



## **Gas Governance (Insolvent Retailers) Regulations 2010 – Statement of Proposal:**

### **Submission to Gas Industry Company on...**

#### **Background**

MDL appreciates the opportunity to comment on the Gas Industry Company's (GIC) development of Regulation with respect to Insolvent Retailers.

This paper concentrates on issues that MDL wishes to draw to GIC's attention at this early stage of deliberations.

#### **Should the Regulations be revoked in accordance with regulation 19?**

MDL agrees with the conclusion reached by the GIC, that the Gas Governance (Insolvent Retailers) Regulations 2010 (The **Regulations**) should be revoked. The Regulations, in their current form, fail to provide a regulatory solution which is applicable to every retailer insolvency circumstance which may occur (most notably the insolvency of a large retailer).

#### **Is some form of regulatory intervention required to deal with cases of retailer insolvency?**

Though MDL does not supply direct to any gas retailers, it maintains a vested interest in a prompt solution to the uncertainty brought about by the insolvency of a gas retailer. MDL believes that it is neither practical, nor acceptable, to simply "turn off" those customers supplied by a newly insolvent retailer. Because these customers will continue to consume gas which may be neither nominated for, nor paid for, their consumption (as the GIC asserts) may manifest itself as Operational Imbalance at the TP Welded Point. This could lead to a pipeline imbalance situation that would very quickly become unacceptable.

In order to prevent the above situation eventuating MDL believes that the GIC needs to be placed in a position where it can ensure that the customers of an insolvent retailer continue to receive a supply of gas that has been properly ordered and paid for.

#### **Thoughts on regulatory objectives and form of possible regulation**

In principle MDL supports the objectives contained within the Regulations. Objective one states that the Regulations should:

"Ensure the continuity of energy supply to all customers, **by prescribing a means of transferring customers** from insolvent retailers to recipient retailers" (emphasis added).

MDL is concerned that, all well as being difficult and costly, prescribing an exhaustive list of means by which customers of an insolvent retailer are transferred to a solvent



retailer may not provide the best solution when the details of a specific insolvency come to light. The GIC may also be committing itself to constant revision of these regulations as the gas market evolves; new products and providers enter, and so on.

Considering this, MDL believes that any regulations put forward by the GIC should be sufficiently flexible to allow the GIC to respond to the individual circumstances of a particular insolvency as details come to light; without prescriptive regulation forcing action in a way which may be contrary to the best solution in a particular case.

MDL is generally in support of the goals contained within objectives two, three and four.

MDL does not support reliance on regulation created from scratch under urgency. Action under these circumstances is not certain and cannot usually be commenced until the situation is seen to be serious. It can also be expected to take some time even if all the parties are willing. However as noted above, for a large retailer the situation with unpaid gas bills may become serious quite quickly.

Yours sincerely

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