



**Submission to the Gas Industry Company on its Consultation on  
Exemption Application under the Gas (Switching Arrangements) Rules  
2008 - Application SW08-11-T for the exemption of 'bypass' distribution  
systems and associated ICPs from rule 41 of the Switching Rules**

From

**Contact Energy Limited**

10 March 2009

## Introduction

Contact Energy Limited (“Contact”) welcomes the opportunity to provide feedback to the Gas Industry Company (“GIC”) on its consultation on Application SW08-11-T for the exemption of ‘bypass’ distribution systems and associated ICPs from rule 41 of the Switching Rules. Contact’s answers to the GIC’s questions follow.

For any questions related to this submission, please contact:

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## Consultation questions

Question	Comment
<p><i>Q1: Do you agree or disagree that the consumer installations connected to Nova Gas' bypass networks should be included in the gas registry and subject to the Rules? Please give your reasons</i></p>	<p>Contact considers all consumer loads connected to reticulated natural gas networks, whether open access or bypass networks, should have ICPs created and these ICPs should be included in the registry and subject to the rules that are relevant.</p> <p>Our reasons include:</p> <ul style="list-style-type: none"> <li>• Having all ICPs on a common central registry must enhance competition.</li> <li>• Not having Nova Gas bypass ICPs on a common central registry must give Nova Gas an unfair advantage.</li> <li>• Provides a single and transparent source of information for industry-wide statistics on consumers of natural gas.</li> <li>• Provides a single and transparent source of information regarding ICP parameters for all gas consumer loads.</li> <li>• Enhances consistent treatment in planning for and management of load curtailment associated with contingency events.</li> <li>• Provides transparency around which consumers are connected to the open access and bypass networks, essential or at least helpful if issues of excess positive or negative UFG on either network are to be investigated and resolved. Given Nova Gas is a retailer on both networks, and both networks can be quite close in the same street, it is possible that a physical connection or manual processing error could result in a consumer load being allocated to the wrong network and this error could easily go undetected (as occurred on the Whangaparoa bypass network until found by chance).</li> <li>• Allocating ICPs to all consumer loads and populating these ICPs on the registry would likely be of assistance to an auditor when GIC or Energy Safety audits are conducted under the switching rules, downstream reconciliation rules, or Gas Regulations.</li> <li>• There is nothing to prevent customers on the Nova Gas bypass network switching retailers apart from the additional step to "switch" networks and potentially breaching a term contract (particularly if it includes a right of first refusal). It is noted that a term contract cannot be</li> </ul>

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	<p>used to prevent a switch, however once brought to the attention of the customer the customer would have to consider the consequences of breaking a contract. In addition to the above additional steps it is considered the exclusion of bypass network ICPs from the registry would provide an additional barrier to a customer [bypass to open access network] switch.</p> <ul style="list-style-type: none"> <li>• Switch quality may be compromised if Nova Gas was able to avoid provision of certain information when a customer switches from the bypass network to an open access network and to a retailer other than Nova Gas. For example, customer billing and allocation accuracy should be enhanced, particularly for commercial and industrial customers, if consumption history is transferred.</li> <li>• It would provide a transparent time sliced record of the complete lifecycle of each consumer load whether it be connected to the open access or bypass network.</li> </ul> <p>We consider the rules around network switches (including rule 82) should be revisited in light of the relatively recent electricity market experience with ICPs in the registry and network owner changes. In this context the expectation set by the rules and Electricity Commission is to retain the original ICP number irrespective of network owner, and to only require use of the 2 letter “ICP Identifier Distributor Code” within the ICP number to ensure uniqueness when the ICP is first created.</p> <p>Our preference would be for the gas industry to do the same and to retain the original unique ICP number for the full lifecycle of a consumer load, and only change network owner code when the ICP switches from one network (or network owner code) to another network (or network owner code). This way the complete lifecycle of ICP events and consumption history of a consumer load is linked to a single ICP irrespective of network owner or retailer.</p>
<p><i>Q2: Do you agree or disagree that a transitional exemption should be granted as sought? Please give your reasons.</i></p>	<p>Contact agrees it is appropriate to grant a transitional exemption to allow the issues relating to both registry/switching and reconciliation to be considered together to ensure a robust and consistent outcome is achieved.</p> <p>However, Contact does not agree with the proposal to create a single notional ICP to represent</p>

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	<p>each bypass network, as we do not believe this serves any useful purpose.</p> <p>Contact would like to see both transitional exemptions expiring on 30 June 2009, and given the release of the paper titled “Application of Gas Governance Arrangements to Private Networks” three months should be sufficient time to consult and arrive at a robust, consistent and sustainable outcome for both sets of rules. Should any additional time be required we suggest that both exemptions be extended as required to ensure continued alignment, but we do not see that it is necessary or appropriate to have this exemption with an initial expiry date of 30 November 2009.</p>
<p><i>Q3: Do you agree or disagree with Nova’s proposition that a transitional exemption should be granted mainly as a holding action until the issues in relation to bypass networks under both the Rules and the Gas (Downstream Reconciliation) Rules 2008 can be properly addressed? (The alternative is to address the underlying issues in the present application on their merits immediately, and deal separately with the downstream reconciliation issues at a later time.) Either way please give reasons.</i></p>	<p>Contact agrees that a transitional exemption be granted as a holding action to allow the issues relating to both registry/switching and reconciliation to be considered together to ensure a robust, consistent and sustainable outcome is achieved.</p>
<p><i>Q4: If a transitional exemption is granted – and given the desirability as suggested by Nova Gas, of considering at the one time, the substantive issues in regard to the coverage of bypass networks by both the Rules and the Gas (Downstream Reconciliation) Rules 2008 – is there any merit in the exemption expiring other than on the same date (30 June 2009) as the</i></p>	<p>No. Refer comments above for Q2.</p>

Question	Comment
<i>existing downstream reconciliation exemption?</i>	
<i>Q5: Given the additional information set out above, do you consider that there would be any adverse impact on other registry participants if the exemption as sought was granted? In particular would the ability of a move to occur from a customer installation on a bypass network to a new/recommissioned consumer installation on an open access network be impaired? If you think there would be adverse impacts, explain what they are and the reasons for those impacts occurring</i>	Granting an exemption will have some potential negative impacts, as outlined in our response to Q1. However it is better to put the priority and effort into allowing the issues relating to both registry/switching and reconciliation to be considered together to ensure a robust, consistent and sustainable outcome is achieved.
<i>Q6: The possibility of adverse impacts on the ability to move to or from a bypass network under the Rules notwithstanding, do you have any information available which would indicate that these occurrences would be likely during the proposed term of the exemption?</i>	No comment.
<i>Q7: The ability to make a switch aside, are there any wider reasons for not granting the exemption and ensuring that data for all Nova Gas' bypass ICPs is entered into the registry? If yes, what are those wider reasons?</i>	Refer to our response to Q1.
<i>Q8: Do you think the condition suggested by Nova Gas, ie that all of the ICPs on each bypass network should be represented by a</i>	Contact does not agree with the proposal to create a single notional ICP to represent each bypass network, as we do not believe this serves any useful purpose.

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<i>single notional ICP, is practicable or acceptable? Give the reasons for your view. If you disagree with this alternative arrangement, do you have any views on a more acceptable alternative condition?</i>	
<i>Q9: Do you consider that the nature of the exemption proposed by Nova Gas is such that Gas Industry Co has the jurisdiction to grant a transitional exemption under rule 90?</i>	We consider GIC has the right to grant a transitional exemption under rule 90.
<i>Q10: Do you have any views on the contention by Nova Gas that, in respect of its bypass networks, Nova Gas is not a 'distributor' under the Gas Act 1992 and the Rules?</i>	We consider that Nova Gas is a distributor under the Gas Act and Rules.  Furthermore, we consider there would be some detrimental effects if Nova Gas was able to operate without being a responsible distributor, responsible retailer or responsible meter owner under the rules to the extent relevant to it being a bypass network owner, retailer and/or meter owner.