.2	251.1	Tariff	\$/GJ	29.6	29.1	30.6	31.3
Network, meters and levies	\$/MWh	-123.3	-120.3	-119.0	-111.7	Network, meters and levies	\$/GJ	-18.2	-16.7	-16.7	-14.6
Energy costs	\$/MWh	-84.2	-85.4	-91.6	-101.1	Energy costs	\$/GJ	-5.1	-5.6	-7.6	-8.3
Gross margin	\$/MWh	40.3	44.2	37.6	38.3	Carbon costs	\$/GJ	-0.5	-0.9	-1.4	-1.4
Gross margin	\$ per ICP	150	168	141	144	Gross margin	\$/GJ	5.8	5.9	4.9	7.0
Gross margin	\$m	54	59	50	52	Gross margin	\$ per ICP	90	90	73	88
						Gross margin	\$m	5	6	4	5

SME electricity					SME gas						
	unit	1H18	1H19	1H20	1H21		unit	1H18	1H19	1H20	1H21
Average connections	#	57,302	55,156	55,295	51,407	Average connections	#	3,582	3,865	3,991	3,868
Sales volumes	GWh	564	539	533	465	Sales volumes	TJ	679	809	845	720
Average usage	per ICP	9.8	9.8	9.6	9.0	Average usage	per ICP	189.7	209.4	211.8	186.7
Tariff	\$/MWh	222.9	224.4	226.7	230.7	Tariff	\$/GJ	15.5	14.8	14.9	15.8
Network, meters and levies	\$/MWh	-105.2	-106.5	-112.2	-104.4	Network, meters and levies	\$/GJ	-4.4	-5.3	-5.4	-7.9
Energy costs	\$/MWh	-81.9	-83.6	-89.3	-99.7	Energy costs	\$/GJ	-5.1	-5.6	-7.6	-8.3
Gross margin	\$/MWh	35.7	34.2	25.1	26.5	Carbon costs	\$/GJ	-0.5	-0.9	-1.4	-1.4
Gross margin	\$ per ICP	352	335	242	240	Gross margin	\$/GJ	5.5	3.0	0.5	-1.9
Gross margin	\$m	20	18	13	12	Gross margin	\$ per ICP	1,049	625	107	-352
						Gross margin	\$m	4	2	0	-1

Customer EBITDAF					
	\$m	1H18	1H19	1H20	1H21
Electricity Gross margin	\$m	74	77	63	64
Gas Gross Margin	\$m	9	8	5	5
Broadband Gross Margin	\$m	0	0	0	-2
Total Gross Margin	\$m	83	86	68	67
Other income	\$m	3	2	2	3
Other operating costs	\$m	-41	-40	-41	-40
Customer EBITDAF	\$m	45	48	30	30
Corporate allocation (50%)*	\$m	-7	-7	-7	-7
Retailing EBITDAF	\$m	39	41	23	23
EBITDAF margins (% of revenue)	%	7.8%	8.2%	4.7%	4.6%

1. Prior to FY18, corporate costs were fully allocated to the reporting segments.

Contact Energy / FY21 Interim Results Presentation / 15 February 2021

Contact Energy Retail Transfer Price methodology

8. Our model simulates a price that represents how much it costs an independent retailer to supply a customer with electricity down to the GXP level (not to distribution network/ICP level). Contact use this to determine a transfer price 'Contact Generation' would hypothetically sell to 'Contact Retail' if they were acting as two independent entities.
9. The model takes the ASX settlement prices at Otahuhu and Benmore for the three years preceding the start date of the Financial Year or Month being analysed – this simulates how a retailer would hedge their purchase position in a linear manner, but then adjusts these for the previously mentioned location, and shape factors specific to each GXP.
10. Contact takes a consistent approach to the ITP calculation over time.⁴

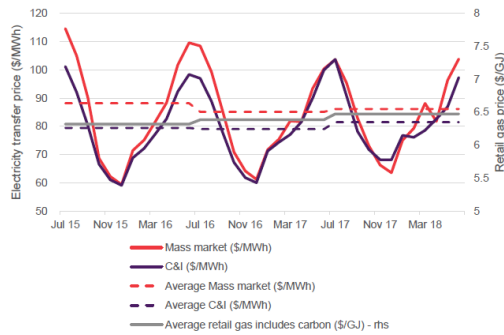
³ See page 38: <https://contact.co.nz/aboutus/investor-centre/reports-and-presentations#Annual-and-half-year-reports>, 15 February, 2021.

⁴ See page 48: <https://contact.co.nz/-/media/contact/pdfs/about-us/investor-centre/media-releases/contact-energy---annual-results-investor-presentation-2018.ashx> Full year results 2018

Transfers of value between the two segments appropriately reflect market conditions

Inter-segment electricity and gas transfer price

The fixed price, variable volume transfer price between the Customer and Generation segments is set in a manner similar to transactions with independent retailers to enable an accurate picture of the financial performance of each segment.



Contact Energy | FY18 Results Presentation 13 August 2018

Mass market electricity

A prudent retailer, offering fixed price variable volume products would contract their forecast load incrementally. For Customer, 90 days before the start of a quarter the electricity transfer price is fixed and takes into account:

- The simple average of ASX settlement prices for the preceding 3 years for the quarter to be contracted
- Adjustments for location, seasonality and line loss based on the Customer business load profile for preceding 12 months

C&I electricity

- The price path agreed between Generation and Customer at the time of contracting with reference to the ASX with the C&I customer.

Retail sales

Allocated from Generation to Customer at the market price for flexible gas including a carbon cost component

11. Responses to specific questions raised in the consultation are set out in the annex to this letter.

12. Should you have any questions, please contact us.

Yours sincerely



Chris Abbott
Head of Regulation & Government Relations

Annex: Response to Authority Questions

Question	Contact Response
<p>Q1. Do you agree with the issues identified by the Authority are worthy of attention?</p>	<p>Contact agrees with the Authority that “it is largely the size of integrated retailers rather than their vertical integration per se, that is the primary driver of any competition or confidence concerns.” (para 2.3)</p> <p>Contact currently discloses its Internal Transfer Price (ITP), with detail similar to that proposed as changes to the Code.</p> <p>The ITPs disaggregate electricity from other services such as broadband and gas also provided by Contact.</p> <p>We agree that transparency of ITP will improve confidence and understanding of the approach taken.</p> <p>The Authority’s analysis concludes that the comparative analysis should that “the ITP methodologies employed by integrated generator-retailers are plausible and result in prices broadly consistent with the range of benchmark prices the Authority derived. We also agree with the Authority’s conclusion that it did not find any evidence to support non-integrated retailers’ concerns that ITPs were too low and smooth given market volatility.</p> <p>The Authority notes that most gentailers currently disclose both ITPs and margins as publicly listed companies and consistent with GAAP requirements.</p> <p>The Authority’s proposed mandatory reporting under the Code will ensure all gentailers (and large retailers for retail margin) disclose this information in a consistent format.</p> <p>This will ensure all parties can assess all gentailers’ ITPs, assess competition and the ability of equally efficient retailers to compete on a non-discriminatory basis.</p>
<p>Q2. Do you agree with the objectives of the proposed amendment? If not, why not?</p>	<p>Contact agrees that the proposed code changes will improve transparency – and address any concerns about trust or confidence in ITPs.</p>
<p>Q3. Do you agree that disclosure of ITP by large generator-retailers is important for trust and confidence in electricity markets?</p>	<p>Improved transparency will build trust. Annual disclosure of ITPs and supporting information will improve third party understanding of what it represents and how it was derived.</p>
<p>Q4. Do you agree with the benefits of mandating ITP disclosure over</p>	<p>Agree.</p>

voluntary disclosure?	
Q5. Do you agree that the generator-retailers subject to these provisions should have an obligation to demonstrate their ITP transfer prices are a fair reflection of the cost of electricity?	Contact is comfortable that its ITP fairly reflects the fair transfer price. Further qualification should not be necessary – as the transparency will allow independent retailers to assess the ITP and form their own view – and take action as necessary.
Q6. Do you agree that ITP disclosure requirements should encompass the price, pertinent details of the methodology used, the major component parts which the price comprises, and the terms and conditions?	Yes. The ITP disclosure requirements should encompass the price, the methodology, major component parts of the price, and terms or conditions.
Q7. Do you have any comments on the specifics of the information requirements with respect to the price, methodology, component parts, and terms and conditions?	No. We believe that the current transfer price disclosure provides sufficient detail and transparency to allow third parties to understand the methodology.
Q8. Do you agree with the proposed criteria for determining which generator-retailers should be subject to the ITP requirements?	<p>Contact supports the EA’s proposed approach to provide criteria, rather than list specific current gentailers, which will be subject to change over time.</p> <p>However, it is unclear why the Authority has determined a threshold of 5% based on total electricity sold to the clearing manager or based on ICPs. This is inconsistent with the approach taken on the proposed margin analysis which is set at 1%.</p>
Q9. Do you agree that generator-retailers which own more than one retail business, and supply electricity to each by way of an ITP, should be permitted to report on a consolidated basis?	Consolidated reporting by gentailer is likely to be sufficient to allow parties to assess the reasonableness of internal transfer prices over time.
Q10. Do you agree that it would be valuable if the ITP disclosures were reported on the Authority’s EMI website?	Agree.
Q11. Do you agree it would be helpful if the Authority published prices for a series of benchmark hedging strategies, for the purposes of evaluating whether generator-retailers’ internal pricing reflects the cost of electricity? Are there any specific benchmark	No view.

<p>to legitimate commercial reasons won't be misconstrued as evidence of anti-competitive practices?</p> <p>b. If not:</p> <p>i. Do you have a preferred alternative retail segment profitability metric which is feasible and low cost to implement, and would improve information on potential anti-competitive practices?</p>	
<p>Q18. If retail segment gross margin reporting was introduced, do you agree:</p> <p>a. With the proposed definition and line items constituting gross margin?</p> <p>b. That gross margin and the constituent parts should be reported on nominal dollars and a per MWh basis?</p> <p>c. That firms with more than 1% market share of all ICPs should be subject to these provisions?</p> <p>d. That reporting should be centralised on the Authority's EMI website?</p> <p>e. That firms with less than 5% market share of ICPs would be reported on an anonymised basis on the EMI, and only report on a per MWh basis?</p> <p>f. That entities with more than one retail business can report on a consolidated basis?</p>	<p>This breakdown is consistent with the proposed standardised line items set out in para. 3.46.</p> <p>We agree that firms with more than 1% market share should be subject to these provisions.</p> <p>It is unclear why anonymity is necessary or appropriate for those retailers with greater than 1% of ICPs.</p>
<p>Q19. Do you agree that gross margin segmented retail reporting at an aggregate country level is sufficient to support confidence in the wholesale market? If not:</p> <p>a. What categorisations would you propose?</p>	<p>Gross margin segmented at an aggregate country level is sufficient to provide transparency. Further granularity would drive compliance costs, risk disclosing commercially confidential information and dampening competition.</p>

<p>b. How would further granularity advance trust and confidence?</p> <p>c. What would the marginal cost of reporting at increased granularity be compared to the proposal in the paper?</p>																																																																																																																																																																																																																																																																																																																																																																			
<p>Q20. Do you support mandating gross margin reporting for the generation, and commercial and industrial segments? If so,</p> <p>a. What line items would you propose for each segment?</p> <p>b. How precisely would this information be used to identify potential anti-competition concerns? Please provide illustrations.</p> <p>c. What assurances are there that reported differences arising due to legitimate commercial reasons won't be misconstrued as evidence of anti-competitive practices?</p>	<p>Contact currently provides margin analysis on retail pricing that is broken down by residential (mass market retail), SME and C&I.</p> <p style="text-align: center;">HISTORIC PERFORMANCE</p> <p style="text-align: center;">Customer segment</p> <table border="1"> <thead> <tr> <th colspan="6">Residential electricity</th> <th colspan="6">Residential gas</th> </tr> <tr> <th></th> <th>unit</th> <th>H119</th> <th>H118</th> <th>H120</th> <th>H21</th> <th></th> <th>unit</th> <th>H119</th> <th>H118</th> <th>H120</th> <th>H21</th> </tr> </thead> <tbody> <tr> <td>Average connections</td> <td>#</td> <td>591,432</td> <td>322,159</td> <td>332,216</td> <td>337,706</td> <td>Average connections</td> <td>#</td> <td>63,870</td> <td>61,232</td> <td>61,920</td> <td>62,353</td> </tr> <tr> <td>Sales volumes</td> <td>GWh</td> <td>1,343</td> <td>1,335</td> <td>1,328</td> <td>1,349</td> <td>Sales volumes</td> <td>TJ</td> <td>946</td> <td>936</td> <td>911</td> <td>904</td> </tr> <tr> <td>Usage charge</td> <td>per ICP</td> <td>3.7</td> <td>3.8</td> <td>3.7</td> <td>3.8</td> <td>Usage charge</td> <td>per ICP</td> <td>15.5</td> <td>15.3</td> <td>14.7</td> <td>15.7</td> </tr> <tr> <td>Tariff</td> <td>\$/MWh</td> <td>247.8</td> <td>249.9</td> <td>248.2</td> <td>251.1</td> <td>Tariff</td> <td>\$/GJ</td> <td>29.6</td> <td>29.1</td> <td>28.6</td> <td>31.3</td> </tr> <tr> <td>Network, meters and levies</td> <td>\$/MWh</td> <td>-125.3</td> <td>-120.3</td> <td>-119.0</td> <td>-111.7</td> <td>Network, meters and levies</td> <td>\$/GJ</td> <td>-18.2</td> <td>-16.7</td> <td>-16.7</td> <td>-14.6</td> </tr> <tr> <td>Energy costs</td> <td>\$/MWh</td> <td>-84.2</td> <td>-85.4</td> <td>-89.6</td> <td>-93.1</td> <td>Energy costs</td> <td>\$/GJ</td> <td>-5.1</td> <td>-5.6</td> <td>-7.6</td> <td>-4.3</td> </tr> <tr> <td>Gross margin</td> <td>\$/MWh</td> <td>48.3</td> <td>44.2</td> <td>37.8</td> <td>38.3</td> <td>Carbon costs</td> <td>\$/GJ</td> <td>0.5</td> <td>-0.9</td> <td>-1.4</td> <td>-1.4</td> </tr> <tr> <td>Gross margin</td> <td>\$ per ICP</td> <td>100</td> <td>100</td> <td>141</td> <td>144</td> <td>Gross margin</td> <td>\$/GJ</td> <td>8.8</td> <td>8.9</td> <td>4.8</td> <td>7.8</td> </tr> <tr> <td>Gross margin</td> <td>\$m</td> <td>54</td> <td>59</td> <td>50</td> <td>52</td> <td>Gross margin</td> <td>\$ per ICP</td> <td>50</td> <td>50</td> <td>73</td> <td>68</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>Gross margin</td> <td>\$m</td> <td>5</td> <td>6</td> <td>4</td> <td>5</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="6">SME electricity</th> <th colspan="6">SME gas</th> </tr> <tr> <th></th> <th>unit</th> <th>H117</th> <th>H118</th> <th>H120</th> <th>H21</th> <th></th> <th>unit</th> <th>H117</th> <th>H118</th> <th>H120</th> <th>H21</th> </tr> </thead> 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border="1"> <thead> <tr> <th colspan="6">Customer EBITDAP</th> </tr> </thead> <tbody> <tr> <td>Electricity Gross Margin</td> <td>\$m</td> <td>74</td> <td>77</td> <td>63</td> <td>64</td> </tr> <tr> <td>Gas Gross Margin</td> <td>\$m</td> <td>9</td> <td>8</td> <td>5</td> <td>5</td> </tr> <tr> <td>Broadband Gross Margin</td> <td>\$m</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Total Gross Margin</td> <td>\$m</td> <td>83</td> <td>85</td> <td>68</td> <td>69</td> </tr> <tr> <td>Other income</td> <td>\$m</td> <td>3</td> <td>2</td> <td>2</td> <td>3</td> </tr> <tr> <td>Other operating costs</td> <td>\$m</td> <td>-41</td> <td>-40</td> <td>-41</td> <td>-40</td> </tr> <tr> <td>Customer EBITDAP</td> <td>\$m</td> <td>45</td> <td>47</td> <td>30</td> <td>32</td> </tr> <tr> <td>Corporate allocations (CONS)</td> <td>\$m</td> <td>-7</td> <td>-7</td> <td>-7</td> <td>-7</td> </tr> <tr> <td>Retaining EBITDAP</td> <td>\$m</td> <td>38</td> <td>40</td> <td>23</td> <td>25</td> </tr> <tr> <td>EBITDAP margin (% of revenue)</td> <td>%</td> <td>7.6%</td> <td>8.2%</td> <td>4.7%</td> <td>4.6%</td> </tr> </tbody> </table> <p><small>1. Prior to FY18, corporate costs were fully allocated to the reporting segments.</small></p> <p style="text-align: right;"><small>Contact Energy / FY21 Interim Results Presentation / 15 February 2021</small></p>	Residential electricity						Residential gas							unit	H119	H118	H120	H21		unit	H119	H118	H120	H21	Average connections	#	591,432	322,159	332,216	337,706	Average connections	#	63,870	61,232	61,920	62,353	Sales volumes	GWh	1,343	1,335	1,328	1,349	Sales volumes	TJ	946	936	911	904	Usage charge	per ICP	3.7	3.8	3.7	3.8	Usage charge	per ICP	15.5	15.3	14.7	15.7	Tariff	\$/MWh	247.8	249.9	248.2	251.1	Tariff	\$/GJ	29.6	29.1	28.6	31.3	Network, meters and levies	\$/MWh	-125.3	-120.3	-119.0	-111.7	Network, meters and levies	\$/GJ	-18.2	-16.7	-16.7	-14.6	Energy costs	\$/MWh	-84.2	-85.4	-89.6	-93.1	Energy costs	\$/GJ	-5.1	-5.6	-7.6	-4.3	Gross margin	\$/MWh	48.3	44.2	37.8	38.3	Carbon costs	\$/GJ	0.5	-0.9	-1.4	-1.4	Gross margin	\$ per ICP	100	100	141	144	Gross margin	\$/GJ	8.8	8.9	4.8	7.8	Gross margin	\$m	54	59	50	52	Gross margin	\$ per ICP	50	50	73	68							Gross margin	\$m	5	6	4	5	SME electricity						SME gas							unit	H117	H118	H120	H21		unit	H117	H118	H120	H21	Average connections	#	57,202	55,156	55,205	51,607	Average connections	#	3,502	3,400	3,501	3,500	Sales volumes	GWh	964	939	933	865	Sales volumes	TJ	679	609	645	720	Usage charge	per ICP	9.6	9.8	9.6	9.9	Usage charge	per ICP	189.7	209.4	211.8	195.7	Tariff	\$/MWh	222.9	224.4	226.7	230.7	Tariff	\$/GJ	15.5	14.8	14.9	15.8	Network, meters and levies	\$/MWh	-105.2	-108.5	-112.2	-104.4	Network, meters and levies	\$/GJ	4.4	-5.3	-5.4	-7.9	Energy costs	\$/MWh	-81.9	-81.6	-89.3	-91.7	Energy costs	\$/GJ	-5.1	-5.6	-7.6	-4.3	Gross margin	\$/MWh	26.7	24.6	26.1	26.6	Carbon costs	\$/GJ	0.5	-0.9	-1.4	-1.4	Gross margin	\$ per ICP	302	305	242	240	Gross margin	\$/GJ	8.6	3.9	8.6	-1.8	Gross margin	\$m	20	18	13	12	Gross margin	\$ per ICP	1,049	625	107	-352							Gross margin	\$m	4	2	0	-1	Customer EBITDAP						Electricity Gross Margin	\$m	74	77	63	64	Gas Gross Margin	\$m	9	8	5	5	Broadband Gross Margin	\$m	0	0	0	0	Total Gross Margin	\$m	83	85	68	69	Other income	\$m	3	2	2	3	Other operating costs	\$m	-41	-40	-41	-40	Customer EBITDAP	\$m	45	47	30	32	Corporate allocations (CONS)	\$m	-7	-7	-7	-7	Retaining EBITDAP	\$m	38	40	23	25	EBITDAP margin (% of revenue)	%	7.6%	8.2%	4.7%	4.6%
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<p>Q21. Do you agree the benefits of the proposed amendment outweigh its costs?</p>	<p>Contact currently voluntarily discloses its ITP, methodology and margins for residential, SME and C&I customers. Mandatory reporting through EMI will make comparison easier, reduce search costs and allow for ongoing analysis by parties and the Authority. Further disaggregation of data (such as by region) would incur cost and increase the risks of disclosure of commercially sensitive information.</p>																																																																																																																																																																																																																																																																																																																																																																		
<p>Q22. 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>Contact supports the proposed amendment.</p>																																																																																																																																																																																																																																																																																																																																																																		
<p>Q23. Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?</p>	<p>Agree.</p>																																																																																																																																																																																																																																																																																																																																																																		
<p>Q24. Do you have any comments on the drafting of the proposed amendment?</p>	<p>Contact supports the draft proposed amendment.</p>																																																																																																																																																																																																																																																																																																																																																																		

Responses to Questions 16 and 17

Question 16: Do you believe that for multiple product line retail businesses, the costs and revenues specific to electricity can be unbundled from other product lines, with sufficient rigour to advance confidence in the electricity industry?

Yes. Contact's margin reporting on electricity only includes costs and revenues specific to electricity.

Question 17: Do you support requiring gross margin electricity retail segment reporting?

Yes.