



25 October 2016

Electricity Authority  
By email: [submissions@ea.govt.nz](mailto:submissions@ea.govt.nz)

### **Default agreement for distribution services - Further consultation on Question 3**

Meridian welcomes the opportunity to submit our further views on Question 3 of the Electricity Authority's consultation on Default Distribution Agreements (DDA).

Our response is attached as Appendix A. Please let me know if you have any queries regarding this submission.

Yours sincerely,

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## Appendix A: Meridian response to consultation questions

	Question	Comment
3	<p>What are your views of the Authority's assessment of the likely levels of demand for new and replacement UoSAs in coming years? Please support your response to this question with reasons and your alternative quantified assessment, if any.</p>	<p>Meridian supports the Authority's assessment of the number of new UoSAs likely to be negotiated in coming years.</p> <p>We consider the Authority's estimate of 175 new UoSAs to be conservative as:</p> <ul style="list-style-type: none"> <li>• It assumes that existing 'niche' traders will not expand into new networks;</li> <li>• It does not assume any new traders enter the market, even though there has been a clear pattern of new entry in recent years.</li> </ul> <p>Given this, Meridian considers there is significant potential upside to the Authority's estimate of new UoSAs.</p> <p>Furthermore, the Authority estimates that 124 existing UoSAs would be re-negotiated if 50% of existing UoSAs are legacy UoSAs (i.e. negotiated prior to the Model UoSA being published in May 2013). Again, Meridian considers this is a conservative assumption.</p> <p>Out of Meridian's 29 existing UoSAs, only 9 are substantially based on the Model UoSA. A further 20 agreements are either legacy UoSAs or were negotiated post-May 2013 but not substantially based on the model UoSA i.e. around two-thirds of Meridian's UoSAs fall into this category.</p> <p>Meridian considers the UoSAs that are not substantially based on the Model UoSA are generally biased in the distributors' favour as a result of the power imbalance arising from distributors being natural monopolies. We intend to seek to re-negotiate these UoSAs in the future (and are in the process of renegotiating several of these at the moment).</p> <p>Meridian therefore considers the Authority's estimate of the number of existing UoSAs likely to be renegotiated is also conservative.</p>