



6 April 2011

Gas Industry Company Ltd
PO Box 10646
Wellington 6143

Electronic Submission

Dear Sir or Madam

Response to Gas Governance (Insolvent Retailers) Regulations 2010

Thank you for the opportunity to make a submission for the discussion paper “Gas Governance (Insolvent Retailers) Regulation 2010 discussion paper. No part of our submission is confidential and Mighty River Power is happy for our comments to be published.

We agree that the current regulation should be repealed as this is a rare occurrence and the Regulation may not be appropriate if there was another insolvent retailer (it would be dependant on the circumstances and handled case by case). However our recommendation is to have a process in place when a new retailer starts trading (following other sector stands pre-trading audit) to support new retailers, as well as create a stable environment for the existing retailers.

Accompanying this letter are our comments to Appendix C questions.

Should you require any further clarification or information please contact me on 09 580 3844 or aileen.rodger@mercury.co.nz .

Yours faithfully

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Appendix 3: Consultation template – Gas Governance (Insolvent Retailers) Regulations 2010—Statement of Proposal

Submission prepared by: Might River Power – Aileen Rodger (09) 580 3844

QUESTION	COMMENT
<p>Q1: Do you agree that the Regulations should be revoked under regulation 19? If not, what suggestions do you have for overcoming the shortcomings outlined above?</p>	<p>Yes</p>
<p>Q2: Do you have any comments on the provisions of the Regulations themselves?</p>	<p>No</p>
<p>Q3: In your view, is some form of regulatory intervention required to deal with cases of retailer insolvency?</p>	<p>No, the occurrence of insolvency of retailers is rare and should be dealt with case by case as each would present it's own issues. With only 5 insolvencies in the last 11 years, current regulations would have changed over the time which would possibly cause more work keeping the regulations up to date and valid, with the possibility that it might never be used. Although we do need something in place to protect the other Gas retailers, this could be done through a pre-trading audit with 6 month surveillance audit (see more details in Q7).</p>
<p>Q4: Are there other factors to consider that have not been mentioned?</p>	<ol style="list-style-type: none"> 1. Any pre-existing or historical market liabilities (eg UFG) should not become the responsibility of a subsequent retailer. 2. Give retailers options to nominate areas or segments which they operate in or can take extra load. 3. Waive off any penalties caused due to insolvent retailer.
<p>Q5: Do you agree that the objectives addressed by the Regulations were appropriate?</p>	<p>Yes, these were relevant for the E-Gas situation.</p>

QUESTION	COMMENT
<p>Q6: Are there others that an insolvent retailer policy should address?</p>	<p>Financial risk – GIC to other retailers, a retailer may not be ready to trade in an area which may prove to be costly (in the case of retailers being allocated customers of a type or area they don't normally service).</p>
<p>Q7: Are there any other options that Gas Industry Co should consider?</p>	<ol style="list-style-type: none"> 1. It is not practical to require a subsequent retailer to honour the exact contract terms of the insolvent retailer. 2. Important to build customer choice into a process. Broadly the process would be: <ol style="list-style-type: none"> a) Insolvent retail looks for buyer of retail book b) Consumers not on sold are given communication to look for retailer of their choice (obviously exact mechanisms would need further discussion but detail not necessary for legislation) c) Allocated (forced) transfer of remaining customers to suitable alternative retailers 3. Important to not leap straight from step a to c with no regard for consumer choice. <p>Pre trading Audit : Follow a similar process to the Health sector, audits should be carried out before a retailer is given approval to trade (making sure there are systems and processes in place prior to trading) and after 6 months a surveillance audit to ensure that the new retailer is following the systems and processes – all new retailers need to prove they are compliant within the first 6 months of trading or should need to stop trading till they are fully compliant because of the impact to the rest of the market.</p>
<p>Q8: What are your views concerning alignment with the default arrangements being developed by the Electricity Authority? Are there opportunities for harmonisation that we have not identified?</p>	<p>It will be ideal to have the Electricity and Gas aligned.</p>