

11 December 2020

Gas Industry Company
Wellington
New Zealand

By email: consultations@gasindustry.co.nz

Extending the Electricity Price Review's Final Recommendations to the Gas Market

1. Contact Energy welcomes the opportunity to comment on the Gas Industry Company (**GIC**) consultation, *Extending the Electricity Price Review's Final Recommendations to the Gas Market – An Assessment*.
2. The Electricity Pricing Review (**EPR**) focussed on whether the electricity market delivers “efficient, fair and equitable prices [to consumers]”. Contact appreciates the GIC’s analysis on the relevance and potential application of the EPR recommendations to the gas market.
3. Contact recognises that for retail customers, electricity and gas services are complementary and can also be substitutes for one another, including for space heating, water heating and cooking.
4. While the scope of EPR was limited to electricity, adjacent issues in the gas market were not raised, which might have been expected had there been significant issues to address. In the absence of further evidence that issues exist with the gas market, Contact cautions the GIC from reading across recommendations from the EPR to the gas market. Unnecessary regulation drives costs which are ultimately borne by end-users through higher retail prices. Any recommendation of further regulation must be evidence-based, and the benefit of any regulatory imposition must be clear.
5. As the GIC’s paper identifies, there are limited similarities between the wholesale gas and electricity markets, and we support the GIC’s conclusions that most EPR proposals in respect of the wholesale market are not relevant or applicable.

EPR Recommendations

6. The Government’s response to the final report of the EPR panel chaired by Miriam Dean QC was released in October 2019. Contact is working with MBIE, the EA and other market participants as the proposed changes to the electricity sector are implemented. We supported the ban on win-back activity that was announced in February and came into effect on 31 March 2020, and continue to advocate for removal of the low fixed user charge that will be phased out over the next few years. Contact also stopped prompt payment

discounts for new residential customers in May 2019, aligned with the recommendations in the EPR.

7. In many instances, retail changes as a result of the EPR practically flow through to gas customers. Contact does not sell gas to retail customers on a stand-alone basis, but rather as part of a dual fuel package. As a result, many of these changes practically flow through to Contact's dual fuel customers.
8. Contact is focussing on delivering great customer experiences for all our residential services across electricity, gas and broadband. Ngā tikanga¹ is our set of principles and guides our actions, commitments and behaviours. Our commitments include:
 - **Creating value for our customers and communities** by developing smart solutions that make life easier;
 - **Respecting the rights and interests of communities** by listening, and understanding and managing the environmental, economic and social impacts of our activities; and
 - **Staying a step ahead** anticipating the things that are going to matter to our business and New Zealand.
9. Contact is acutely aware of the importance of supporting vulnerable customers for all our services. If anyone needs help paying their bill, we encourage them to get in touch so we can discuss their options, including our range of plans and ways to pay that may help manage energy use.
10. Contact is also involved in ERANZ's Vulnerable and Medically Dependent Consumer Working Group, which brings together people from across the electricity sector, government departments, regulators, and community organisations.
11. Contact stopped prompt payment discounts for new residential customers in May 2019, aligned with the recommendations in the EPR. Existing customers with prompt payment discounts are progressively being migrated to new plans without prompt payments as they renew.

GIC's Analysis

12. Contact broadly supports the analysis undertaken by the GIC. However, Contact does not support an ad hoc application of EPR recommendations to the gas sector because in many cases the changes currently extend to Contact's gas customers already, the GIC has not justified the benefits to extend to gas customers, and importantly Contact today focusses through our tikanga on delivering for our customers in a competitive market.
13. The attached table responds to specific questions raised by the GIC.

¹ See: 2020 Contact Energy Integrated Report <https://contact.co.nz/aboutus/investor-centre/reports-and-presentations#Annual-and-half-year-reports>

14. We welcome the opportunity of discussing any of these points further with you.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Chris Abbott', with a stylized, cursive script.

Chris Abbott
GM Regulatory Affairs & Government Relations

Responses to Specific Questions raised in GIC Consultation

Ref	EPR Recommendation	Contact commentary
3.1 Strengthening the Consumer Voice		
A1	Establish independent consumer advocacy council (CAC) to advocate on behalf of residential and small business electricity consumers. The CAC is fundamental to strengthening the consumer's voice and consumers' trust in the sector.	As GIC note, there are no current Government plans to expand the CAC's remit to include gas. Contact does not consider that there is value in expanding the CAC to cover gas at this stage. Expanding CAC's scope would increase costs, and dilute the CAC's focus – without clear benefit.
A2	Ensure regulators listen to consumers.	The GIC should always be cognisant of consumers, consistent with the Gas Industry Act s43ZN(a) which has a principal objective to ensure that gas is delivered to existing and new customers in a safe, efficient, and reliable manner. Contact does not consider that further regulatory action or government direction is required to achieve that outcome.
3.2 Reducing energy hardship		
B1	Establish a cross sector energy hardship group	Contact agrees that the energy hardship group should consider gas alongside electricity in assessing initiatives. Contact recommends that further analysis be undertaken by the group to assess whether the nature of identified hardship differs between those customers who have both electricity and gas, to those customers who purchase electricity only.
B2	Define energy hardship	Contact agrees that it is appropriate to include gas within the energy hardship definition – recognising electricity and gas combined from a retail perspective, together with housing quality and income can impact the outcomes for people in energy poverty.
B3	Establish a network of community-level support services to help consumers in energy hardship.	The fundamental solution for energy hardship is addressing poverty by improving housing, increasing incomes, and fixing regulation.

		<p>Contact is proud of our work with ERANZ on the pilot programme for EnergyMate, a free in-home energy coaching service for consumers at risk of energy hardship, struggling to pay their power bills or to keep their homes warm. The programme is funded by electricity retailers like Contact, as well as lines companies and Energy Efficiency and Conservation Authority (EECA) – and delivered by community organisations.</p> <p>Contact has also been heavily involved in the ERANZ-led initiative to fund 10,000 power credits worth \$120 each, allocated by community groups to households affected by COVID-19.</p>
B4	Set up a fund to help households in energy hardship become more energy efficient.	Contact recommends that any recommendation to extend a fund to cover gas as well as electricity is deferred until energy hardship is defined.
B5	Offer extra financial support for households in energy hardship	Contact recommends that any recommendation to extend a fund to cover gas as well as electricity is deferred until energy hardship is defined.
B6	Set mandatory minimum standards to protect vulnerable and medically dependent consumers.	<p>Contact is involved in ERANZ’s Vulnerable and Medically Dependent Consumer (MDVC) Working Group, which brings together people from across the electricity sector, government departments, regulators, and community organisations. The EA is currently consulting on new guidelines for MDVC regulations.</p> <p>Contact currently does not distinguish between MDVC customers who take electricity only, from those MDVC customers who purchase both electricity and gas. For that reason, retail gas customers are afforded the same protection as electricity-only customers.</p> <p>Contact does not believe that further regulation is necessary in this regard.</p>
B7	Prohibit prompt payment discounts but allow reasonable late payment fees	Contact stopped prompt payment discounts for new residential customers in May 2019, aligned with the recommendations in the Electricity Price Review. Existing customers with prompt payment discounts are progressively being migrated to new plans without prompt payments as they renew.

		Contact has a consistent approach with dual fuel customers who purchase both electricity and gas from us.
B8	Explore bulk deals for social housing and/or Work and Income clients	No comment
3.3 Increasing retail competition		
C1	Merge the Electricity Authority and Consumer NZ price comparison websites Whatsmynumber and Powerswitch	No comment
C2	Improve consumer awareness of Powerswitch and Utilities Disputes	The EA is currently consulting on changes to how retailers promote Powerswitch and UDL.
C3	Develop a streamlined way to process customer requests for consumption data	Contact does not agree. A problem has not been identified, and as the paper notes, there are currently no Gas smart metering. We do not support the GIC seeking to expand the mandate when there is no clear issue to address
C4	Make distributors offer retailers standard terms of network access	Agree with GIC recommendation that not required for gas, as GIC operates the voluntary, industry-agreed Gas Distribution Contracts Oversight Scheme
C5	Prohibit saves and win-backs	Contact customers acquire gas together with electricity, and do not acquire on a stand-alone basis. For that reason, the electricity retail prohibition of saves and win-backs practically means that the same applies for gas customers
C6	Establish a pilot scheme to help non-switching customers find better deals	The GIC has not identified a competitive issue in respect of retail gas, and accordingly has not demonstrated a case that regulation would deliver any benefits.
3.4 Reinforcing wholesale market competition		
D1	Improve availability of wholesale electricity and gas market information	This work is underway through the EA & GIC.
D2	Introduce mandatory market-making obligations	Contact agrees with GIC conclusion. No action is necessary.

D3	Make generator – retailers release information about the profitability of their retailing activities	Contact agrees with GIC conclusion. No action is necessary.
D4	Monitor contract prices and generation costs more closely	Contact agrees with GIC conclusion. No action is necessary.
3.5 Improving transmission and distribution		
E1	Issue a government policy statement on transmission pricing	Contact agrees with GIC conclusion. No action is necessary.
E2	Issue a government policy statement on distribution pricing	Contact agrees with GIC conclusion. No action is necessary.
E3	Ensure distributors have access to smart meter data on reasonable terms	Contact agrees with GIC conclusion. No action is necessary.
E4	Give the Commerce Commission more powers to regulate distributors	No clear issue has been identified that might warrant further investigation whether the Commission should be provided with additional powers to regulate.
3.6 Improving the regulatory system		
F1	Give the Electricity Authority more powers to regulate network access	No clear issue has been identified that might warrant further investigation whether the EA should be provided with more powers to regulate network access.
F2	Give the Electricity Authority an explicit consumer protection function	Contact agrees with GIC conclusion. Agree no further action required and that consumers are already taken into account in respect of the GIC's discharge of its Gas Act functions.
F3	Update the Electricity Authority's compliance framework and strengthen its information gathering powers	Contact agrees with GIC conclusion. Contact does not consider that GIC requires strengthened information gathering powers. As the GIC notes, there is good compliance by the industry responding to information requests.
F4	Phase out low fixed charge tariff regulations	Contact agrees with GIC conclusion. Irrelevant to the Gas market. The Minister and industry is working to phase these changes out for electricity.