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## **SUBMISSION ON REVISED GUIDELINES FOR METERING, RECONCILIATION AND REGISTRY ARRANGEMENTS FOR SECONDARY NETWORKS**

- 1 Orion New Zealand Limited welcomes the opportunity to submit on the December 2007 *revised guidelines for metering, reconciliation and registry arrangements for secondary networks discussion paper (the paper)* and the proposed guidelines (the *guidelines*).
- 2 As indicated in earlier submissions, we support the concept of secondary networks, together with the need for additional guidance on how they are managed.<sup>1</sup>

### **Guidelines are incomplete**

- 3 Our ability to comment meaningfully on the guidelines is limited because they are incomplete. In particular, the detail in section III (customer networks) and section IV (network extensions) is not yet available. We consider it important that the Commission consult further once the guidelines are fully drafted.

### **Style of the propose guidelines**

- 4 The recently released draft – *unmetered load management guidelines v1.0* – provides a good example of an appropriate style that could be adopted in

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<sup>1</sup> See Orion's submission in relation to secondary networks dated 1 September 2004 and our submission on embedded networks dated 22 March 2005.

the current instance. In particular we consider that the guidelines could be improved by the use of:

- 4.1 a version control statement;
- 4.2 bolded words within the text referring to definitions in part A of the Electricity Governance Rules (*EGRs*); and
- 4.3 footnotes that specify the particular rule or rules referred to in the body of the text.

### **Purpose statement**

5 In our opinion the purpose statement<sup>2</sup> lacks clarity. It also conflicts with other aspects of the guidelines. For example, the purpose *to ensure that consumers connected to secondary networks have a choice of retailers* is later contradicted<sup>3</sup> when customer networks are identified as secondary networks (customers connected to a customer network do not have a choice of retailer).

6 Further, the purpose statement specifies that:

*Each participant must take responsibility for carrying out all the steps in the guidelines, to allow for accurate reconciliation of electricity purchases and line charges.*

7 We consider that this is an instruction, rather than a statement of purpose.

8 We suggest the following is an appropriate purpose statement:

*The purpose of these Guidelines is to:*

- *assist **participants** to manage their obligations under the **Rules** relating to the metering, reconciliation and registry requirements as they pertain to **secondary networks**; and*
- *to assist **participants** with management of the appropriate allocation of line charges.*

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<sup>2</sup> Para 5 of the guidelines.

<sup>3</sup> Para 7 and 13 of the guidelines.

### **Secondary network types**

- 9 We consider that paragraph 11 of the guidelines should refer to the reconciliation manager (*RM*), as the *RM* has specific responsibilities in relation to reconciliation of certain types of secondary networks (embedded networks).
- 10 We also consider that the reference to the Electricity Industry Reform Act (*EIRA*) in paragraph 16 would be more appropriately positioned under the general heading of secondary networks (rather than in the customer networks section). The *EIRA* will apply to all forms of secondary networks, not only to customer networks.
- 11 We also suggest that the guidelines should refer to the Commerce Commission's decision 536, which provides useful background to the application of the *EIRA*.

### **Customer networks**

- 12 It would be useful to point out in paragraph 14 of the guidelines that a customer network is no different from a standard ICP for the purpose of the *EGRs*, and from the perspective of a parent network.

### **Network extensions**

- 13 We consider that paragraph 19(f)(i) of the guidelines should be modified by adding the word "*or*" as follows:

*...the local network owner imposes, and retailers collect, line charges in respect of each ICP on the network extension directly, or through "GXP charges"...*

- 14 We are concerned that paragraph 19(f)(ii) suggests a separate gateway meter could be installed at the point of connection, purely for line charging purposes. In our opinion this could potentially lead to energy and line charges being counted twice.
- 15 It is also unclear who would be responsible for the gateway meter, and whether it would need to comply with the requirements of section D of the *EGRs*.

- 16 We suggest that in this situation it would be better to treat a network extension as an embedded network, as this would clarify the participants' responsibilities.
- 17 We also reiterate below our previous concerns that this and earlier consultation papers have not comprehensively addressed network extension issues:<sup>4</sup>

#### *Creating ICPs*

*In particular, ensuring that all network extension points of consumption have ICPs is a major issue. Creating these ICPs can be very difficult to achieve, particularly in multi-tenanted buildings. This difficulty is created by the local network owner/distributor's lack of control over the addition of new consumption points within the secondary network; the network owner must rely on someone advising of the additions.*

#### *Exemptions under the EGRs*

*Orion requires clarification on the status of secondary networks (including embedded networks) when the network owner is an exempt participant under the Electricity Governance Regulations (EGRs) due to the size of the connection. Orion considers that the terms of the agreement between the local network owner and the secondary network owner may vary, if required at all, depending on the secondary network owner's status in relation to the EGRs.*

*Orion recommends that the guidelines include guidance for secondary network owners on whether they are required to be participants to the EGRs, and if so what their responsibilities would be.*

*Orion also recommends that the guidelines include guidance for local network owners on how to deal with non-participants' secondary networks.*

## **Definitions**

- 18 We note that *embedded networks* are defined in Part A of the EGRs, while *secondary networks* are not defined. As an embedded network is a subset

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<sup>4</sup> Raised in our submission on "Guidelines for Metering, reconciliation and switching of Embedded Networks" dated February 2005.

of a secondary network, we consider that it would be useful to also define secondary networks in Part A.

- 19 The definition of *ICP* in Part A refers to an embedded network. We consider that this definition needs to change to refer to a *secondary network*. Therefore, we **recommend** that:

19.1 the term *embedded network* be replaced with *secondary network* in the definition of *ICP*; and

19.2 any consequential amendments also be made to the EGRs.

### **Parent network owner/operator's responsibilities**

- 20 In respect to the parent network owner/operator's responsibilities:<sup>5</sup>

20.1 we agree with the first sentence of paragraph 49 that:

*Parent network owners have the right to specify the technical and commercial terms and conditions of any connection to its network to enable it to properly operate its network and manage its business;*

20.2 we agree with the first part of the second sentence in paragraph 49 that:

*In doing so, parent network owners should act reasonably;*

20.3 however, we do not agree with the rest of the second sentence, specifically:

*and help embedded network owners through the process of establishing all the necessary agreements and relationships to facilitate competition.*

- 21 We do not consider the parent network owner has any responsibility to assist an embedded network owner *through the process of establishing all the necessary agreements and relationships to facilitate competition*.

- 22 Rather, the embedded network owner should obtain its own independent advice on its responsibilities. The Commission's guidelines will in part

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<sup>5</sup> Paragraphs 48 to 52 of the guidelines.

assist an embedded network owner in this respect. Consequently, we recommend that the words *and help embedded network owners through the process of establishing all the necessary agreements and relationships to facilitate competition* be deleted.

- 23 We also note that paragraph 52 of the guidelines correctly indicates that the parent network must populate the loss category code and loss factor table in the registry. As this information is held in the registry, we do not agree with the suggestion in paragraph 50 that the parent network owner must advise the embedded network owner of the loss category code applicable to the new NSP. The only information that the parent network needs to give to the embedded network owner is the ICP identifier. The embedded network owner can use this identifier to obtain the other information from the registry.

#### **Concluding remarks**

- 24 Thank you for the opportunity to make this submission. No part of this submission is confidential. If you have any questions, please contact Dennis Jones (Industry Developments Manager), DDI 03 363 9526, email [dennis.jones@oriongroup.co.nz](mailto:dennis.jones@oriongroup.co.nz).

Yours sincerely



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