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Submission on Use of Distributor Pricing Category Codes in the Registry

1. Vector welcomes the opportunity to submit on the Electricity Commission's (EC) consultation paper *Use of Distributor Pricing Category Codes in the Registry* (4 July 2008).
2. On balance, Vector does not believe the EC has demonstrated that guidelines are necessary or appropriate in this area. In Vector's view, current arrangements regarding distributor pricing category codes are working well and there is no obvious need for a more prescriptive approach.
3. However, if the guidelines are introduced, Vector believes care should be taken to ensure they do not impose inflexible requirements on the industry. Guidelines rather than regulations are certainly preferable in this respect. The comments below are intended to improve the Information Guide ("guide"), should it be introduced. Vector also believes that a clear problem definition for the guide would be beneficial.

Answers to questions in the consultation paper

3.1.1(a) Do you agree with the concept that the distributor price category code is a single code that represents a group of tariffs applicable to an ICP?

- Vector believes that the distributor price category code should be a single code that represents a group of tariffs *or a single tariff* applicable to an ICP. The additional wording in italics is to allow for category codes that have only a single tariff within them (such as the standard unmetered UNM category in the table on page 4 of the draft Information Guide).

3.1.1(b) Do you have another interpretation of the definition price category code that you would like to discuss?

- The interpretation in the guide is consistent with how Vector has interpreted and applied the definition to its current tariffs. However, other valid definitions or interpretations may exist and the definition of price category code in the guide may not be appropriate for all businesses.

3.1.1(c) Does the document provide sufficient detail to standardise the application of the distributor price category code?

- With the exception of some minor drafting issues (described further below), the guide includes sufficient detail to standardise the application of the distributor price category code.
- Notwithstanding the above, Vector believes the guide should be as non-prescriptive as possible in its approach to standardising the application of distributor price category codes. A non-prescriptive approach is necessary as there are a range of different contractual and commercial arrangements within the industry, and a one-size-fits-all approach would be difficult to implement.

3.1.1(d) Does the document cover all relevant details relating to the application of the distributor price category?

- The guide appears to have been written with a focus on the interposed arrangements typically adopted by most distributors in New Zealand. However, a conveyance approach is used on Vector's Auckland network. Although the document does mention conveyance arrangements it does not appear to consider this contractual approach in all instances. This should be addressed in the guide (specific references are provided later in this submission).
- The guide makes a number of assumptions regarding the availability of tariff options within a price category, which may not exist in all cases.
- In places the guide confuses the responsibility for determining the distributor pricing for each ICP (see comments below). Vector believes that ultimate responsibility for this rests with the distributor.

3.1.1(e) Is the information provided within the switching files of sufficient detail to allocate distributor tariffs to an ICP?

- In general, retailers determine the appropriate tariff option within the distributor's price category. Vector does not receive details of distributor tariffs on retailer switching files.

3.1.1(f) Should the guideline be extended to cover the other registry requirements that have an impact on the allocation of tariff options?

- Vector is not aware of other registry requirements that have an impact on the allocation of tariff options or which need guidelines in general. The current arrangements appear to be working effectively.

Detailed comments on the wording of the draft *Information Guide*

4. Vector considers that the following improvements should be made to the wording of the guide:

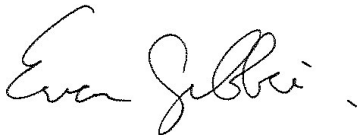
- Sentence 1 of paragraph 1 reads "Retailers should determine distributor pricing for each ICP, and distributors are required under...". It should read "Distributors are required under...". The initial wording "Retailers should..." is not required as it overly confuses the responsibility of retailers and distributors. These responsibilities are specified in more detail subsequently in the paper.
- Sentence 1 of paragraph 2 uses the terminology "load group" although this term is not defined in the guide. Vector suggests that the guide use different language, for example: "Distributors have historically determined their pricing for common groups of customers which...".
- Sentence 1 of paragraph 5 reads "Many distributor pricing schedules have optional tariff components that are...". It should read "Many distributor pricing schedules have optional tariff options **within each price category** that are..." as this description better aligns with the subsequent definitions of tariff options.
- Paragraph 7 describes the current arrangements for interposed arrangements but does not consider conveyance arrangements that are currently used by Vector on the Auckland electricity network. This is also true of other paragraphs including 24, 48(a) and 49(c). The guide needs to consider the conveyance commercial arrangements that are used by some distribution companies.
- The end of sentence 1 of paragraph 15 reads "...subject to a particular configuration of metering and load control equipment". It should read "...subject to a particular configuration of metering, load control **or other equipment**". The relevant equipment that defines the tariff option may not be limited to metering and load control equipment.
- Sentence 2 of paragraph 18(b) reads "The distributors pre-requisite for a component within a tariff may be an appropriate meter register or load

management device". It should read "The distributor's pre-requisite for a **tariff option** within a **price category** may be, **for example**, an appropriate meter register or load management device". This revised description better fits with the language and definitions used elsewhere in the guide.

- Sentences 1 and 2 of paragraph 18(c) contain the term "tariff option codes". This terminology is used subsequently in the document, i.e. 23(b), 33, 44, 45, 46 and 49(c). However, it differs from the terminology used in the table after Paragraph 16 which uses the terminology "tariff code" meaning the same thing. Paragraph 25 and 28 also refer to "tariff code". Consistent terminology should be used throughout the document.
- Sentence 2 of paragraph 21 contains a spelling error: "Retailers manages" should read "Retailers manage".
- Sentence 1 of paragraph 23(a) reads "may consider whether or not to offer the consumer a different tariff option that is a component of the distributors price schedule". It should read "may consider whether or not to offer the consumer a different tariff option **available under** the distributor's price category".

5. Vector is happy to discuss this submission with the EC in more detail if that would be helpful. If you have any queries please contact Rochelle Alban, Rochelle.Alban@vector.co.nz, 09 978 8284, in the first instance.

Kind regards

A handwritten signature in black ink that reads "Ewan Gebbie". The signature is written in a cursive style with a small flourish at the end.

Ewan Gebbie
Group Manager Regulatory Performance