

Gas Industry Co Distribution Contract Principles: proposed design of the assessment framework

Submission by: Contact Energy, Rod Crone

QUESTION	COMMENT
<p>Q1: Do you have any questions or comments about the legislative or strategic context for this work on distribution arrangements?</p>	<p>Our only comment is that the failure to negotiate replacement distribution services agreements (DSAs) on expiry is more due to poor contract management than unresolved issues. However Contact has had difficulty getting the agreement of distributors to address important issues with existing contracts by way of a written variation signed by both parties. The only exception over the last few years was three variation agreements signed by each of the three distributors and Contact to address contingency and emergency events following regulatory changes and reflecting good industry practice, however it is noted that one DSA that it varied has expired without a replacement offered.</p> <p>The legal and strategic context for this work on distribution arrangements should also include the Gas (Safety and Measurement) Regulations 2010 which places obligations on retailers who rely on distributor systems and processes (and evidence of performance) to be able to demonstrate compliance with the regulations. In this context several retailers and Gas Industry Co have drafted an information exchange protocol. Contact considers that the assessment against principle 4 should include consideration of whether obligations in DSAs will assist retailers in meeting the relevant legal responsibilities.</p>
<p>Q2: Do you have any comments on Gas Industry Co's work thus far on distribution arrangements?</p>	<p>Contact disagrees that distribution services contracts (DSAs) are commercially sensitive. An important obligation in DSAs is that the distributor will give all retailers equal access to the distribution services and treat all retailers even-handedly. Furthermore, it is expected that when the distributor agrees an amended DSA with a retailer that the amended DSA is offered as an alternative DSA to existing retailers.</p> <p>The proposal refers to each "standard" DSA, however it is not obvious to Contact what constitutes a standard DSA. Contact's view is that the assessment should cover the executable DSA offered to retailers for each network, or in the absence of a DSA offered to all retailers for any network then the assessment should cover existing executed DSAs relevant to that particular network. It is noted that this may necessitate assessment of more than one DSA for each distributor.</p> <p>It is noted that while all three distributors are progressing new DSAs the current situation is that Contact has three executed DSAs for Powerco's networks – Hawkes Bay/Manawatu/Horowhenua/Wellington, Hutt Valley/Porirua, and Taranaki, and two for Vector's networks – Auckland, and ex NGC networks.</p>

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Q3: Do you agree with the assessment framework proposed? If not, please provide suggestions for improvement or amendment.	We are comfortable with the assessment process provided it includes a DSA for each network that is either executable or executed, and not just a draft standard DSA. In any event this would not a distributor arranging for alignment comment from the GIC assessor on its draft standard DSA before it is finalised.