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17 November 2014

Pamela Caird
Gas Industry Company
Level 8, The Todd Building
95 Customhouse Quay
WELLINGTON

Dear Pamela,

Draft Decision Paper: Framework for Gas Retailer Insolvency Arrangements

Genesis Energy Limited welcomes the opportunity to provide a submission to the Gas Industry Company ("GIC") on the consultation paper "Framework for Gas Retailer Insolvency Arrangements" dated 15 October 2014.

We generally support the approach taken by the GIC for retailer insolvency arrangements in the paper. We agree it is prudent to ensure customers are able to be transferred from a defaulting gas retailer in a timely way, provided there has been a reasonable opportunity for normal commercial arrangements or insolvency arrangements to provide for the transfer of customers.

Our specific responses to the questions raised by GIC are set out in Appendix A. However, we have a specific suggestion around the use of the term 'transfer time' in the paper. We suggest this term should be replaced with 'transfer date' to ensure that there remains consistency with the definition of 'switch date' currently in the regulations. The required change to the definition is minor:

~~Transfer time~~ **Transfer date** means the date ~~and time~~, as determined by the industry body, at which an insolvent retailer's ICPs are transferred or deemed to be transferred to recipient retailers.

If you would like to discuss any of these matters further, please contact me on 04 830 0013.

Yours sincerely



Rebekah Plachecki
Regulatory Advisor

Appendix A: Responses to Consultation Questions

QUESTION	COMMENT
Q1: Do you have any comments on the high-level process described in this section?	No comments.
Q2: Do you have any comment regarding the insolvency trigger?	<p>It is not clear under Clauses 99 and 100 what process the GIC must follow to determine whether the regulations will be triggered after notification. This must be clarified.</p> <p>In our view, it is critical that the regulations are a backstop to normal commercial processes, and are not used as leverage by participants in these situations. Our reading of the current provisions is that notification may be given under these Clauses in situations where the retailer is still able to trade, and will therefore influence any related commercial arrangements.</p>
Q3: Should the obligation to report retailer insolvency be placed on retailers only, to report their own insolvencies, or should gas producers, gas wholesalers, and the allocation agent also have reporting responsibilities?	We do not have any issue with other participants having the requirement to report, as long as our comment in Q2 is addressed (so that producers or wholesalers cannot use the threat of notification as leverage in a contractual dispute).
Q4: Do you agree that these changes to the Switching Rules would be minor and would not adversely affect the interest of any person in a substantial way?	We agree that these changes will not affect day-to-day operations of participants. But we note that they will affect medium term thinking of retailers (or their suppliers).
Q5: Do you agree that the Switching Rules be amended to include the ability for Gas Industry Co to require information from an insolvent retailer?	Yes.

QUESTION	COMMENT
<p>Q6: Do you agree with the proposed content of the report(s)? Are there items that should be added or deleted, and why?</p>	<p>Definitions and purpose of some of the fields need to be clarified, and possibly made optional. This is because not all retailers will have the corresponding field in their systems. For example, Genesis Energy only has a 'No Access Code' field, which would need to be mapped to a description to be of use externally, similarly for 'dog fields'.</p> <p>'Event Date' field seems to have no purpose, and for SME customers it may be useful to have some indication of end use i.e. the ANZSIC code.</p>
<p>Q7: Do you agree that these changes are minor and would not adversely affect the interest of any person in a substantial way?</p>	<p>We agree that, on the whole, the change is minor.</p>

QUESTION	COMMENT
<p>Q8: Further, it is likely that the cost of monitoring would be offset by the savings gained from finding any instances of gas consumption at the monitored ICPs, which can then be prevented through disconnection or used to identify potential new customers. In other words, without the proposed change, any UFG caused by vacant and inactive ICPs of the insolvent retailer will be allocated to remaining retailers at the affected gas gate in proportion to their customer load. With the proposed change, gas consumption at those ICPs will be identified and prevented, providing a benefit to all retailers at the gate at the expense of minor monitoring costs. Accordingly, Gas Industry Co concludes that this change does not adversely affect retailers in a substantial way. Do you agree with the proposed amendments to the Switching Rules?</p>	<p>We agree that vacant and inactive ICPs need to be included in any distribution.</p>
<p>Q9: Do you agree that the proposed change is minor and does not adversely affect the interests of any person in a substantial way? If not, please describe the substantial adverse effect.</p>	<p>Agree.</p>
<p>Q10: Do you agree with the proposed trigger?</p>	<p>Agree.</p>

QUESTION	COMMENT
<p>Q11: Do you agree with the proposed approach of transferring orphan consumers on an ICP-by-ICP basis? If not, what alternative would you suggest that takes into account the need to transfer customers quickly and the limited resources at Gas Industry Co's disposal?</p>	<p>We agree with the proposed approach of transferring orphan consumers on an ICP-by-ICP basis.</p>
<p>Q12: Should a de minimus threshold (of 5% or 10%) apply to recipient retailers? If yes, do you agree with the proposed separate approaches to allocation group 1-3 and allocation group 4-6 customers?</p>	<p>We agree with the separate approaches to allocation groups 1-3 (large commercial) and 4-6 (residential and SME). We favour the option where all retailers trading are captured with those with less than 10% able to opt out¹.</p>
<p>Q13: If not, do you prefer the option where all retailers are included, but those with less than 5% market share (by customers and volume) can opt out?</p>	<p>See Q 12 response.</p>
<p>Q14: Do you have any views on the proposed ICP allocation methodology?</p>	<p>We suggest that the regulations must allow for both gas gate level distribution and pipeline level, depending on the number of ICPs required to be distributed. For example, if only a small retailer fails, or the vast majority of a customer base is sold, then a pipeline level distribution may be required to ensure sufficient whole numbers to distribute. However, if there are large numbers of ICPs, then a gas gate level distribution will better reflect the market mix immediately prior to the event.</p>

¹ See page 19 of the GIC paper.

QUESTION	COMMENT
Q15: Do you agree with this approach? Why or why not?	Yes, we agree with this approach for logistical reasons.
Q16: Do you agree that this is a reasonable approach to the transfer of large consumers? If not, what alternative would you suggest?	We agree with this approach.
Q17: Do you have any comments on clauses 8-11 of the proposed Drafting Instructions?	No comments.
Q18: Do you have any comments on clause 14 on the proposed drafting instructions?	Genesis Energy agrees on the proposed transfer of capacity and charging method. In particular, we note that transmission capacity transfer should not unreasonably be withheld. Without some certainty of capacity transfer, if required, the new retailer would need to be able to decline the switch so they are not forced into a supply/capacity mismatch situation.
Q19: Do you agree with the proposal in clause 15 of the proposed drafting instructions?	We agree with Clause 15. Further, we suggest Clause 15 should also apply to any supplementary agreements.
Q20: Do you agree with this proposal? Why or why not?	We agree with this proposal.
Q21: Do you agree that the change is minor and will not adversely affect the interest of any person in a substantial way?	We agree that the change is minor.