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## **SUBMISSION ON DISCUSSION PAPER ON MECHANISMS TO IMPLEMENT A CENTRAL REGISTRY**

### **Introduction**

1. Vector welcomes the opportunity to submit on the Gas Industry Co's discussion paper on the means necessary to successfully implement a central registry.
2. In Vector's view the decision on the appropriate means to successfully develop and maintain a central registry should be seen in the context of the purpose and intent of the Gas Industry Company (GIC), to seek industry solutions where possible, and regulations and rules where necessary.

### **Summary of Vector's View**

3. Vector prefers to take an industry-led approach to the establishment of a central registry, with rules as a back up.
4. According to the discussion paper a central registry is likely to be successful only with support from regulation. While regulation may be necessary for other initiatives being worked on by the GIC, Vector does not believe that regulation is warranted by the nature and extent of issues involved in the establishment of a central registry at this point. Industry agreements should be given a chance, before regulation is resorted to.
5. Please see Vector's responses to the specific questions posed in the GIC's discussion paper at the conclusion of this submission. The importance of the precedent set by the GIC's decision and benefits of industry arrangements are themes expanded on further below.

## **Voluntary or Mandatory**

6. Vector believes that participation in a central registry must be mandatory from the date of its inception. Ideally, an opportunity for a voluntary registry to perform would be desirable; however Vector believes that this is unworkable in practice due to the risk of non-participation by outlying industry players.
7. Vector agrees with the Gas Industry Co that if any switching participant refuses to participate, the central registry is not performing optimally and is of little value. This is expanded on in our answer to Question 1. As illustrated below, pan-industry agreements would be pursued to ensure initial participation and industry consensus. Legislative 'rules' should provide back up in case of non-participation.

## **Benefits of Industry Agreements**

8. The outcome sought from a central registry is one where everybody benefits from more efficient and accurate exchanges of information. While Vector understands the GIC's concerns with reaching consensus and issues associated with legally binding industry arrangements, Vector believes that the process of reaching industry consensus is a valuable one.
9. While there are risks of delay through stalling, it is more likely to result in a robust solution for consumers than one where regulations are imposed. This is an important driver of the process and should not be lost sight of in the enthusiasm to make progress.
10. To address the concerns over delay or stalling, Vector would support a deadline being placed on industry agreement being reached, and regulations imposed, as outlined in the discussion paper as a hybrid solution.
11. Should it be successful, a pan industry agreement has the ability to remain relatively flexible, and will more closely meet the needs of the industry and its customers over time.

## **Requirement for Commerce Commission Authorisation Not Clear**

12. Vector agrees with the GIC's assessment that once the Commerce Commission has accepted jurisdiction the process can become highly compromised through delays, expense and resource drain.
13. However, the industry agreements outlined by the GIC as examples where authorisation is required have a context to them that provides a legitimate avenue for the Commission to become involved. While establishing a central registry is a technical issue requiring careful consideration, it is not certain that the Commission would accept jurisdiction in this case.
14. To illustrate the uncertainty around this issue, while MACQS was authorised by the Commerce Commission in August 1999, the electricity industry's "MARIA"

(Metering and Reconciliation Information Agreement) rules were established and operated prior to that date without seeking or receiving Commerce Commission authorisation, albeit through voluntary means. It was only when the Ministerial Inquiry into the electricity industry in 2000 recommended bringing together MARIA rules with the other market rules that Commerce Commission authorisation was sought.

15. From its own involvement to date, Vector can see no practical relationship between this central registry initiative and the purpose and objectives of section 27 of the Commerce Act. The objective of the initiative is to make switching more efficient and to reduce overall costs to industry and consumers, not to lessen competition.

16. Vector therefore believes that the risk of Commerce Act implications are potentially overstated, and would recommend the GIC provide further legal analysis on this issue if it intends using it to support a regulated approach.

### **The Importance of Precedence**

17. This decision is likely to set a precedent for future GIC work streams to be completed; not only is it one of the first major work streams to be completed by the GIC, but the initiative also enjoys considerable industry support to date.

18. This fact strengthens the case for a pan - industry agreement for a central registry. The industry support for this initiative presents the gas sector with an opportunity to demonstrate an ability to work together to resolve issues.

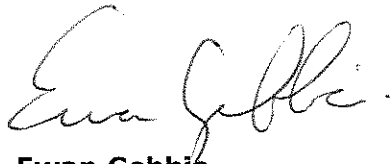
19. While detailed issues still require resolution, the almost universal support that the central registry initiative enjoys within the industry should make a consensus easier to achieve. The issues to be resolved appear relatively minor when compared with others under the Gas Industry Co's oversight - if successfully concluded a precedent will be set for the resolution of other issues where a consensus is harder to achieve.

### **Concluding Remarks**

20. As stated above, Vector would prefer arrangements based on an industry led approach to the establishment of a central registry. While participation should be mandatory, the foresight allowing pan-industry consensus to be reached should allow benefits to be reaped by the industry and consumers in the long term.

21. Thank you for your consideration of these matters. Please contact me or Paul Hodgson, Vector's Group Regulatory Affairs Manager, should you wish to discuss this matter further.

Kind regards

A handwritten signature in black ink, appearing to read 'Ewan Gebbie'.

**Ewan Gebbie**  
Industry Policy Manager

<b>QUESTION</b>	<b>COMMENT</b>
<p><i>Q 1: Do you agree that mechanisms to implement a central registry must be mandatory? If not, please explain.</i></p>	<p>Yes, the mechanism must be mandatory, to ensure full co-operation in maintaining an up-to-date registry.</p> <p>Without mandatory participation any registry is likely to be of little value, because it cannot be relied on. For example, a new retailer refuses to participate, but nevertheless acquires 20% of an incumbent retailer's customers. Vector would continue to bill the incumbent for distribution charges (as per the Registry), while the new retailer would pay nothing. If the incumbent refused to pay, then Vector would have no alternative to discontinue participating in the Registry and attempt to record switches outside the official process.</p>
<p><i>Q 2: Do you agree Gas Industry Co has identified the most likely alternatives for mechanisms to implement a central registry? If not, please provide details of any other likely alternative mechanisms.</i></p>	<p>Yes, the GIC has identified the most likely alternatives, though it has not provided sufficient description of each for a full assessment to be made.</p>
<p><i>Q 3: Do you agree with Gas Industry Co's analysis of a Pan-Industry Agreement as a mechanism to implement a central registry? If not, please explain.</i></p>	<p>While vector agrees with the broad description of the Pan Industry Agreement, Vector does not agree with the analysis of the Commerce Act risks, and believes they are overstated. Vector believes that a pan-industry agreement should be pursued in the first instance, although enforcement may be difficult unless supported by legislation/regulation ("rules").</p>

<b>QUESTION</b>	<b>COMMENT</b>
<p>Q 4: Do you agree with Gas Industry Co's analysis of Pan-Industry Agreement with a Rules fallback as a mechanism to implement a central registry? If not, please explain.</p>	<p>Vector supports this option as the preferred way forward, as the issues to be resolved have some chance of being done so by the industry.</p>
<p>Q 5: Do you agree with Gas Industry Co's analysis of Rules as a mechanism to implement a central registry? If not, please explain.</p>	<p>Vector believes that rules should be considered as a backstop option should industry agreement not be reached in a reasonable time period.</p>
<p>Q 6: Do you agree with Gas Industry Co's preferred approach? If not, please explain what is your preferred approach and why.</p>	<p>As above.</p>