

19 April 2016

Submissions
Electricity Authority
PO Box 10041
Wellington 6143

BY EMAIL

Dear **[Craig Evans]**

CONSULTATION PAPER – DEFAULT AGREEMENT FOR DISTRIBUTION SERVICES

This is Auckland International Airport Limited's submission on the Electricity Authority's Consultation Paper proposing a default agreement for electricity distribution services (DDA).

Proposed DDA does not apply to embedded network owners

Auckland Airport operates an embedded network.

We note that the Consultation Paper states that the proposed amendments to the Electricity Participation Code 2010 (Code) that require each distributor to have a DDA do not apply to embedded network owners.¹ The Authority is seeking feedback on this matter.²

AIAL agrees that the DDA requirement should not apply to embedded networks.

The DDA is required under the proposed Part 12A subpart 1. The proposed Part 12A provides that the requirement of a DDA applies to each Distributor that:

- (a) conveys electricity to one or more consumers on the Distributor's local network; and
- (b) does not have a contract in respect of the conveyance of electricity with one or more of those consumers.³

However, despite the Electricity Authority's statements that it does not apply, the only way to determine whether subpart 1 does not apply to embedded networks is by working through the relevant definitions of the Code and in particular the definition of 'local network'. When interpreting the current definitions, it is not abundantly clear that embedded networks are not included in this proposal.⁴ Although the definitions seek to create a distinction between 'local networks' and 'embedded networks', it could be argued that an embedded network is also a local network (we do not think that is the correct interpretation).

¹ Electricity Authority, Consultation Paper: Default agreement for distribution services, 26 January 2016, at B, 3.3.14 and 4.2.2

² Electricity Authority, Consultation Paper: Default agreement for distribution services, 26 January 2016, at D.82

³ Proposed Part 12A, clause 12A.2

⁴ See definitions of "local network", "embedded network" and "ICP"

In our view, there needs to be an express provision within the proposed Part 12A that states, for the avoidance of all doubt, subpart 1 of the proposed Part 12A does not apply to embedded networks.

Excluding embedded networks is the correct decision from a policy perspective.

However, if the Electricity Authority was to consider extending the proposed Part 12A to require default agreements for embedded networks in the future, any proposed DDA would need to take into account the unique features of embedded networks.

Unlike primary networks, secondary networks (such as embedded networks) are not principally focused on the business of supplying electricity services. Further, the DDA has been designed for distribution companies that, in comparison to embedded networks, have a large network, serve a large number of end customers and have significant resources for operation and maintenance.

Therefore, while the DDA may strike a fair balance between local networks and retailers, it would not be appropriate or proportionate to extend the DDA as drafted to embedded networks. If the Electricity Authority does choose to consider whether a default agreement is necessary for embedded networks in the future, it must consult with parties participating in such networks in order to produce an appropriate DDA.

Prudential requirements for distributor on embedded network

We note that subpart 2 of the proposed Part 12A amends the prudential requirements for distributors on embedded networks. These edits are either minor clarifications or facilitating a change in terminology from a 'use of systems agreement' to 'distribution agreement' and 'line function services' to 'distribution services'.

Therefore, AIAL does not oppose any of the amendments to subpart 2 of the proposed Part 12A.

Yours faithfully



Anthony McGivern
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