

# Format for submissions on Gas Governance Issues in Gas Distribution: Issues Paper – Mighty River Power

To assist Gas Industry Co to analyse responses, please use the table below to format submissions. The questions are the same as those contained in the body of this document. Submitters are free to include other relevant material in their responses.

Question	Comment
<p><b>Question 1:</b> Do you agree with the proposed regulatory objective? If you disagree please explain why and/or provide an alternative.</p>	<p>Yes</p>
<p><b>Question 2:</b> Have we identified all relevant characteristics of distribution? If not, please suggest what other features you believe to be relevant, and explain why they are relevant.</p>	<p>In general yes, however we would describe the three open access distribution operators as monopoly rather than dominant providers given that the competing Nova networks do not offer distribution services to third party retailers.</p> <p>We note that just as there are no interconnection agreements between transmission and distribution operators there are no interconnection agreements between distribution and GMS operators. The current contractual arrangements for GMS within distribution networks where the distribution operator is not the GMS operator, is to impose contractual arrangements with the GMS operator via a third party, the retailer via the Network Services Agreement.</p> <p>With regards to the switching out of GMS to an alternative provider when a customer switches retailer our experience is in line with the GIC's findings in that this is now the exception rather than the rule.</p> <p>We are unaware of any open access network operator specifying a monopoly GMS provider for their networks.</p> <p>Finally on this section the Issues Paper states that GasNet (Wanganui Gas) does not provide GMS services outside its network areas. This is incorrect.</p>

Question	Comment
<p><b>Question 3:</b> Have we identified all regulatory arrangements that are relevant to the analysis of gas distribution? If not, please suggest what other regulatory arrangements are relevant, and explain why they are relevant.</p>	<p>The Consumers Guarantees Act applies to residential gas supplies and requires gas to be supplied that is fit for purpose. It therefore has the effect of being an all encompassing regime covering gas quality, price and safety.</p> <p>We believe that the Critical Contingency Management Regulations (CCMR) also has an impact on the operations of the network and GMS Operators albeit indirectly given the way that the CCMR are written.</p> <p>We note that the GIC has suggested including a reference to the CCMR in their benchmarks in Appendix A. We would however recommend that the Network Operators should agree uniform arrangements for dealing with both CCMR and localised network contingencies. These arrangements should be included within their Network Services Agreements. The arrangements should detail the coordination and management of the disconnection and reconnection of end users during any unplanned outage as well as clearly covering who will be responsible for the cost of this work.</p>
<p><b>Question 4:</b> Have we identified all issues relevant to the analysis of gas distribution? If not, please suggest what other issues are relevant, and explain why they are relevant.</p>	<p>As mentioned above there are, to the best of our knowledge, no contractual arrangements in place between network and GMS operators. Given the GIC's desire to see contractual alignment through the gas supply chain, then we would recommend that the GIC mandate the introduction of interconnection agreements between transmission and distribution operators and between distribution and GMS operators.</p>
<p><b>Question 5:</b> Do you agree Gas Industry Co should do no further work on the safety and reliability aspects of distribution services? If you think Gas Industry Co should do further work on this topic, please explain why.</p>	<p>We agree that the GIC should do not further work on these matters.</p>
<p><b>Question 6:</b> Do you agree with the options identified for dealing with slow progress on updating standard distribution agreements? Which option do you think is most appropriate?</p>	<p>Yes. Our preference would be for the GIC to develop, publish and update compliance with a series of benchmarks along the lines proposed in Appendix A but also mandate a requirement for regularly reviewing these agreements.</p>

Question	Comment
<p><b>Question 7:</b> Do you agree Gas Industry Co should do no further work on the other efficiency aspects of distribution services? If you think Gas Industry Co should do further work on this topic, please explain why.</p>	<p>It is disappointing to note that there has been no progress on the disconnection and reconnection issues with regards to fixed daily fees charged by the Network and GMS Operators.</p> <p>The current requirement to provide relief from these daily charges is for retailers to physically disconnect these gas supplies. The average cost of a disconnection is now in excess \$100 with a gas reconnection costing a similar amount. Retailers are therefore faced with the option of continuing to pay fixed daily charges or incur the cost of disconnecting gas supplies. These costs can only be recovered via tariffs thus putting upward pressure on gas prices. In addition should a retailer opt to disconnect a gas supply to stop these fixed charges the cost of reconnection combined with the requirement of the new Regulation 51 of the Gas (Safety and Management) Regulations to certify reconnections when a gas supply has been disconnected for more than 6 months is a clear disincentive for customers to reconnect to gas.</p> <p>Other than the above issue yes we would be happy for the GIC to revert to having a watching brief on distribution issues. However should there be no significant progress on the outstanding issues identified within this Issues Paper within the next 12 months then the GIC should revisit this decision.</p>
<p><b>Question 8:</b> Do you consider the high level benchmarks for distribution contracts proposed in Appendix A are appropriate? If not, please suggest what alternatives should be considered.</p>	<p>Yes, however we would make the following suggested changes to the General Principles in the Appendix.</p> <p>11 – Drop the words “As far as possible” at the beginning of this principle.</p> <p>14 – Include a requirement to ensure that Retailers can comply with the EGCC guidelines of interruptions for planned maintenance.</p> <p>17- We would suggest that the distribution contracts should as a minimum be reviewed in their entirety every 5 years.</p>