



# GAS INDUSTRY COMPANY LIMITED



## Meeting consumer expectations

**Bas Walker** August 2008

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# Agenda

## **Implementation update**

- **Switching and Registry**
- **Downstream reconciliation**

## **Policy update**

- **Consumer issues generally**
- **Consumer complaints resolution**



# Switching and Registry

## Objective

- Development of arrangements for consumers to switch retailers in a seamless and efficient way.

## Gas (Switching Arrangements) Rules 2008

- Provides for the creation and use of a central registry for information on gas ICPs.
- Establishes rules governing switching information requirements and timeframes.
- Supported by compliance and enforcement regime.



# Switching and gas registry

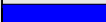
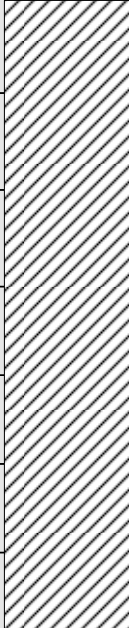

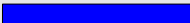




## **Progress against key milestones – as at 31 July 2008**

- **Switching rules Gazetted in February 2008.**
- **RFP closed in January 2008.**
- **Jade Software Limited selected as the preferred candidate.**



# Switching and gas registry

## Looking ahead:

ID	Phases	2008					2009		
		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
1	Confirmation of Registry operator								
2	Phase 1: Registry Baseline								
3	Phase 2: ICP Information								
4	Phase 3: Switching Information								
5	Phase 4: Registry Complete								
6	Phase 5: Go-live Preparation								
7	Registry Go-live								



# Downstream reconciliation

## Objective

- **Equitable and rigorous assessment and allocation of Unaccounted for Gas (UFG).**

## Gas (Downstream Reconciliation) Rules

- **Establish a prescribed methodology and requirements for allocations of UFG across retailers fairly and accurately.**
- **Provides for the appointment of a single downstream allocation agent by Gas Industry Co.**
- **Supported by compliance and enforcement regime.**



# Downstream reconciliation

## **Progress against key milestones – as at 31 July 2008**

- **Statement of Proposal issued in September 2007.**
- **Downstream reconciliation rules were gazetted in May 2008.**
- **RFP for allocation agent closed in May 2008.**
- **M-Co Limited selected as the preferred RFP respondent.**



# Downstream reconciliation

## Looking ahead:

ID	Phases	2008				
		Jul	Aug	Sep	Oct	Nov
1	Confirmation of allocation agent					
2	Completion of design					
3	Supporting processes, benchmarks, and decisions					
4	Allocation system complete					
5	Go live					





# Dealing with UFG

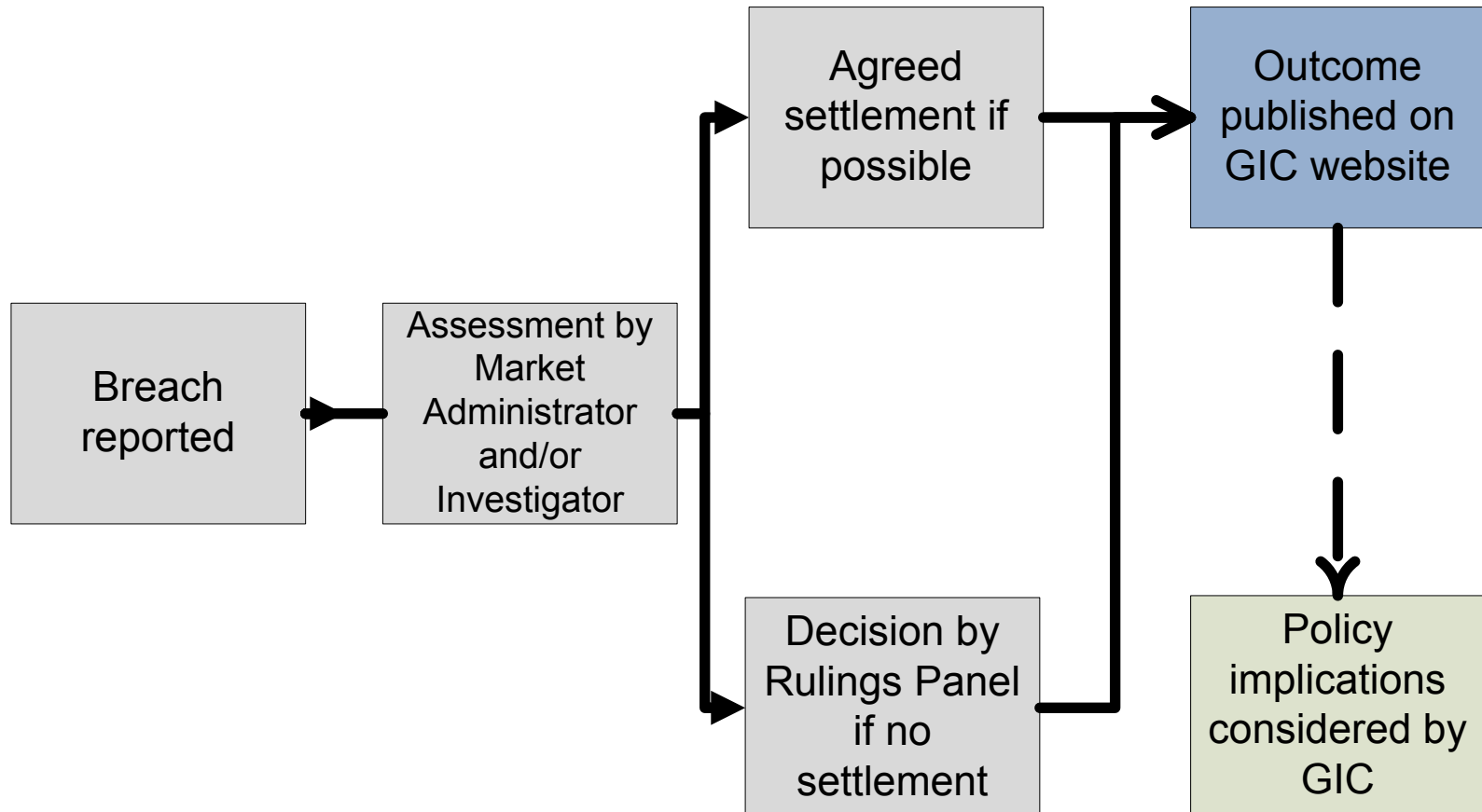
- **Downstream allocation is a major issue because of UFG.**
- **UFG is currently highly variable and difficult to address. Can vary from -10% to +40% when technical losses are less than 0.5%.**
- **Reconciliation rules will incentivise efforts to reduce UFG by:**
  - Ensuring the impact falls fairly on all retailers.
  - Providing for “event audits” on gas gates where UFG is excessive.



# Exemptions

- **Exemptions may be applied for under by Switching Rules and Downstream Reconciliation Rules.**
- **For Downstream Reconciliation applications have already been invited for:**
  - Standard exemptions
  - Urgent exemptions
  - Transitional exemptions
- **Switching Rules:**
  - Transitional exemptions

# Compliance Arrangements for Switching and Downstream Reconciliation





# Revised approach to consumer outcomes

- **The April 2008 GPS:**

- Effective access to complaints resolution system for small consumers.
- Adequate contractual arrangements between gas retailers and small consumers.

- **Has lead to two initiatives:**

- The consumer issues review.
- Implementation of a single joint consumer complaints scheme.



# Consumer issues review

- **Review aimed at producing a decision paper which:**
  - Takes a broad view of consumer issues and the development of arrangements to deal with them.
  - Especially picks up work on ensuring effective contractual arrangements for small consumers.
- **Review has involved 3 stages:**
  - Stage 1 – Background study on existing arrangements and work to date.
  - Stage 2 – Stakeholders discussions and workshops.
  - Stage 3 – Discussion paper.

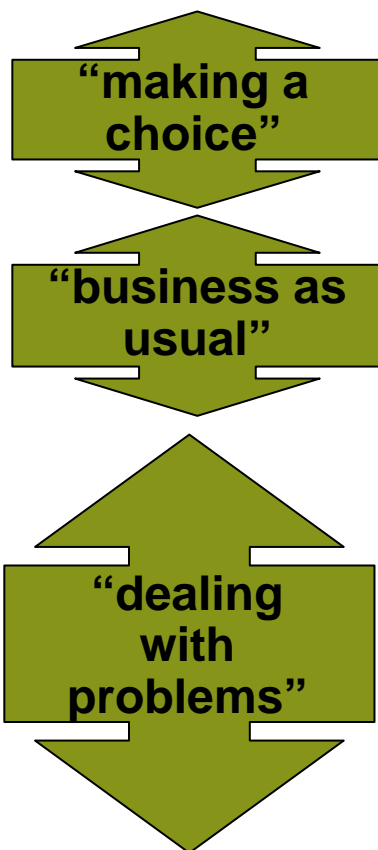


# Consumer issues discussion paper

- **Three phases considered:**
  - “making a choice”
  - “business as usual”
  - “dealing with problems”
- **High level ‘consumer expectations’ defined**
  - 18 items with each item set against one of the phases



# Key phases and consumer expectations



Consumer expectation
<b>Meaningful choice</b>
<b>Connection and disconnection</b>
<b>Gas supply &amp; related services</b>
<b>Contract terms</b>
<b>Costs</b>
<b>Billing and payment</b>
<b>Treatment by supplier</b>
<b>Complaints and remedies</b>



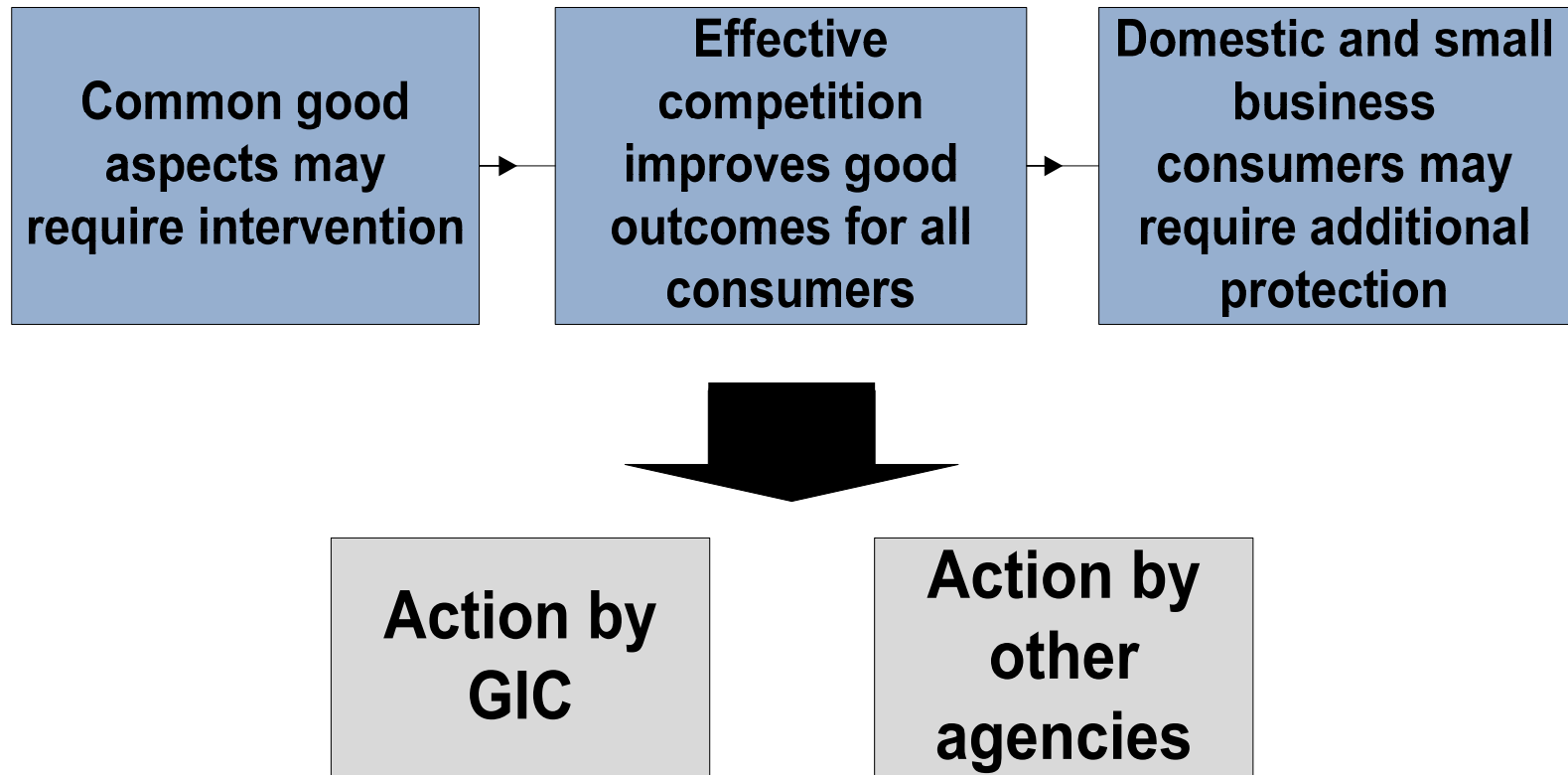
# Policy approach

- **Analysis of expectations against achievement in practice to identify issues/gaps.**
- **The development of solutions for dealing with gaps through a defined policy framework**





# POLICY FRAMEWORK





# Discussion paper conclusions

- **Need improved provision of information on consumer choices**
- **Effective connection/disconnection arrangements may need regulations/rules solution**
- **Preference is to establish minimum terms and conditions by rules/regulations**



# Timetable

ID	Event	2008			
			Aug	Sep	Oct
1	Release discussion paper				
2	Submissions close and analysed				
3	Prepare proposed next steps				
4	Decision on next steps				



# Consumer complaints resolution

## Work to date

- **Work by Joint Gas Industry Co and Electricity Commission project team**
- **Consultation paper issued on scheme requirements, and 29 submissions received**
- **Process and legal issues raised, which have led to a revised approach**



# Consumer complaints resolution – revised approach

- **RFA to be issued, as initially planned, inviting applications for an approved scheme**
- **Introduction of further consultation stage after RFA stage to enable comparison of options**
  - Status quo
  - Approved scheme (based on preferred RFA applicant)
  - Regulated scheme



# Timetable

ID	Event	2008						2009									
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
1	Release RFA																
2	Evaluation of RFA responses																
3	Preferred applicant selected																
4	Consultation paper completed for comparison																
5	Submissions analysis																
6	Confirmation of selected scheme																
7	Recommend to Minister approval of scheme																
8	Approval confirmed and gazetted																
9	Approved scheme begins operations																



# Conclusions

- **Key market arrangements (downstream reconciliation, switching) will be in operation by early 2009.**
- **Joint consumer complaints scheme with full industry coverage in operation by late 2009.**
  - Ongoing task for both will be to ensure effective operation and monitoring outcomes are achieved.
- **Policy work to deal with remaining consumer issues completed by mid-2009 – implementation over 2009/2010.**