

Consultation Paper for Gas Industry Co

Options for Switching Arrangements for the New Zealand Gas Industry

October 2005

28 October 2005

Comments from the Ministry of Consumer Affairs

Thank you for the opportunity to comment on this paper, and we appreciate the work that has gone into identifying ways to enhance switching arrangements.

The Ministry of Consumer Affairs

The primary role of the Ministry of Consumer Affairs is to create an environment that promotes good and accurate information flows between suppliers and consumers so that consumers can transact with confidence.

Amongst other things, the Ministry gives advice to the Government on matters that affect consumers when they buy goods and services. The Ministry:

- monitors how laws and practices affect consumers
- promotes good business practice
- provides input from a consumer's perspective into relevant programmes of other government departments
- recommends legislative changes to the Government, when necessary, to achieve a fair and informed marketplace.

Comments

Much of the content of the Consultation Paper addresses detail that is important to industry participants but is not of relevance from the Ministry's perspective. Following are our comments.

Evelyn Cole
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Issue	Comment
<p>Q1: Do you agree that the Gas Industry Co has identified the key issues in relation to current customer switching?</p>	<p>We agree with the issues identified. In particular, the Ministry has available examples of the different situations in which customers have experienced problems with delays and errors associated with switching.</p> <p>There are however a number of broader issues that should be considered in the context of switching:</p> <ol style="list-style-type: none"> 1. Consumers have been insufficiently aware that switching is a possibility, and how to go about switching (although this may now be largely remedied). 2. There have been many examples of people who are not consumers being unaware early enough of liabilities (e.g. tenants liable for fixed charges or disconnection fees even though they have no contract with the retailer). 3. When there are problems, getting matters remedied can be excessively difficult, time consuming and stressful.
<p>Q2: Do you agree the Gas Industry Co has identified all reasonably practicable options to meet the switching objective? If not, please provide details of any other reasonably practicable options.</p>	<p>Within the context of the work done, we agree with the options considered.</p> <p>We do however suggest that consideration also be given to ways of addressing the broader issues raised under Q1. Some options might be:</p> <ol style="list-style-type: none"> 1. Alert consumers and landlords to the implications of future commitments they may be making e.g. the need for landlords to advise potential tenants of fixed charges or responsibilities regarding disconnections, and the need for tenants to check with landlords on matters such as disconnections. 2. Structure fees etc to be fair and not impose unreasonable impediments to switching. 3. Set incentives, liabilities, cost apportionment, redress mechanisms, etc to ensure that any problems arising from switching are remedied promptly and with minimum stress to consumers.
<p>Q8: Do you agree that the Central Registry option is the preferred switching option for the gas industry? What are your reasons?</p>	<p>We accept the conclusion that the central registry option provides the best solution, on the understanding that the centralised registry contains adequate and accurate metering information about the ICP.</p> <p>The MARIA registry (now called the Electricity Governance Board) does not hold metering information about Installation Control Points (ICPs); it is up to the retailer to maintain accurate metering information and transfer this faithfully to the retailer requesting the switch. The experience of electricity switching issues at the Electricity Gas Complaints Commission (EGCC) is that often companies hold incorrect metering information and transfer this to the new retailer, and/or inadvertently drop off certain metering details. For example, meters and/or multipliers are omitted, metering is crossed (<i>i.e. flat A's meters are connected to flat B's ICP and vice versa</i>), digits are mixed up (<i>e.g. customers are billed for 5-dial registers instead of 6-dial registers</i>). These types of occurrence result in inaccurate billing and customer complaints. They also represent significant costs to retailers and consumers through site inspections to verify metering details, lost revenue, etc.</p> <p>While metering details differ slightly for gas installations, similar problems may occur when consumers arrange to switch gas suppliers.</p> <p>These problems could be avoided if metering information (<i>such meter type, no of dials, serial numbers, etc.</i>) are registered against the ICP in a centralised registry. The registry would provide a reference point for retailers to check the details held in their system and would prevent information from being lost/dropped off in the switch. The Central Registry as proposed, with detailed information on ICPs, would</p>

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	<p>also assist in alleviating uncertainties such as who should pay for disconnecting unused gas lines, by tracking the meter's history.</p> <p>The registry must however have rigorous procedures to ensure the ongoing integrity of the information it contains and also to ensure that retailers accurately access and use that information (<i>in the electricity sector, there have been cases in which registry information has not been accessed, and incorrect company information used</i>).</p> <p>There would be significant short-term costs for industry to set up a registry that holds this type of detail i.e. each company would have to verify and format the metering information they hold in their system before supplying it to the registry. But long-term the benefits for industry and consumers would be substantial.</p> <p>The merits of extending the registry to incorporate the allocation mechanism, option 4, seem to be largely a matter commercial cost/ benefit tradeoffs.</p>
<p>Other matters</p>	<p>With respect to consumer dissatisfaction, the amendment to the Consumer Guarantees Act in July 2003 now includes gas in the definition of "goods" under the Act. Therefore, the gas industry will need to consider any options to address customer dissatisfaction with the Consumer Guarantees Act in mind. The same debate with the electricity industry regarding the Consumer Guarantees Act will no doubt occur with the gas industry regarding the Act's application to gas as a good and the supply of gas as a service. Failed switching by gas companies may also breach guarantees regarding services being carried out with reasonable skill and care under the Act.</p> <p>Further, due consideration will need to be given to obligations under other legislation such as the Privacy Act.</p>