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Submission prepared by: Mighty River Power - Jim Raybould

QUESTION	COMMENT
Q1: Do you have any comments on the proposed purpose and definitions for the principles?	Mighty River Power (MRP) would suggest deleting the reference to metering services within the definition of Distribution Services. Those Distributors who provide metering services have either moved or propose to introduce separate agreement for Distribution and GMS services.
Q2: Do you have any comments on the proposed General Principles?	MRP is supportive of Draft Principle 1 and accepts that for some specific one off large end users it may be appropriate to have special terms and conditions for Distribution Services. Draft Principle 3 is potentially one of most important aspects of any contractual relationship of this type in that it must be current and reflect the legislative and regulatory environment in which we are all operating.
Q3: Do you have any comments on the draft 'obligation and rights of parties' principle?	MRP is in general agreement with Draft Principle 4. It is interesting that the GIC has chosen compliance with the Gas Specification NZS 5442 as its example under this principle. Network Operators have a reasonable requirement that the gas that they are delivering for their customers, the retailers, meets the Gas Specification. However as the consultation paper clearly points out retailers have no physical control over the gas in the pipeline more so given that the gas delivered to the networks is commingled in the transmission pipeline. It is important that each party's responsibilities within an agreement should be clearly defined and are controllable by those different parties. In the case of gas quality the status quo makes all retailers responsible for the delivery of non-specification gas. This is unacceptable. MRP's view is that those shippers who have caused non-specification gas to be delivered should be identified and only those shippers should have liabilities to not only the network operator but also the other retailers on the network. MRP would like to see the inclusion of a reference to the information exchange protocol currently being developed in conjunction with the GIC to assist retailers in their compliance with the Gas (Safety and Measurement) Regulations 2010. With regards to the process for resolving disputes we would specifically want this to include the ability to refer disputes to an independent third party.

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<p>Q4: Do you have any comments on the draft 'distribution services provided' principles?</p>	<p>MRP agrees with Draft Principles 5 and 6 however we would like to see some form or penalty/compensation payments agreed should the Distributor fail in their service commitments where these impact on our customers. Such payments would then be passed on to our customers.</p>
<p>Q5: Do you have any comments on the draft 'Pricing including pricing changes' principles?</p>	<p>MRP recommends that the minimum notice period for any price changes should be 60 days rather than the proposed 30 days, Draft Principle 9. Retailers are required to provide customers with 30 days written notice of price changes as per the Retail Contract Benchmarks. A 30 day notice period does not allow a retailer to assess the impact of the proposed price changes and to provide their required notice period to their customers.</p> <p>We note that the GIC has not included any comments on the ways in which the Distributors apply a UFG factor within their pricing regimes. The net effect of the application of these UFG factors is that the published throughput prices are not the actual prices charged for the gas delivered to retailer's customers. Furthermore the UFG factor is figure which is a subjective value produced by the Distributors.</p> <p>Given that UFG is calculated on a monthly basis for each transmission delivery point by the Allocation Agent, MRP is of the opinion that Network Charges like Transmission Charges should be based on the Initial, Interim and Final Allocation volumes produced by the Allocation Agent. We appreciate that such a change may require changes to the Gas Downstream Reconciliation Rules to provide Distributors with access to the relevant information. In addition this may also require a standardisation of network charging groups.</p>
<p>Q6: Do you have any comments on the draft 'commencement and cessation of line charges' principle?</p>	<p>Given that Distributors use their monopoly position to dictate that there is only one acceptable way to complete a safe disconnection, a retailer's decision to either disconnect a vacant site or continue to absorb the lines charges while vacant is influenced by a cost imposed on it by the Distributor. So while it may be more appropriate for a retailer to manage the risk associated with consumers and vacant ICPs, this risk is unreasonably controlled by the Distributor's monopoly position. Distributors should either be required to keep responsibility for the lines charge components of vacant ICPs, or allow retailers to utilise other, more cost effective methods of safely disconnecting gas ICPs</p>
<p>Q7: Do you have any comments on the draft 'disconnection and reconnection' principle?</p>	<p>As noted above this is an issue where Distributors exercise their monopoly power to minimise their risks by specifying that there is only one way to safely disconnect a gas supply.</p>
<p>Q8: Do you have any comments on the draft 'information exchange and use' principles?</p>	<p>MRP agrees that the information required from Distributors should be the same for all Distributors and that the information exchange arrangements, file formats etc, should also be uniform across the industry.</p>

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<p>Q9: Do you have any comments on the draft 'service interruptions' principle?</p>	<p>Notice of planned maintenance must provide retailers with sufficient notice for them to give their customers reasonable notice of a planned interruption of their gas supply. We would suggest that customers would want 1 weeks notice.</p> <p>A four business day notice period for planned maintenance is too short. It does not allow sufficient time for retailers to formally advise customers of the planned interruption of their gas supply. The existing Electricity and Gas Complaints Commission Code of Practice requires retailers to provide 10 business days notice of any planned interruption of a customer's gas supply for planned maintenance work.</p>
<p>Q10: Do you have any comments on the draft 'managing critical contingencies' principle?</p>	<p>MRP agrees with this principle and would recommend the adoption of the amendment designed by Contact Energy, agreed with and signed by all of the open access Distributors in late 2009 - early 2010.</p>
<p>Q11: Do you have any comments on the draft 'publication of the standard distribution agreement' principle?</p>	<p>MRP agrees that a distributor's standard Distribution Services Agreement should be available on the distributor's website.</p>
<p>Q12: Do you agree that an assessment should take place approximately six months after the principles are finalised?</p>	<p>Given the time that it takes to negotiate a revised Distribution Service Agreement MRP believes that it is unlikely that there will be any new Agreements in place 6 months after the principles are finalised. We are therefore of the view that an assessment of the current Agreements should be undertaken as soon as practical after the principles are finalised with a further assessment 1 year later to determine what progress has been made in aligning the Distribution Services Agreements with the principles.</p>