

Consultation Paper: Draft Principles for Arrangements on Gas Distribution Systems

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QUESTION	COMMENT
Q1: Do you have any comments on the proposed purpose and definitions for the principles?	It is common in both the electricity and gas industries to have separate services contracts for distribution network services and metering (GMS) services, with network services being monopolies and metering services being contestable. Accordingly Contact considers that the principles for arrangements on gas distribution systems should focus only on distribution network services and not include metering services or ancillary services under the definition of Distribution Services. It is noted that Contact is progressing separate contracts for network and metering services with Vector and AMS, while Powerco has confirmed its commitment to separate contracts, and GasNet has made some progress towards a single contract but with separate network and metering services sections. Our preference remains separate contracts.
Q2: Do you have any comments on the proposed General Principles?	<u>Draft principle 1</u> Our preference is for a principle which is more direct as per the electricity model use of system agreement - "The Distributor will give all retailers equal access to the distribution services and will treat all retailers equitably." The words substantially similar could be open to interpretation.

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<p>Q3: Do you have any comments on the draft 'obligation and rights of parties' principle?</p>	<p><u>Second bullet point</u></p> <p>It would seem sensible to move the Note to the Explanation although we wonder whether NZS 5442 is an appropriate example. A better example might be:</p> <ul style="list-style-type: none"> • Gas (Safety & Measurement) Regulations 2010 – <ul style="list-style-type: none"> ○ Odourisation – information to demonstrate compliance with NZS 5263 and regulations 16-19 to enable the Retailer to comply with regulation 17. ○ Accuracy of altitude and network pressure in the registry - to enable the Retailer to comply with NZS5259 when using the registry data. <p><u>Third bullet point</u></p> <p>There should be an obligation in the principle for the parties to negotiate in good faith when the other party proposes a change, and a process to resolve if there is an impasse. Contact's experience has been that changes proposed by the retailer are too easily ignored if there is no such obligation or other motivation.</p>
<p>Q4: Do you have any comments on the draft 'distribution services provided' principles?</p>	<p>No comment</p>

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<p>Q5: Do you have any comments on the draft 'Pricing including pricing changes' principles?</p>	<p><u>Draft principle 7</u></p> <p>While agreeing with the principle at a high level, it would be useful to expand the principle to clarify what is meant by "transparent" and "consultation". For example, if changes to eligibility criteria are buried in a pricing document and not marked up or subject to specific comments, then they can be easily missed. Furthermore the quality of consultation can vary from inadequate (where the impacts of the proposed changes are not completely obvious) to meaningful (where it is very clear what is intended and the likely impacts, and the retailer can provide a quality response). Contact suggests something along the following lines.</p> <p>"Changes to pricing structure and/or methodology should be subject to meaningful consultation and transparency, such that the intention and impact of the proposed changes are easily understood, and responses to Retailers' written comments including decisions on final structure are transparent and clear to all prior to notification of final prices."</p> <p><u>Draft principle 9</u></p> <p>The gas and electricity industry norm is that Distributors give Retailers 40 business days (60 days, 2 months) notice of final prices, giving the Retailers 1 month to process the changes before providing 30 days notice to customers as required by the retail minimum/benchmark terms set by the Electricity Authority and Gas Industry Co (and Retailers' terms & conditions of supply for customers). The draft benchmark requiring only 30 days notice to Retailers is clearly inadequate. Contact suggests the following.</p> <p>"The Distributor must give Retailers 40 business days written notice (and notice by email where email is not an agreed method of notice set out in any network services contract) of any price change(s)."</p> <p><u>Additional pricing principle</u></p> <p>Contact notes that:</p> <ul style="list-style-type: none"> • One Distributor sets prices at the ICP meter level but network charges are then based on the metered volume x loss factor x price, accordingly the effective price (or cost of network services for the ICP) is not the notified price but instead is the notified price x the loss factor, as Retailers can only bill customers based on the metered quantity. To enable pass through to customers and transparency (where applicable), and efficient reconciliation of network charges, Contact considers the loss factors should be applied to the prices for billing of network charges and not the metered volumes. It is noted that this would not impact the Distributor's revenue, and Contact cannot see how this would make a difference to the Commerce Commission price threshold. • Continued in next section

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Q5 continued	<ul style="list-style-type: none"> Another Distributor currently sets prices at the ICP meter level but network charges are then based on the metered volume x price plus/minus a UFG scaling adjustment at load group level where aggregated metered volumes are scaled to the Retailer's allocated volumes less a UFG% representing the Distributor's expected distribution losses. Accordingly the effective cost is not just the notified price. <p>Contact considers the notified price should include all charges for the network service, and be fully predictable. Accordingly we suggest an additional principle as follows.</p> <p>"Prices should enable transparency to consumers and represent the full charges for network services relevant to each ICP. "</p>
Q6: Do you have any comments on the draft 'commencement and cessation of line charges' principle?	No comment
Q7: Do you have any comments on the draft 'disconnection and reconnection' principle?	No comment
Q8: Do you have any comments on the draft 'information exchange and use' principles?	No comment
Q9: Do you have any comments on the draft 'service interruptions' principle?	<p>The last sentence of Draft principle 16 should be relocated as the last sentence of Draft principle 15; given principle 15 is dealing with planned interruptions and principle 16 unplanned interruptions.</p> <p>Furthermore the notice to the Retailer should be 10 business days (the norm in the electricity industry and model use of system agreement) which gives the Retailer time to process the notification to affected customers who must receive at least 4 business days notice in accordance with the gas benchmark terms. In addition, if the Distributor provides notice direct to affected consumers (and not via the interposed Retailer) then it must give at least 4 business days notice to affected consumers and Retailer (so the Retailer can record the information in its customer database).</p>

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<p>Q10: Do you have any comments on the draft 'managing critical contingencies' principle?</p>	<p>The draft principle is too narrow and should deal with all network emergencies whether or not associated with an upstream critical contingency. Contact suggests the following principle.</p> <p>"Contracts should provide for the effective management of emergencies on the network including the effects of critical contingencies in accordance with the Gas Governance (Critical Contingency) Regulations 2008 where load curtailment is instructed, and coordination of the isolation and restoration of supplies to consumers (and relighting of pilots) to ensure network security and consumer safety is not compromised."</p> <p>It is noted that Contact executed variation agreements with all gas distributors in early 2010 that cover gas emergencies, including critical contingency events where they affect the distribution network. The agreements have been provided to other retailers leaving them to progress as appropriate.</p>
<p>Q11: Do you have any comments on the draft 'publication of the standard distribution agreement' principle?</p>	<p>No comment</p>
<p>Q12: Do you agree that an assessment should take place approximately six months after the principles are finalised?</p>	<p>A baseline assessment after 6 months would prove useful to incentivise distributors and retailers to progress more appropriate arrangements; however it is not clear what Gas Industry Co can or would do if there is a lack of compliance.</p>
<p>Additional principle</p>	<p><u>Investigation and resolution of supply quality issues</u></p> <p>Contact considers there should be a principle that covers investigation and response timelines for supply quality complaints.</p>