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4 November 2005

Mr. Simon Bratt
Gas Industry Co
Level 9, State Insurance Tower
1 Willis Street
PO Box 10-646
Wellington

Dear Simon

Re: Submission on Proposed Switching Requirements

Thank you for the opportunity to make a submission on this proposal.

Vector is happy to provide further information on its activities to the Gas Industry Company if requested.

As requested, we have included responses to the questions posed in the table contained within the Switching Consultation Paper in the tabular format requested.

Summary of Vector's Response to the Proposal

Vector welcomes the Gas Industry Company's initiative in this area, and supports a central registry solution to the Government Policy Statement objective to reduce barriers to customer switching. This will ensure a complete record of all ICPs, and will minimise any disputes between distribution companies and retailers with respect to existence and switch dates of ICPs.

While it is clear a great deal of work has been done to progress a central registry for gas connections, Vector recommends that more than one central registry option should be comprehensively costed. While supporting a central registry, and in principle, one of similar form to the electricity register, Vector believes that the Gas Industry Company needs to keep options open while it is in negotiation with potential providers.

Support for Central Registry

Vector supports the creation of a central registry in line with Option 3 outlined in the consultation paper. We do not consider that there is

sufficient evidence of potential cost savings to justify proceeding with Option 4 (a Central registry integrated with Allocation Mechanism).

In reaching this conclusion, we would draw the attention of the Gas Industry Company to the following issues:

- The costs of implementing a stand-alone Central registry solution may not be efficient, given the small number of gas connections in New Zealand, approximately an order of magnitude less than the number of electricity connections. We expect that the costs of developing bespoke software to match the requirements outlined in the consultation paper will be much higher than implementing a package solution. Our preference would therefore be to adopt (with minimal modification, if necessary) registry software that is already in operation.
- Most of the functionality described in the consultation paper already exists in the National Electricity Registry. We understand that the contract for managing this registry is due for renewal, and that the Electricity Commission has set up a working group to review the operation of the electricity registry. An opportunity therefore exists for the gas and electricity sectors to work together to develop a joint registry that would cover the needs of both industries. The costs and benefits of this joint approach should be examined carefully before developing further detailed requirements for the gas registry. This may have potential benefits for both groups, as follows:
 - a. Any common development costs would be shared over the whole connection database – both electricity and gas consumers.
 - b. Operational costs can also be shared proportionately over the wider customer base.
 - c. Data items which are unique to either gas or electricity connections should be charged to the energy sector which requires these features, thus creating a driver for making the ICP life cycle and switching process as homogenous as possible across both sectors.
 - d. The majority of gas distributors and gas retailers also operate in the electricity sector, and have therefore already developed software interfaces to the electricity registry. It should therefore be a simple matter to extend these interfaces (e.g. the processing of notification files) so that they include gas ICPs. This would avoid the additional costs of developing two sets of software interfaces to two registries, with similar but slightly different interface protocols.
- The recommended solution has now been developed to the point where it should be possible to obtain indicative prices for development and operation, whether in conjunction with the Electricity Commission registry, or in isolation. The costs and benefits of the solution should then be compared with the other options available, to determine the optimum path forward. While Vector's submission includes comments on a number of specific technical issues, the most important work needed is a robust cost/benefit analysis, including at least two of the most favourable options.

- The number of retailer switches appears to be understated. The number of switches on the Auckland network alone for the 12 months to 30 June was 8953, and since then have been running at around 1000 per month. The Auckland network has only one-third of the total New Zealand gas connections, so an average monthly figure for the whole country of 1000 (table 2, section 5.11) seems too low. The churn rate may increase if more retailers become active outside their incumbent markets. This higher level of activity should be provided for in the performance criteria for the registry.
- Switch-time data needs closer analysis. Our data indicates that switches take only 5 minutes, as opposed to the 25 minutes as stated in the consultation paper. This is likely to impact any cost-benefit analysis undertaken.
- Full reconciliation of ICP data between registry and distribution/retail billing is desirable – however, full reconciliation needs a distinct process of its own.
- There is no mention of interfaces between retailer and distribution company systems and the central registry. Vector assumes that distribution companies will continue to bill retail companies based on commercial arrangements. This would require agreement on the ICPs for which they are billing. This in turn requires a full reconciliation of ICP data between the registry and distribution/retail billing systems.
- Vector believes the full costs of the registry development need to be factored into a cost benefit analysis. The recovery of set-up costs and ongoing operating costs needs more detailed inspection. It would be possible, for example, to recover costs from ICP owners, spread across complete database of electricity and gas ICPs. In this way the benefits of synergies between the gas and the larger electricity sector could be realized. Vector therefore supports in principle a combined gas and electricity registry in terms of capital costs and opex.
- The consultation document does not describe the old retailer's obligations (if any) to provide data to a new retailer on request – nor the data format, time frame, or any cost-recovery details. Vector suggests that the old retailer should be obliged to provide these details on an "if available" basis, including the recovery of reasonable costs.
- ICP connection status: One of the most contentious issues with the electricity registry is whether the ICP status is accurate and up to date. The credibility of this data item is critical, if the registry is to be used as the "database of record" for issues such as:
 - a. recording how many ICP days should be included for each connection per month for network billing purposes.
 - b. establishing how many ICPs are to be accounted for by each retailer for reconciliation purposes.
 - c. providing reliable statistics on number of active connections and complete history of disconnection / reconnection events.
 - d. recording what has been physically done to safely isolate supply from disconnected sites.

To establish credibility in this area, all changes of connection status/meter read history should carry an audit trail (for details see

Q.13 below). Where ICPs are decommissioned because of database duplication there should be a cross-reference to the ICP where the supply is reconciled. Anomalies in the database may be found by site audit, and this may require an update to the registry without being able to cross-reference the party carrying out the fieldwork (for example if a reconnection was made without authorisation). In this case there should be mandatory fields to record details of the site audit – who carried it out, date and time, etc.

The following table outlines our response to the specific questions asked in the consultation document:

Question	Comment
<p>Q1: Do you agree that the Gas Industry Co has identified the key issues in relation to current customer switching?</p>	<p>Yes, all the key issues have been identified. The main issue for Vector is information discrepancies, resulting in retrospective rebilling of network charges because of delayed/disputed processing of retailer switches, and disconnections/reconnections. High administration costs arise primarily because disputed or withdrawn switches involve significant staff time to resolve. Straightforward switches can be made in a cost-effective manner. The costs of the proposed system need to be balanced against these costs – it is important to deal with exceptions in an efficient manner.</p>
<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>Yes.</p>
<p>Q3: Do you agree with the Gas Industry Co's analysis of the Status Quo Option?</p>	<p>Yes, broadly agree with this summary. Customer dissatisfaction – retailers are in the best position to comment on this. High administration costs – the costs of the recommended solution need to be compared to current costs, including amortisation of implementation costs over the life of the system. Impedes competition – Vector does not believe that current switching impedes competition to any significant or measurable degree.</p>
<p>Q4: Do you agree with the Gas Industry Co's analysis of the Reconciliation Code Enhancements Option?</p>	<p>Yes, agree with this. One of the shortfalls of this option is that it does not provide a mechanism for tracking each retailer switch through the various stages that are necessary. While distributors could enhance their software to provide this functionality it would not be cost-effective for each distributor to duplicate the functionality.</p>
<p>Q5: Do you agree with the Gas Industry Co's analysis of the Central registry Option?</p>	<p>Yes, all main issues covered.</p>
<p>Q6: Do you agree with the Gas Industry Co's assessment of the potential cost of the arrangement. Do you have any information about what it would cost your company to</p>	<p>The costs quoted in 7.25 and 7.26 appear to be too low, particularly for the 2001 enhancements. It is possible that some of these costs were covered by market</p>

<p>implement a Central registry solution?</p>	<p>participants, and therefore not counted in the project costs. The costs of developing a "green fields" gas registry will depend on the complexity of the system, rather than any relationship to the number of transactions. It is therefore very important, especially with the small number of gas connections in New Zealand, to establish cost effective synergies with the electricity registry if possible. There is a good opportunity to do this right now, as the contract for operation of the electricity registry is currently due for renewal. A combined registry for electricity and gas connections in New Zealand appears to make good economic sense, assuming that similar outcomes are required for both sectors. From Vector's point of view the cost of implementation would be negligible, on the basis that:</p> <ul style="list-style-type: none"> (a) the protocols for sending and receiving data to the registry should be the same for both electricity and gas ICPs, and (b) the basic data requirements for both types of ICPs should be aligned, with additional industry fields unique to each energy source being added to the end of data formats.
<p>Q7: Do you agree with the Gas Industry Co's analysis of the Central registry integrated with Allocation Mechanism option?</p>	<p>Yes.</p>
<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>Yes. Whatever system is adopted must be cost-effective, while achieving the objectives outlined in section 6. The Central registry option appears to be the best fit on this basis. The concept is proven in the electricity sector, and there is currently an opportunity for the electricity and gas industries to work together on a joint Central registry. Since most of the major gas industry participants either manage both gas and electricity networks (e.g. Vector / NGC and Powerco); or retail in both sectors (e.g. Contact, Genesis, Mighty River Power, Todd and associates), there is the potential for these parties to leverage off the investment in software already developed to interface to the electricity central registry.</p> <p>At the same time, the basis for cost sharing should be such that small players and new entrants to the market, or niche players with limited resources, are not penalised.</p>
<p>Part B</p>	
<p>Q9: To what extent do you agree with the high-level description of the Central registry's services?</p>	<p>Agree. The concept of a Virtual Central registry is not adequately explained, so it is hard to see what advantages this option may have. With the high amount of registry and protocol material directly transferred from the electricity sector registry, it is difficult to comprehend an alternative service that best fits the gas industry, which is an order of</p>

	magnitude smaller.
Q10: Do you agree that all Premises on all current open access and non open access networks should be included on the Central registry? What are your reasons?	Yes. In some cases both open-access and non-open access networks could be used to supply the same customer. They should therefore be subject to the same reconciliation processes.
Q11: Do you agree with the analysis of user interests in the Central registry data and processes?	Agree.
Q12: To what extent do you agree with the Central registry general functionality described in this section?	Agree with the functionality described.
Q13: Do you agree with the proposed ICP parameters for the registry?	<p>Agree in principle. However, some fine-tuning is necessary. For example:</p> <ul style="list-style-type: none"> • Network pressure should be included in minimum data – critical for GMS owner and for safety. • Use of NZ post standards is not appropriate. Vector believes that a gas registry should use the same address format as currently used in the electricity registry. This is because retailer and distributor databases are already aligned with this standard for both gas and electricity. This is the Land & Information NZ (LINZ) standard. NZ Post address standards may also cause problems where the gas supply is to a remote location, not necessarily having a street number, street address, or postcode. • GMS may be installed before retailer details are known – therefore GMS owner should be able to insert its own details as soon as ICP exists on the registry. • GMS owners should be able to amend details at any time, for example a meter at a decommissioned site may be relocated to a new site, requiring both ICP records to be updated. • ICP status parameters should not be changed without an audit trail being established and retained. Details required are: <ul style="list-style-type: none"> ○ Party initiating the status change. ○ New status. ○ Reason for change (e.g. vacant premise) ○ Manner of affecting change (e.g. valve locked off) ○ Date of change ○ Work order reference • The reason for retaining this information is to ensure that the connection status on the central registry is more closely aligned with actual site status, and can therefore be more credible for reconciliation and network billing purposes.

	<ul style="list-style-type: none"> • Provision should be made for several meters at one ICP (if this can happen in practice)
<p>Q14: To what extent do you agree with the proposed participant responsibilities, in particular the proposal that GMS parameters on the registry are maintained by meter owners?</p>	<ul style="list-style-type: none"> • Agree, including the requirement that meter owners maintain GMS details. • GMS owners can change GMS details only if they are recorded as the meter owner. Recording the meter owner is a retailer responsibility. There is a potential problem if the meter owner is out of date, thereby stopping the true owner from updating GMS details. Solution – allow only GMS owners to update GMS fields, and ensure an audit trail is maintained for all changes. • There are a very large number of dependencies because of the number of parties who may update the registry. Timeliness and accuracy of data updates is therefore critically important (even more than the electricity registry). There should be a method of penalising parties who record changes more than (say) 3 days after the event, and rewarding those who record changes promptly. This fee structure could be built into the method for recovering registry costs, thus encouraging parties to update their data promptly. • Section 11.11: this initial phase places too much reliance on the Retailer to populate fields; this should be limited to Network and/or GMS meter owners • Similarly, (with reference to Section 12.x of the consultation paper)– retailers should pick up GMS owners info from the same central registry, rather than specifying it themselves
<p>Q15: To what extent do you agree with the proposed switching information exchange process?</p>	<p>Generally agree, subject to the following:</p> <ul style="list-style-type: none"> • Updating GMS fields is GMS owner’s responsibility. • Please define “switch type” (section 12.8) and “register content code” (section 12.20).
<p>Q16: To what extent do you agree with the proposed switch withdrawal process?</p>	<p>Agree</p>
<p>Q17: To what extent do you agree with the proposed transfer read renegotiation process?</p>	<p>Agree</p>
<p>Q18: Do you agree with the proposed gas registry acknowledgements and notifications process?</p>	<p>Agree, subject to the following:</p> <ul style="list-style-type: none"> • The solution as described would be difficult to implement with a “virtual” registry – a single registry is required. • The process has to recognise that several consecutive changes may be made on the same day – each of these must be recorded and a transaction trail retained. (Example – site being disconnected, and then reconnected

	for a new retailer, with a new GMS). Transactions need to be date and time-stamped to establish sequence of events.
Q19: Do you agree with the proposed registry reporting capability?	Agree, with the following proviso: <ul style="list-style-type: none"> The monthly report of retailer ICP tenures will not be reliable unless the 'active/inactive' flag is made more specific. An ICP should move between active and inactive states only because of a change of physical network connectivity. In the main these changes will be managed by the retailer or network operator; at other times the connection or disconnection may have been made by unauthorised parties, and will become evident on a site visit. It is essential that there is an audit trail of disconnections and reconnections to support changes to the active/inactive flag.
Other Issues / Comments	
General	The registry should provide for optional free-format text fields against any event, to enable further explanations to be provided where this may be helpful to other users, or for future reference.
Table 6	<ul style="list-style-type: none"> Network pressure: should this be a range not an individual figure? Load shedding code: there needs to be industry consensus on which party is responsible for maintaining this, as we move to Maui open access and to multiple gas producers contracted to specific retailers. (E.g.) One field may go down leaving contracted retailers with supply problems, while other unaffected retailers continue to have gas to supply their customers.
Table 8	<ul style="list-style-type: none"> Parameters: should include meter pressure Logger and corrector: should include ID#s

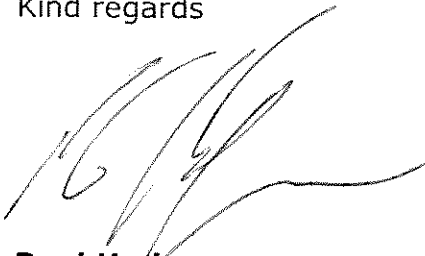
Additional points

- The consultation document seems to have drawn on the electricity model without adopting all required aspects to ensure transparency and fairness, and to avoid pitfalls.
- We need to ensure through the switching arrangements that the different statuses that an ICP can have are clearly defined (in line with those for electricity) so that it is clear for all parties. This will allow retailers to clearly define how a customer engages and disengages with them in response to a request from the MED, the associated costs for each activity, and what has to be physically done to achieve each status. This is needed for three reasons – ensure consistency within the industry, ensure end users can make a considered decision with all the facts, and safety.

Concluding Remarks

We would be happy to provide further information as required. Please contact me in the first instance (04 462 8777).

Kind regards

A handwritten signature in black ink, appearing to read 'PH', with a long horizontal flourish extending to the right.

Paul Hodgson

Manager Regulatory Affairs