



Retail Market Update

1. Switching and Registry
2. Downstream Reconciliation
3. Compliance Regime

Bas Walker
Senior Adviser — Strategic Issues and
Projects

11 October 2007

Retail markets - overview

- Work aimed at structural market issues – part of wider consumer issues programme.
- Switching of direct benefit to consumers –at implementation stage.
- Reconciliation of indirect benefit to consumers – at policy proposal stage.
- Backed up by common compliance regime.



Switching and Registry



Switching and Registry - context

- Objective - to develop arrangements for consumers to switch retailers in a seamless and efficient way.
- New arrangements will replace current voluntary regime.



- Compliments information for consumers on Gas Industry Co website about potential gas suppliers in their area.
- Invitation to add to this information.

Switching and Registry – summary of rules

- Based on two key elements:
 - central registry of information on ICPs; and
 - rules governing switching information requirements and time frames.
- Registry operator appointed by Gas Industry Co.
- Backed up by compliance and enforcement regime.

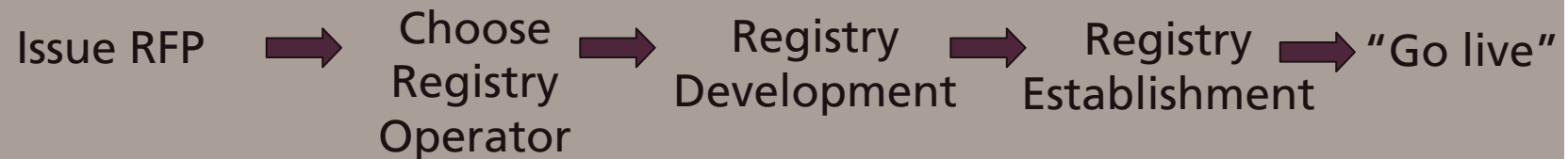
Switching and Registry - timeframes

- Rules for Registry come by February 2008.
- Rules for Switching on “Go Live” date set by Gas Industry Co.

Switching and Registry - paying the cost

- Rules provide for dedicated fees charged to Retailers.
- Development fee – one off charge to cover establishment.
- Ongoing fee – annual charge to cover operating costs.

Switching and Registry - implementation plan



By Nov 2007

By Feb/March
2008

By Sep 2008

By Nov 2008

Late
2008/Early
2009

Switching and Registry - industry involvement

- Overall co-ordination by Gas Industry Co
- ***Registry Establishment team***

↳ involvement of industry in stages through to selection of Registry Operator.

- ***Registry Implementation Team***

↳ mechanism for co-ordinating industry involvement in user acceptance testing and initial data entry.

Switching and registry - key strategic drivers

- Management of interconnections between:

Registry – Switching – Reconciliation – Compliance

- Achieving high quality and comprehensive data input.
- Ensuring industry is ready to go at “go live”.



Downstream Reconciliation



Reconciliation - context

- Provide process for assessing difference in gas quantities between gas gates and ICPs, and allocating residuals (UFG).
- Objectives are to:
 - Provide equitable/rigorous processes for assessing and allocating UFG; and
 - Assist industry process of identifying and rectifying causes of UFG.
- Will replace current voluntary regime.

Reconciliation - summary of current proposal

- Allocation agent appointed by Gas Industry Co.
- Allocation of UFG to retailers by global method.
- Allocation via UFG factor – initial, interim and final.
- Dedicated fees for ongoing costs paid by retailers.

Current status and future development

Submissions
due on
statement
of proposal



Possible
Recommendation
to Minister



Establishment
Stage



"Go live"

8 October
2007

Dec 2007

To mid 2008

Late
2008/Early
2009

Key strategic drivers

- Management of interconnections between Registry – Switching – Reconciliation – Compliance.
- Creation of more equitable regime for industry participants.
- Creating platform for addressing UFG.



Compliance Regime



Compliance Regime

- Proposed regulations recommended to Minister.
- Take effect 28 days after gazetting.
- Key elements:
 - Market administrator;
 - Investigation process; and
 - Rulings Panel.



Conclusions



Retail markets - conclusions

- Switching/reconciliation will address key structural issues in retail area.
- Full implementation by early 2009 at latest.
- Benefits to both consumers and industry participants.
- Will complement work on wider consumer issues.