

31 May 2019

Daniel Tulloch  
Senior Advisor  
Electricity Authority  
By email to [submissions@ea.govt.nz](mailto:submissions@ea.govt.nz)

Dear Daniel

### Default Distributor Agreement consultation timing

1. This is a submission by the Major Electricity Users' Group (MEUG) to the request for feedback by the Electricity Authority on the preference of interested parties for consultation on the proposed Default Distribution Agreement (DDA) as soon as possible, or to delay consultation.<sup>1</sup>
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Some members may make separate submissions.
3. MEUG prefers consultation on the draft DDA to commence as soon as possible because:
  - a) The changes are minor as noted in the request for feedback "The Authority has made some minor changes to its proposed Default Distributor Agreement (DDA) and will be ready to release the DDA proposal for consultation in June."

If the proposed changes are minor compared to prior iterations of the draft, then the consultation process should be manageable.

- b) We would prefer changes in distributor prices effective 1<sup>st</sup> April 2020 to be aligned with changes in other contract terms and conditions resulting from a DDA prescribed in the Code. To achieve that will require early consultation on the DDA.

If codifying a DDA and having distributors implement that effective 1<sup>st</sup> April 2020 is not achievable, it will be better for distributors to be aware of likely DDA terms and conditions earlier as they reassess and consult on their tariff offerings to come into effect that date. It would be a poor outcome if distributors restructured their tariffs for 1<sup>st</sup> April 2020 only to find after that date that the final DDA materially affected some of the balance of risks and rewards in contracts with customers that had those been known would have resulted in different tariff decisions. This outcome could disadvantage either the distributor or customers. Hence, it's better to progress the DDA as early as possible to mitigate that risk.

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<sup>1</sup> <https://www.ea.govt.nz/development/work-programme/consumer-choice-competition/default-distribution-agreement/development/default-distributor-agreement-consultation-timing/>

- c) The initial DDA is likely to be a good starting point to develop add-on default terms and conditions for parties contracting for services from distributors to use new technologies and business models to complement initiatives to improve liquidity and innovation in the hedge market.

Nascent opportunities for direct market participation by more end consumers are hindered by poor liquidity in the hedge market, numerous different Use-of-System-Agreements and uncertainty on contracting terms for services outside the historic passive demand for line connections. The sooner we can start down the path of reducing uncertainty and providing a consistent default position with a DDA the better.

- d) Different expertise is needed to respond to the draft DDA compared to the IPP and DPP resets and TPM. The DDA requires legal and contract experience. The rest require economic and cost-benefit-analysis expertise. Hence, we expect earlier DDA consultation to be manageable and any incremental management co-ordination costs outweighed by the benefit of having an early DDA in place as noted above.

Yours sincerely



Ralph Matthes  
Executive Director