

13 July 2021

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Submission on Extending the EPR Recommendations to the Gas Market – New Gas Market Guidelines

1. This is Vector Limited's (Vector) submission on the Gas Industry Company's (Gas Industry Co) consultation paper, *Extending the Electricity Price Review's Final Recommendations to the Gas Market – New Gas Market Guidelines for: (1) Dealing with Vulnerable Consumers; (2) Raising Consumer awareness of Utilities Disputes and Powerswitch; and (3) Saves and Winbacks*, dated 1 June 2021.
2. Vector generally agrees with the proposed Gas Market Guidelines (the Guidelines) and the objectives behind their adoption. We support the objectives of ensuring energy affordability and ensuring that small gas consumers are disconnected only as a last resort, among others.
3. We agree with Gas Industry Co's approach of aligning the proposed Guidelines with similar guidelines developed by the Electricity Authority to implement some of the Electricity Price Review (EPR) recommendations. We support an aligned approach for addressing issues that are common to the gas and electricity sectors while allowing flexibility so that innovation that benefits consumers can flourish.
4. For reasons indicated in our previous submissions and in this submission, we welcome the confirmation that in the case of LPG, the Guidelines will only cover 45kg bottled LPG, i.e. not small (9kg) bottled LPG.
5. We support the 24-month timeframe proposed for stand-alone gas retailers to achieve full compliance with the Guidelines, compared to the 12-month timeframe for dual fuel retailers. Stand-alone gas retailers are less likely to be familiar with the Guidelines than dual fuel retailers whose electricity businesses are already subject to similar guidelines.
6. We set out our responses to the consultation questions below using the submission template provided by Gas Industry Co for this consultation. We make a few suggestions to further facilitate the implementation of the Guidelines.
7. We are happy to discuss any aspects of this submission with Gas Industry Co. Please contact Luz Rose (Senior Regulatory Partner) at Luz.Rose@vector.co.nz or 04 803 9051.
8. No part of this submission is confidential, and we are happy for Gas Industry Co to publish it in its entirety.

Yours sincerely
For and on behalf of Vector Limited

A handwritten signature in black ink, appearing to read 'Neil Williams', with a horizontal line underneath.

Neil Williams
GM Market Regulation

Responses to Consultation Questions

Extending the EPR Review’s Final Recommendations to the Gas Market – New Gas Market Guidelines

Submission prepared by: **Vector**

Contact: Luz Rose (Senior Regulatory Partner), Luz.Rose@vector.co.nz, 04 803 9051

Question		Vector’s comments
Gas Consumer Care Guidelines	Do you agree with the proposed content of the Gas Consumer Care Guidelines? Are there items that should be added or deleted, and why?	<p>Vector generally agrees with the proposed content of the Gas Consumer Care Guidelines.</p> <p>We suggest that Gas Industry Co develop, or engage an independent party to develop, a “consumer care policy template”. The relevant gas industry participants can use such template in its entirety or tweak it to suit the needs of their business and customers while remaining compliant with the Guidelines. This will facilitate early compliance and give participants the confidence that the changes they are making to their processes are compliant from the outset and will not be wasted.</p> <p>We understand the Electricity Retailers’ Association of New Zealand (ERANZ) is developing a consumer care policy template for electricity industry participants. Gas Industry Co could also consider adopting an amended version of the ERANZ template for gas industry participants.</p>
Gas Consumer Care Guidelines	Do you agree with the proposed timeframe for Gas Retailers to align their processes to ensure voluntary compliance with the Gas Consumer Care Guidelines?	<p>We agree with the proposed timeframe for gas retailers to align their processes to become compliant with the Gas Consumer Care Guidelines.</p> <p>We support the longer timeframe provided for stand-alone gas retailers</p>

Question		Vector's comments
		(24 months) vis-à-vis dual fuel retailers (12 months) to fully comply with the Guidelines. Stand-alone gas retailers are less likely to be familiar with the new requirements than dual fuel retailers whose electricity retail businesses are already subject to similar guidelines.
Gas Consumer Care Guidelines	Do you agree with the Gas Consumer Care Guidelines applying also to Stand-alone Gas Retailers?	We agree with the Gas Consumer Care Guidelines also being applied to stand-alone gas retailers. This would ensure that gas consumers will be afforded the same (minimum) level of consumer protection regardless of whether their gas retailer is a dual fuel provider or a stand-alone retailer.
Gas Consumer Care Guidelines	Are any modifications required to the Gas Consumer Care Guidelines to take account of the unique characteristics of the bottled LPG market?	<p>In our view, the Gas Consumer Care Guidelines, in its current form, broadly applies to any gas retail business – natural gas or LPG. We consider the changes our LPG business needs to make to fully comply with these Guidelines to be reasonable.</p> <p>We particularly support the Guidelines' objectives of ensuring energy affordability and ensuring that small gas customers are disconnected only as a last resort. Vector's LPG business already supports energy affordability by providing discounts to pensioners (65 years old and over). Our LPG business also keeps a record of vulnerable and medically dependent customers so we can respond appropriately when and where there is a scarcity of LPG.</p>
Utilities Disputes and Powerswitch Guidelines	Do you agree with the proposed content of the Guidelines? Are there items that should be added or deleted, and why?	Vector broadly agrees with the proposed content of the Utilities Disputes and Powerswitch Guidelines. Some modifications may need to be made to these Guidelines, as currently worded, subject to the outcome of Gas Industry Co's assessment of the cost and complexity of adding 45kg LPG bottle pricing in Powerswitch – a proposal we have significant reservations about.

Question	Vector's comments
	<p>As indicated in our previous submission on the proposed Guidelines (dated 22 March 2021):</p> <p>...For a price comparator service to be effective, it should be able to compare 'apples to apples' which could be challenging when it comes to LPG contracts as these can differ from one LPG retailer to another. Building a highly complex website functionality for this purpose, including maintaining it and keeping information up to date (through regular updates from LPG retailers) would be very costly. Any functionality of lesser capability would only add to the costs of bottled LPG without significant consumer benefits...We suggest that any new/additional compliance costs for LPG retailers arising from this proposed requirement be factored into Gas Industry Co's assessment.</p> <p>We welcome the confirmation that in the case of LPG, only 45kg bottled LPG will be covered by the proposed Guidelines, i.e. small (9kg) LPG bottles are excluded. As also indicated in our previous submission:</p> <ul style="list-style-type: none">• the pricing of small (9kg) bottled LPG is non-complex and already transparent, e.g. displayed at retail outlets where payment is made instantaneously;• the transaction cost of purchasing a replacement bottle (e.g. 'bottle swap') or purchasing from an alternative retailer is very low; and• the value of the content of the bottle is also very low (i.e. a small bottle that is not to the consumer's satisfaction, or a defective bottle, can easily be replaced by the retailer). <p>More prescriptive arrangements for the competitive LPG market would not be in consumers' long-term interest. Such arrangements could 'mute' or distort market-driven incentives that are already keeping bottled LPG pricing transparent and competitive.</p>

Question		Vector's comments
Utilities Disputes and Powerswitch Guidelines	Do you agree with Gas Industry Company's proposed narrower approach than that implemented for the electricity market in relation to the provision of Utilities Disputes information (focusing on "complaints" rather than "queries")?	<p>We agree with Gas Industry Co's approach of focusing on "complaints" rather than "queries" in a more general sense. We support its decision not to require compliance with the Utilities Disputes and Powerswitch Guidelines in relation to emergency related consumer communication. This would allow our gas businesses to focus more on resolving the problem and responding to customer calls expeditiously during an emergency.</p> <p>We note that complaints to Vector's natural gas trading and LPG businesses that are eventually referred to Utilities Disputes have been rare.</p>
Utilities Disputes and Powerswitch Guidelines	Do you agree with the proposed Alignment Timing for Gas Retailer voluntary compliance with the Utilities Disputes and Powerswitch Guidelines?	<p>We agree with the proposed Alignment Timing for gas retailers' compliance with the Utilities Disputes and Powerswitch Guidelines, subject to the outcome of Gas Industry Co's assessment of whether to include bottled LPG (45kg) pricing in Powerswitch.</p> <p>We agree that stand-alone gas retailers would need a longer transition timeframe (24 months) instead of the 12 months proposed for dual fuel retailers whose electricity retail businesses are already subject to similar guidelines.</p> <p>Given Gas Industry Co's impending decision on whether to include bottled LPG (45kg) pricing in Powerswitch, we suggest that the 24-month transition period for LPG retailers commence only after this decision is made. It would be inefficient for LPG businesses to start making changes to their systems and processes without knowing the full range of changes required to achieve full compliance with the Utilities Disputes and Powerswitch Guidelines.</p>
Utilities Disputes and Powerswitch	Do you agree with the proposed timeframe for Gas	We agree with the proposed timeframes for gas retailers and gas

Question		Vector's comments
Guidelines	Retailers and Gas Distributors to align their processes to ensure voluntary compliance with the Utilities Disputes and Powerswitch Guidelines?	<p>distributors to align their processes with the Utilities Disputes and Powerswitch Guidelines.</p> <p>As indicated above, we support the longer transition timeframe for stand-alone gas retailers (24 months instead of the 12 months proposed for dual fuel retailers). Stand-alone gas retailers are unlikely to have the same level of familiarity with the proposed Guidelines as those who also retail electricity services.</p>
Utilities Disputes and Powerswitch Guidelines	Do you agree with the Utilities Disputes and Powerswitch Guidelines applying also to Stand-alone Gas Retailers?	We agree with the Utilities Disputes and Powerswitch Guidelines also being applied to stand-alone gas retailers. This would ensure that gas consumers will be afforded the same (minimum) level of consumer protection regardless of whether their retailer is a dual fuel provider or a stand-alone retailer.
Saves and Winbacks Guidelines	Do you agree with the proposed content of the Guidelines? Are there items that should be added or deleted, and why?	<p>Vector agrees with the proposed content of the Saves and Winbacks Guidelines. We believe these Guidelines, as proposed in the consultation paper, would not apply to any of our gas businesses.</p> <p>We support Gas Industry Co's decision not to apply the Saves and Winbacks Guidelines to stand-alone LPG retailers, given there is no LPG customer register to enable save or winback activities. As further indicated in our previous submission, the requirement for a physical visit when an LPG customer intends to switch to another retailer already creates a natural barrier to a winback activity in the LPG market. Whereas a winback in the natural gas and electricity retail markets only requires the simple process of changing supplier details in the registry.</p>