

15 October 2019

**Submission: Consultation Paper - Default Distributor Agreement (DDA)  
Electricity Authority**

Level 7, ASB Bank Tower

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Wellington

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Dear Sir/Madam,

Axos Systems provides Billing and Data Management Systems to both Traders and Distributors in the Electricity and Gas markets in New Zealand. Our business is heavily involved in analysing, understanding and reconciling the transactions between Distributors and Traders. We see a number of issues via our Axos Insights product - which is 'business intelligence as a service' for the energy sector. Many of these issues come down to different interpretations of variations within a set of standards. Our business employs people who collectively have decades of experience in energy traders, distributors, metering providers and software development and we support a tightening up of standards and practices.

We wish to submit our views on the DDA from the perspective of a party that is involved (or will be involved) in implementing systems and processes to support our customers who elect to act within the confines of the DDA. This perspective is influenced by our experiences in the status quo.

As a general principle we support the DDA in the sense that it will lead to a greater common ground across the many relationships that exist between distributors and traders. But we observe that whilst the DDA does lead to greater harmonisation of practices, in some respects, it doesn't go far enough.

The key points we wish to make are:

- a) We suggest that under 2.3h) of the DDA an additional requirement on Traders is the consent from their customers to provide their information to Distributors for the purposes of servicing any obligations realised by schedule 12A.1 (appendix C) of the DDA. It appears to be common practice today.
  
- b) The DDA can be streamlined further by reducing the ambiguity of which particular format of EIEP implementation is supported by the DDA. The DDA should be consistent with the direction of the EIEP standards evolution and only support the EIEP 'Replacement Normalised' format particularly for Trader->Network. On the other hand, we believe 'As-Billed' would be the format that is preferred for Network->Trader. This increased standardisation will have the additional benefit of enabling Section 9 of the DDA to have greater clarity around how disputed invoices, washups and interest calculations are carried out.

Alternatively, the DDA should be planned to be immediately revised as the EIEP standards finalise following the current EIEP consultation. We strongly support the reduction of variations within the 'standard' as part of the DDA implementation. So much of the DDA is prescriptive. Why can't the core technical standards also be equally prescriptive?

- c) We note and welcome the introduction of Interest Calculations on washups/disputed invoices etc. We strongly suggest improving the definition of “Interest Rate” under section 33.2. So that the market is not relying on accessing information from Reuters (which does not appear to support automated retrieval) we instead propose that the EA provide a standardised API to industry participants to query at no cost. Participants will need to have systems that can integrate to this single place.
- d) We do not feel that section 17 (Connections, Disconnections and Decommissioning) is nuanced enough to cover commonly accepted practice. We are aware of agreements between Distributors and Traders where it is accepted practice for Distributors to charge traders for ICP’s that are inactive in the registry and where the reason for the inactivity is e.g. the ICP has been remote disconnected via AMI. This is due to the practice of traders putting the ICP in this state due to customer/credit issues. The ICP remains livened from a network perspective (otherwise it would be impossible for the trader to reestablish service via AMI) - and the line charges as a minimum should be therefore charged to the trader. Managing service availability via AMI means expensive field team disco/reco events are avoided by the Trader (presumably passed on to the customer).
- e) We propose that either that Section 20 of the DDA is noted in Part 12A or Part 12A notes section 20 of the DDA. There is a reasonable amount of overlap/repetition between the two and we suggest consolidating confidentiality provisions in either the DDA or Part 12A but not both.

On the proposed part 12A (Appendix C) itself:

- a) Our view is that section 3-4)(c) is archaic and inconsistent with practices of the sector. In 2019 it is commonplace for participants to transfer data outside of NZ as part of the data processing lifecycle. Cloud Services and use of them is pervasive by MEP’s and Retailers alike. Whether it is CRM systems, data management systems, elastic compute systems or anywhere in between, Data associated with customer information is regularly moved or stored offshore. Our view is that this is completely unreasonable to expect Distributors to be constrained by traders in this regard. This clause should be struck from Part 12A (C) entirely. There is no point constraining distributors domestically when MEP’s already widely use offshore systems. The horse has bolted.
- b) We note a certain asymmetry in Part 12A (C) in that there appears no such requirement placed on Traders. If the Distributors were to implement the systems and processes outlined, they would have far more costly security and data management practices than some of the traders that supply the customer information to them in the first place. This seems to undermine the objective of this requirement in the interests of the consumer. In principle we support Part 12A (C) contingent on traders also being obligated to follow the same practices, and arguably distributors having similar rights to audit those practices. There is no point in having a partially rigorous system.
- c) We implore the EA place the requirements of Third-Party Data Oversight and Audit with an entity that serves the industry as a whole. If we do not, we are at risk of having over 20 different opinions on what constitutes good data management and data audit practices. There is also a high degree of overlap between section 7 and 13 of Part 12A (C) and we propose consolidating the two sections into one. Our call for a common trusted 3rd party (approved by the EA rather than individual traders) remains. Ideally there should be 2-3 of these parties to provide some competition in the Data Oversight and Audit space. Those parties should reference back to a set of more detailed requirements managed by the EA. Don’t leave the devil in the detail.

More generally on Data Management practices, we believe it is high time to reduce the dependency that Distributors have on traders for provision of certain information. Our view is that MEP’s supply NHH & HHR metering data directly to Distributors so that Distributors calculate EIEP1 and EIEP3 information independently of the Traders in support of their monthly invoicing process. Reconciling the EIEP data produced independently by both the Trader and the Distributor will lead to better outcomes

and better data integrity for all parties involved. We fail to understand why this strange status quo arrangement is perpetuated in the DDA.

To support this, we propose that the Trader and Distributor pay a share of the metering costs (the total cost would not change from the status quo). We expect the EA to determine what that share is. A secondary benefit to the Distributor is they finally gain access to information to allow them to better manage their networks (and almost certainly in a more cost-effective way for all) and that there is negligible marginal cost placed on the MEP or the Traders achieving this. It would be imperative that the information provided to the distributor by the MEP is EXACTLY the same information provided to the Trader (albeit filtered for the relevant network). The Distributor would have a direct commercial relationship with the MEP. This assumes that provisions (or subsequent variant) of Part 12A (C) prevail for both Distributors and Traders and the MEP's also have a part to play in this.

Yours Truly,

Jamie Baddeley

**Managing Director**

**Axos Systems**