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Submissions
Electricity Authority
Wellington

**Re: Submission on consultation paper
– Default agreement for distribution services.**

Thank you for the opportunity to submit on this paper. Nothing in this submission is confidential.

NZ Steel supports the submission made by the Major Electricity Users Group.

NZ Steel is a large direct-connect customer of Transpower at Glenbrook. Importantly for this submission NZ Steel is also a consumer on three North island electricity distribution networks with three of our sites being significant load and energy use.

Apart from very small installations, NZ Steel prefers to purchase energy as a direct market participant. To achieve this it is necessary for us to establish and maintain distribution agreements with the distributors involved. For the smaller sites we have an interest in the distributor agreements because the terms and conditions are invariably passed through by the retailer.

Particular aspects we wish to comment are:

1. The consultation paper focuses on the distributor / retailer relationship. In fact clauses 3.3.14 and 3.3.15 expressly exclude "...arrangements such as when a party like a large consumer has a direct contractual arrangements with the distributor."
2. It is important to note a consumer does not need to be large to be a direct energy market participant and therefore want/need a direct contractual relationship with the distributor.
3. It would be counterproductive if someone wanted to be a direct market participant and needed to register as a retailer to be able to contract with a distributor.
4. Being a sizable consumer means direct dialogue with distributors. However, from our experience this does not make negotiating terms for a distribution agreement easy. The distributor has the ultimate take-it-or-leave power which a consumer, irrespective of size, does not have. We can and do look at alternative means of supply, but invariably these are not feasible technically or financially.

5. Our experience has found a positive with open and transparent dialogue with distributors. However, in some cases there has been an unwillingness to move on points (some technical, some financial) even where good rationale has been put forward.
6. We have also found reluctance on the part of the Electricity Authority and Commerce Commission to get involved in this level of detail with distribution agreements.

In summary, large consumers have limited negotiating ability with monopoly providers, be this through a retailer or as a direct market participant. This group needs to be recognised in the work on DDA.

We will be happy to discuss with the Authority any of the aspects raised in this submission.

Regards

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