

11 July 2008

## Minor Proposed Changes to the Reconciliation Rules

Dear Maree,

Simply Energy welcomes the opportunity to make a submission on the minor rule changes published 13 June 2008 by The Electricity Commission.

Simply Energy is a registered independent retailer and generator and:

- Has incumbency on embedded networks that are reconciled by difference, and
- Acts as an agent for owners of embedded networks to assist them in managing their network.

### **Problem: The discrepancies between supplied data (provided to networks) and submitted data**

In our capacity as both the incumbent retailer and agent for network owners we have observed a material difference between the supplied quantities provided to our embedded network owners and the quantities submitted to the reconciliation manager.

We note that this problem does not appear to be isolated to the embedded networks that we operate. At the Reconciliation Forum (16 June 2008) run by the Electricity Commission, Buller Electricity showed how the network report volumes it received from retailers were systematically less than reconciled volumes obtained from the Clearing Manager (after taking into account technical losses).

Errors in the network reports place a large administration burden on network owners. This is because the information provided by retailers to network owners must be validated to ensure accuracy in the calculation of line service fees, loss ratios and loss factors.

If errors are not identified network revenue is lost, UFE increases and eventually loss factors are increased to

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account for the increase in UFE pushing up the cost of electricity to end users.

### **The Rules recognise that there is a discrepancy between supplied and submitted data**

The rules effective 1 May 2008 introduced a new Scorecard system into the reconciliation process.

#### **4.2.2 Retailer electricity supplied information**

Each retailer must deliver to the reconciliation manager its total monthly quantity of electricity supplied for each NSP, aggregated by invoice month, for which it has provided submission information to the reconciliation manager, including revised submission information for that period as non loss adjusted values in respect of:

- 4.2.2.1 submission information for the immediately preceding consumption period, by 1600 hours on the 4th business day of each reconciliation period; and
- 4.2.2.2 revised submission information provided in accordance with rule 4.1.2, by 1600 hours on the 13th business day of each reconciliation period.

The purpose of this rule is to incentivise the close alignment of electricity supplied data with data submitted to the reconciliation manager.

Unfortunately the rules do not extend to the electricity supplied data that is provided to network companies.

### **The Rules should be extended to data provided to network companies**

We believe the rules should be changed to require retailers to provide the same electricity supplied data (as provided in rule 4.2.2) to network companies but disaggregated to ICP level.

We therefore propose a new rule to be added under Part J Rule 4.2.2:

#### **Part J, Rule 4.2.2.3 (proposed addition)**

Each **retailer** must deliver to their local network **distributor**, **ICP** volumes at each **NSP** for that **distributor** to calculate their line charges. These volumes when aggregated must represent the same value as what was submitted to the **reconciliation manager** under rule 4.2.2. If the reconciliation volumes change through the revision process then the new volumes should also be supplied to the distributor.

We envisage this data would be delivered through the industry standard data interchange protocols EIEP1 (modified to be as submitted) and EIEP3.

### **Costs and Benefits of the new Rule**

Extending Part J Rule 4.2.2 as suggested would bring supplied data provided to network owners within the Rules and provide the following benefits:

- **Improvements in the quality of supplied data.** Because reconciliation data must match network reports, the cross checks that Network owners apply to network reports to identify and correct errors with supplied data will be fed back into the reconciliation process improving the quality of supplied data.

- **Lower electricity costs.** Improved quality of supplied data will reduce UFE, leading to reduced Loss Factors and ultimately lower costs of electricity for end users.
- **Reduce cost of quality assurance.** Supplied data from retailers is used by network companies to calculate network Loss Factors. The only way a network company can obtain assurance on the quality of supplied data is by individually auditing the process each retailer uses to generate that data, implying ~ 140 separate audits. If the quality of supplied data is incorporated within the Rules, supplied data quality (or lack thereof) can be demonstrated by comparing reconciliation manager reports with data supplied by the retailers avoiding retailer audits.

The cost to retailers for providing disaggregated supplied data to network owners is minimal given that retailers need to provide the same data in aggregated form to the reconciliation manager.

### **Industry support**

A number of industry participants including Embedded Network owners have expressed their support to this rule change.

Specifically those participants who wish to support the rule change are:

- Buller Electricity
- Northpower

If you have any questions regarding this submission please call me on 472-7778.

Yours sincerely,



Stephen Kemp  
Operations Manager