

SUMMARY OF SUBMISSIONS ON THE DRAFT MODEL CONTRACT FOR LINES SERVICES

Submission received **This matrix summarises the submissions received on the Draft Model Contract for Lines Services. Submissions were received from: Unison, ECC, Orion, Vector, The Lines Company, Eastland Networks, Network Tasman, and Genesis.**

Issue	Submitter	Submission	Comments
General	Unison	Whilst Unison currently does not offer line service contracts directly to domestic consumers it nevertheless considers that this style of contract has a place in the industry and may become more prominent in future periods. For example, a direct conveyance contract with domestic consumers may become more commonplace as a result of the consultation requirements set down by the Commerce Commission's quality thresholds. Once again Unison stresses the importance of co-ordination and consistency between agreements as (at least in theory) sections of consumers in a given region may be covered by a conveyance contract and some by an interposed agreement. Wherever possible these contracts should be consistent and transparent to avoid consumer confusion.	Noted
General	ECC	This contract is missing a service guarantees clause as referred to by clause 142 of the interposed contract.	Not applicable – covered by clause 22 (performance commitments)
General	Orion	Needs a clause to state that the consumer must ensure that suitable space is provided and maintained to house meters and any other equipment that connects your Premises to the Network.	Covered by Retailer contract – can be amended to suit individual circumstances

<p>General</p>	<p>Vector</p>	<p>Vector is aware that the contracts proposed for a conveyance scenario have not been subject to the same level of legal and analytical scrutiny as the interposed contract before being passed onto the Commission. As a result, there are a number of inconsistencies in the two draft contracts. For example, many references to "Retailer" in the conveyance contracts have been directly taken across from the interposed contract. However, in the conveyance contracts, these should be placed in square brackets, as in the conveyance arrangement the distributor has the choice to take responsibility (either directly or through an agency arrangement) for activities the Retailer takes on by default in the interposed arrangement. Vector suggests that these two contracts need to be thoroughly reviewed for consistency with the interposed model contract.</p>	<p>Model contracts can be tailored to individual circumstances.</p> <p>Contracts will be reviewed when finalised to ensure consistency</p>
<p>General</p>	<p>The Lines Company</p>	<p>The draft contract appears to assume that the electricity consumer is always the owner of the property that is connected to the lines. This is not however always the case, as in many instances the electricity user is a tenant, or in the case of a farm a sharemilker. In such instances the lines company owes some obligations to the consumer and others, of a more long-term nature, to the property owner.</p> <p>It is not necessary for the customer for all line company purposes to be the same as the retailer's customer. The lines company has an obligation to provide line function services to the owner of the property. This obligation is entered into when the property owner applies for a connection of the property to the network, and the lines company accepts that application. That obligation continues until the property owner consents under section 62 Electricity Act for the connection to be dismantled. The obligation continues irrespective of whether the property is energised. To meet the costs of this obligation the network operator must provide both dedicated and shared equipment. Sometimes it will make economic sense for the property owner to be paying for this equipment even if the property is de-energised (e.g. Farm cottages and holiday homes).</p>	<p>Noted – this issue will be considered further (however, it is up to the tenant to have an arrangement with the property owner – Model Contracts relate to supply to consumer, not property owner)</p>

<p>General</p>	<p>The Lines Company, continued</p>	<p>The following are obligations that we believe are between the lines company and the property owner:</p> <ul style="list-style-type: none"> • The obligation to keep the property connected, unless removal of the point of connection is authorised by the property owner • The obligation to provide dedicated equipment (ie connection assets, transformers) to enable rapid re-energisation to take place. • The obligation to provide sufficient capacity on the network to enable the capacity agreed with the lines company to be taken. • The obligation of the property owner to ensure Code compliant meters are fitted. It is not unknown for property owners to deal direct with a compliant test house for metering services. • Responsibility of the property owner to maintain lines on the owner's side of the point of connection and to ensure the condition of the lines does not interfere with supply to other customers. <p>We recommend that the above responsibilities be included in a separate segment of the agreement (e.g. Clauses 95-97, 101, 103), or the agreement be split into two agreements, one dealing with the provision of connection services to the property owner ("connection") the other with the provision of supply to the consumer ("supply"). If there is to be only one agreement then it should be assumed that the counter party is the property owner and not the consumer. The property owner then has an obligation under a tenancy agreement to ensure that line function services are supplied, and in standard tenancies the tenant has an obligation to pay the electricity bills while tenanting the premise. This would mean that clauses that only make sense to a consumer e.g. the termination clause would have to be re-written. The addition of clause 30 to a Connection Contract would give a workable document (The Connection contract should include a clause obliging us to charge the occupier of any premises if we are given notice of the presence of the occupier by either the property owner, the occupier, or the occupier's retailer).</p>	<p>See comment above</p>
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<p>General</p>	<p>Eastland Networks</p>	<ul style="list-style-type: none"> • The line services contract seems very awkward in that it pushes many issues back on the retailer (which would seem to defeat the purpose of having a separate line services contract). It seems that this contract has a “foot in both camps” and if this is what is required to make the separate line services model work it is suggested that it be abandoned and the industry steered toward an interposed model except for large industrials. • It would seem unclear how the contract for line services could be given legal effect simply by the customer entering into an unrelated contract with another party. 	<p>Model contracts can be tailored to individual circumstances.</p> <p>Noted – legal advice is to be sought and drafting to be reviewed</p>
<p>Page 5- Key features of contract: Faults</p>	<p>Vector</p>	<p>On page 5, in the “Us” column, paragraph relating to faults, the Commission has proposed the wording “<i>We will repair any faults on our Network, as quickly as possible</i>”.</p> <p>Vector suggests that this be changed to “<i>We will endeavour to repair any faults on our Network, as quickly as possible, and will point out where the fault is beyond the boundary of our network</i>”, to reflect the fact that in some situations factors outside a lines company’s control will prevent the fault being repaired, including through the fault originating in the customer’s own lines.</p>	<p>Model contracts can be tailored to individual circumstances.</p>
<p>Page 6 – Lines Prices and Services</p>	<p>Network Tasman</p>	<ul style="list-style-type: none"> • Insert new words “we are the Lines company <i>that distributes electricity</i> in your area”. • Insert new word “Our prices and quality are assessed <i>annually</i> by the Commerce Commission”. • Insert new words “Any price reductions we make should be passed on to you <i>by your electricity retailer</i>”. 	<p>Information clauses outside the contract – information can be changed to suit individual circumstances</p>

Page 6 – Lines Prices and Services	Eastland Networks	<ul style="list-style-type: none"> ENL does not agree with the inclusion of the phrase “any price reductions we make should be passed on to you”. The issue of pricing has become very complex, and creating this expectation is not helpful. It should also be stated that under the thresholds regime certain distributor costs such as transmission charges and council rates can be passed through to customers, and increases in these costs will result in higher line charges to customers. ENL does not agree with the simple statement “we are expected to deliver a high degree of reliability and security on our lines”. ENL, like all other distributors, provides a level of reliability that matches what customers are prepared to pay for (which is now constrained by the thresholds regime). The term “security” should also be removed as this complex term has little meaning to the average customer. 	<p>Information clauses outside the contract – information can be changed to suit individual circumstances</p> <p>Noted – clause will be redrafted to clarify</p>
Page 6 – Lines Prices and Services	The Lines Company	The phrase “high level of reliability and security on our lines is used.” This is not necessarily correct. We have an obligation to the Commerce Commission to engage with our customers to establish the balancing point between levels of reliability and security and price. In many cases in rural and remote areas the balancing point is considerably short of being “high”. The phrase should be replaced with “..to deliver the level of reliability and security as promised in our service standards, together with....”	Noted – clause will be redrafted to clarify
Page 6 – Lines Prices and Services	Orion	Delete the words “ <i>Any price reductions we make should be passed on to you</i> ”. This is redundant.	Noted – clause will be redrafted to clarify
Page 6 – Lines Prices and Services	Vector	Paragraph 3- Vector suggests the sentence should be amended to read “ <i>Any price reductions we make should be passed on to you by retailers</i> ” for clarity.	Noted – clause will be redrafted to clarify

<p>Page 6 – Lines Prices and Services</p>	<p>Vector</p>	<p>Paragraph four is an inaccurate representation of the requirements of the thresholds regime. It states “<i>We are also expected to deliver a high level of reliability and security on our Lines, together with a commercial return to our shareholders.</i>” It would be more accurate to say “<i>We are also expected to ensure that there is no material deterioration of the reliability and quality of supply on our Lines, together with a commercial return to our shareholders.</i>” It should be noted, however, that the current reliability requirements set by the Commerce Commission may not hold in perpetuity; something the evolution of these contracts should be cognisant of. It may be preferable to develop wording that is not specific to the current requirements, but more general in nature and, therefore, durable over time.</p>	<p>Noted – clause will be redrafted to clarify</p>
<p>Clause 1– How to apply</p>		<p>the words “...become a customer of a Retailer and begin to use...” should be replaced with “...the Premises are livened (which cannot be effected until you have become a customer of a Retailer) and begin to use...”. This wording is a more accurate representation of the interposed arrangement, under which, once the Premises are livened, the fixed charge applies.</p>	<p>Noted – legal advice is to be sought and drafting to be reviewed</p>
<p>Clause 1 & 2 – How to apply</p>	<p>Orion</p>	<p>Replace clause 1 & 2 with clauses 1 to 4 of the interposed contract, with appropriate modifications to refer to Lines Companies and lines services.</p>	<p>Noted – legal advice is to be sought and drafting to be reviewed</p>
<p>Clause 1 & 2 – How to apply</p>	<p>The Lines Company</p>	<p><i>Clause 1</i> - This only makes sense for a “supply” agreement. A property owner becomes a customer on either acceptance by the lines company of an application to connect or alternatively when acquiring a property connected to the network. It is possible for the property owner to remain a lines company customer even if there is no retailer as the property is de-energised. Approximately 10% of the ICPs connected to our network can be de-energised at any one point of time. They all however have contractual rights to remain connected. This is encompassed more adequately in clause 2. Clause 1 should be deleted.</p>	<p>Noted – this issue will be considered further (however, it is up to the tenant to have an arrangement with the property owner – Model Contracts relate to supply to consumer, not property owner)</p>

Clause 1 & 2 – How to apply	Eastland Networks	ENL is concerned that this model contract does not explicitly describe how this contract for lines services differs from the interposed contract – such an explicit explanation possibly including a diagram is necessary. Perhaps the legalities of binding a customer to a third party through their unrelated agreement to contract with a retailer should be confirmed.	Noted – legal advice is to be sought and drafting to be reviewed
Clause 1 & 2 – How to apply	ECC	Consideration needs to be given to the formation of the contract. If the contract is deemed into existence upon the consumer using the lines services as currently drafted, what would constitute the offer and acceptance? How could a contract be formed when the customer has not had the opportunity to view the substantial terms and conditions? Is there sufficient certainty as to the terms? It is my experience that the lines company usually sends out a copy of the contract to the customer upon notification by the retailer. There is usually no direct contact between the customer and the lines company. What if the customer never receives a copy of the contract?	Noted – legal advice is to be sought and drafting to be reviewed
Clause 3 & 4 - Moving	Orion	Add words to cover that if you move within the network area you have to tell the Lines Company but don't need to reapply to join us (similar to clause 5 in the interposed agreement).	Model Contracts will be aligned with USAs.
Clause 3 & 4 - Moving	Eastland Networks	ENL considers that these clauses seem to pass responsibilities back to the retailer. It is doubted that the retailer would advise the distributor where a separate line services contract is in place.	Model Contracts will be aligned with USAs.
Clause 5 – Your Retailer	Orion	The heading <i>"Your retailer"</i> is misplaced here as the clause primarily relates to the Lines Company. Replace <i>"Your retailer"</i> with <i>"Our Role"</i> .	Model contracts can be tailored to individual circumstances.
Clause 5 – Your Retailer	Eastland Networks	ENL believes the word "transport" should be replaced with "distribute" in all occurrences.	Agreed – to be redrafted
Clause 5 – Your Retailer	The Lines Company	Change to "...is to physically supply electricity."	See change directly above
Clause 5 – Your Retailer	ECC	It would be helpful if a similar clause were inserted into the retailer contract setting out the areas for which the companies are responsible.	Information clause – retailers can add to suit individual circumstances

Clause 8 – Your retailer	Orion	<ul style="list-style-type: none"> • Add [] around clause 8 to make it optional. • The retailer's charges could be on the Lines Company's invoice. Provide an optional clause to reflect this. 	Model contracts can be tailored to individual circumstances.
Clause 8 – Your retailer	Eastland Networks	ENL believes that having a separate contract for line services and then having the retailer billing the customer defeats the purpose of a separate contract, and will only lead to confusion – either have an interposed contract or a separate line services contract, but not a mixture of both.	Model contracts can be tailored to individual circumstances.
Clause 9 – Your retailer	Orion	Should advise Lines Company as well. Add the words “and us” after the word retailer.	Model Contracts will be aligned with USAs.
Clause 14 – Your information	Orion	Put [] around the sections referring to the retailer as this should be optional.	Model contracts can be tailored to individual circumstances.
Clause 14 – Your information	Eastland Networks	ENL believes that including the retailer would seem to defeat the purpose of having a contract for line services.	Noted
Clause 14 – Your information	The Lines Company	It is axiomatic that we supply to a particular premises. The physical address is hardly “information”. This should be deleted. Again the clause only makes sense where the customer is not the property owner. Otherwise the person may become our customer on acceptance of the application to connect.	Noted – this issue will be considered further (however, it is up to the tenant to have an arrangement with the property owner – Model Contracts relate to supply to consumer, not property owner)
Clause 15 – Your information	Orion	Add [] around clause 15 to make it optional.	Model contracts can be tailored to individual circumstances.
Clause 15 – Your information	Eastland Networks	ENL believes that the final sentence “please tell your retailer...” needs to be strengthened to make disclosure of material changes mandatory or risk breaching the contract.	Model contracts can be tailored to individual circumstances.
Clause 22.1 – Prompt response	Unison	Not all distributors operate formalised call centres.	Model contracts can be tailored to individual circumstances.

Clause 22.7 – Number of interruptions	Orion	The use of a current average number of faults per year will require annual updating. This is undesirable in a contract of this nature. Furthermore, the use of an average would be misleading, as presumably this is network-wide, not by area. Delete the reference to current average number of faults per year. Either delete this clause from the lines services contract or add it to the interposed contract.	Agreed – clause will be deleted
Clause 22.10 – Controlled load outages	Vector	Clause 22.10 states “We will limit controlled load periods”. Vector suggests this should be qualified by the words “under normal circumstances”. This is to ensure that the distributor has the ability to interrupt load under abnormal circumstances, such as emergencies, etc. This clause also contains a typo “faultsw ithin”.	Covered by Force Majeure clause
Clause 24 – performance standards	Unison	Appears to introduce a compulsory payment for non-performance – whilst Unison has this in operation through its interposed agreements not all distributors currently do so.	Noted
Clause 24 – performance standards	Vector	Clause 24 refers to payments made by lines businesses as a result of not meeting restoration targets, being passed on to consumers by retailers “...(less any reasonable administration costs incurred by your retailer)”. In practice, any such administrative costs are likely to be minimal, or non-existent. Vector therefore suggests that the text in brackets be deleted.	Noted - Model contracts can be tailored to individual circumstances.
Clause 24 – performance standards	Orion	<i>Clause 24.1</i> - This clause is not consistent with requirements in the interposed agreement. For consistency with the interposed contract, this clause 24.1 should be deleted.	Interposed and Lines agreements cover different circumstances
Clause 26 – Prices and fees	ECC	To my mind, this clause appears to be more appropriately placed within the retailer contract or it could make it clear who handles the metering.	This is an information clause and is also included in the retailer contract
Clause 27 - Prices	The Lines Company	Should be “we” not “your Retailer”. Normally we have more information than the retailer on what options are available for a consumer and which suit the particular premises. The essence of a conveyance agreement is that the retailer is billing on contract for us. That should mean that we dictate price plan options not the retailer or other billing agent.	Agreed – to be redrafted

Clause 32 – Our invoices	ECC	It is important the customer knows who will be billing them for their electricity usage. My understanding is that all lines companies use retailers for billing.	Noted - Model contracts can be tailored to individual circumstances.
Clause 36 – Estimated invoices	Orion	Grammatical error with clause 36 of the lines services contract. It refers to electricity when the lines services contract should refer to the chargeable quantity for lines services (which may be kVA). Redraft clause 36 by replacing the words 'your invoice' with the words 'we will.' Replace the words 'your electricity' with the words 'the chargeable quantity of your lines services'.	Agreed – to be redrafted
Clause 36 – Estimated invoices	Eastland Networks	ENL considers that this clause should explain that the distributors charges may include a kWh-based charge, hence meter reading is necessary.	Noted - Model contracts can be tailored to individual circumstances.
Clause 36 – Estimated invoices	ECC	<i>Clauses 36 & 37</i> - In order to clarify the metering situation to the consumer, I suggest that these clauses make reference to the fact that the lines charge includes a variable component based upon usage.	Agreed – to be redrafted
Clause 38 – Delivery of invoices	Orion	Put [] around the references to retailer as the use of the retailer to send invoices must be optional. Ensure drafting provides for the Lines Company or its agent (which may not be the retailer) to send invoices.	Noted - Model contracts can be tailored to individual circumstances.
Clause 44 – Paying invoice	Orion	Add [] around clause 44 to make it optional.	Noted - Model contracts can be tailored to individual circumstances.
Clause 44 – Paying invoice	Eastland Networks	ENL strongly disagrees with the intention that the distributor should be a party to any retailer's customers' non-payment.	Noted – alternatives can be agreed with the retailer and individual agreements amended to suit.
Clause 48 – Invoices	Orion	Add [] around clause 48 to make it optional.	Disagreed – this is a GPS requirement
Clauses 50–52 Payment options	Orion	This area of prepayment needs more thought it relies on agreement between retailers and Lines Companies, or it may be that one service is prepayment while the other is not.	Model Contracts will be aligned with USAs.

Clause 60 – Invoice errors	Orion	Make clause 60 line services contract the same as clause 62 of the Interposed. In clause 60 add the words ' <i>more or</i> ' before the word ' <i>less</i> '.	Agreed – to be redrafted
Clause 60 – Invoice errors	ECC	<i>Clause 60.1</i> - This clause does not make clear that the consumer might still be liable for the fixed daily charge even though the variable charge may be reduced due to a fault.	Agreed – to be redrafted (also for retailer and interposed contracts)
Clauses 71 – 84 – Meters	Genesis	<ul style="list-style-type: none"> <i>Clauses 71-84</i> - These clauses are not consistent in their treatment of metering. For example, clause 72 refers to the Retailer as being responsible for meters, while clause 77.1 refers to meters as "our" (i.e. Lines Company) property. See also clauses 79 and 80. Lines Companies in some cases provide meters as a separate service outside their normal Lines Services. As this service is contestable, it needs to be either 'square bracketed' in the Model Contract and the responsibilities made consistent throughout the clauses, or else removed. <i>Clause 72.1</i> - We recommend deleting this clause as it is a Retailer decision (and not a consumer's) to determine the frequency of meter reading. 	<p>Noted – clause 77.1 allows for relays as well as meters</p> <p>Noted - Model contracts can be tailored to individual circumstances.</p>
Clause 73 - Meters	The Lines Company	The property owner may contract to us or to other test houses to supply or install the meters. It is not necessary for the owner to contact a retailer.	Noted - Model contracts can be tailored to individual circumstances.
Clause 74 - Meters	The Lines Company	Not all retailers charge customers for installing meters. In many cases the rental fees paid by retailers include installation. "Will" should be changed to "may". Again where a particular line price plan is being sought the owner should be contacting us rather than the retailer on appropriate meters.	<p>Agreed – to be changed to "may"</p> <p>Model contracts can be tailored to individual circumstances.</p>
Clause 77 - Meters	ECC	My understanding is that the meters do not necessarily belong to the lines companies. It would be useful if the clause clarified the situation by stating that the retailer hires the meter on the customer's behalf.	Noted – this is an information clause and can be amended to suit individual circumstances
Clause 77 - Meters	Eastland Networks	<i>Clause 77.1</i> - The use of the word "our" conflicts with previous statements that the retailer owns the meters.	Clause does not state that the retailer "owns" meters – responsibility does not entail ownership

Clause 77 - Meters	The Lines Company	The term "point of supply" is inappropriate as multiple installations can share the one point of supply. In fact this whole clause makes no sense. Perhaps should read " Meters appropriate to your lines pricing option are installed at your Premises".	Agreed – will be redrafted to "in relation to your premises"
Clause 85 - Access	ECC	<i>Clause 85.3</i> - I am not aware of any lines companies who read meters. I understand all lines companies who use conveyance only contracts bill through the retailers.	Noted
Clause 120 – Disconnection charges	Eastland Networks	This clause should state that after-hours or weekend disconnections or reconnections are likely to cost more than during normal working hours.	Information clause – can be amended to suit individual circumstances
Clause 133 - Termination	ECC	<i>Clause 133.1</i> – Does the customer have to contact the lines company separately or is notifying the retailer sufficient?	This clause (and retailer and interposed agreement) to be redrafted to reduce 1 month's notice requirement for consumers (this does not reflect the Tenancy Act)