



GAS INDUSTRY CO CONSULTATION PAPER
OPTIONS FOR CONSUMER CONTRACT
ARRANGEMENTS
NOVEMBER 2005

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1 Executive Summary

1.1 Background

The Minister of Energy has invited the Gas Industry Co to recommend arrangements, including regulations and rules where appropriate, for the development of model contract terms and conditions between consumers and retailers.

In response to this GPS invitation to develop model contracts, the Gas Industry Co has developed draft model contract guidelines, i.e. the requirements that the Gas Industry Co considers are appropriate for all retailers to have in contracts with consumers to ensure consumer interests are adequately protected.

1.2 Model Contract Guidelines

The Gas Industry Co's initial approach has been to develop draft model contract guidelines for consumer contracts that focus on key issues of interest to consumers. No attempt has been made to develop a full model contract with draft clauses covering all aspects of the retail relationship. The model contract guidelines establish minimum standards, so that the industry is free to develop contracts containing higher standards than the minimum (i.e. standards that are better for consumers). This approach avoids unnecessary complexity and compliance costs for the industry and provides maximum scope for innovation, with retailers competing to differentiate their services in the marketplace.

The draft model contract guidelines have been analysed by the Gas Industry Co against the Electricity and Gas Complaints Commissioner Scheme ("EGCC Scheme") gas code of practice ("code of practice") and a high level of consistency existed between the two documents, although there are some guidelines which are not included in the code of practice.

The EGCC Scheme is a complaints resolution scheme for electricity and gas complaints that was established by industry participants in response to a legislative requirement for electricity and gas retailers to participate in a consumer complaints resolution scheme. All member companies participating in the scheme agree to be bound by the terms of reference and the Commissioner's decisions, and to follow the codes of practice for electricity and gas. The EGCC Scheme will assist in the resolution of individual consumer complaints, however it does not undertake general monitoring of member companies' compliance with the code of practice.

The EGCC Scheme is not yet formally approved by the Minister pursuant to the Gas Act, however, the intent is that such approval be sought in the near future. If approved, then in absence of another consumer complaints scheme being

approved, it becomes mandatory for every gas retailer to belong to the Scheme. Five of the nine gas retailers are currently members of the EGCC Scheme (however three of those who have not joined are owned by the same parent company).

1.3 Options

Given the degree of consistency between the EGCC Scheme code of practice and the draft model contract guidelines, the Gas Industry Co has identified three options for future governance and compliance of model contract arrangements.

These are as follows:

Option A - The Gas Industry Co, as the industry body appointed by the Minister, would assume responsibility for the governance and administration of the consumer contract terms and conditions. It would do so by recommending rules and regulations to the Minister setting out minimum terms and conditions for retail contracts (as provided for in the Act). It would also establish suitable compliance arrangements, including monitoring and enforcement. The EGCC Scheme would continue its current complaints role.

Option B - The EGCC Scheme would continue to administer and develop its existing codes of practice in accordance with its own constitution and governance arrangements. The Gas Industry Co would undertake no further role in model contract governance, monitoring or enforcement. The Gas Industry Co would however suggest that:

The EGCC Scheme includes the requirement that individual member complaint statistics must be disclosed by the Commissioner as a means of further encouraging compliance by publicising non-compliance and that individual members are required to publicly disclose the extent to which they comply with the code of practice.

Any other approved consumer complaints scheme includes suitable arrangements, for instance codes of practice, to protect domestic consumers in their contracting with retailers.

Option C - the EGCC Scheme would continue to administer and develop its existing codes of practice in accordance with its own constitution and governance arrangements as per Option B. The Gas Industry Co would also establish suitable arrangements for monitoring compliance with the codes of practice. However, in the absence of enforceable information-provision and investigative powers, such monitoring would be on the basis of publicly available or voluntarily supplied information. Given the lack of enforcement rights under Option C, the actions available to the Gas Industry Co for specific instances of non-compliance would be limited.

1.4 Assessment of Options

The Gas Industry Co's assessment of the above options against key criteria is summarised in the table below:

Criteria	Option A Gas Industry Co Governance and Compliance	Option B Consumer Complaints Scheme Code of Practice	Option C Code of Practice with Gas Industry Co Monitoring
Effectiveness in protecting domestic consumers	<ul style="list-style-type: none"> Provides significant protection to consumers. 	<ul style="list-style-type: none"> Provides a reasonable level of consumer protection but does not include ongoing monitoring of contracts. 	<ul style="list-style-type: none"> Provides a reasonable level of consumer protection, includes ongoing monitoring of contracts but on a voluntary basis.
Effectiveness for retailers	<ul style="list-style-type: none"> May create a level of uncertainty for retailers – potentially inconsistent obligations between codes of practice and guidelines. 	<ul style="list-style-type: none"> Level of certainty given one body responsible for retail contract guidelines. 	<ul style="list-style-type: none"> Monitoring and compliance voluntary for retailers.

Criteria	Option A Gas Industry Co Governance and Compliance	Option B Consumer Complaints Scheme Code of Practice	Option C Code of Practice with Gas Industry Co Monitoring
Future-proofing	<ul style="list-style-type: none"> • Least flexible as it involves substantial up front commitment to governance and compliance regimes. • Complex change process. 	<ul style="list-style-type: none"> • Offers a large measure of flexibility as it does not preclude a move to Option C or A at a future point if warranted. 	<ul style="list-style-type: none"> • Option C also involves a large measure of flexibility, although some up front commitment in establishing monitoring regimes which may not later be required.
Enforceability	<ul style="list-style-type: none"> • Enforcement through rules and regulations. 	<ul style="list-style-type: none"> • Enforcement by EGCC on an individual complaints basis by the EGCC code prevailing against the member companies' contract. 	<ul style="list-style-type: none"> • Same as for Option B. No ability of the Gas industry Co to enforce non-compliance in absence of rules and regulations or by voluntary agreement.
Coverage	<ul style="list-style-type: none"> • Rules and regulations would be mandatory therefore full coverage. 	<ul style="list-style-type: none"> • Currently high coverage through high level of membership of existing EGCC Scheme. This level would improve further if EGCC Scheme is formally approved or any further approved scheme has consumer protection requirements. 	<ul style="list-style-type: none"> • Same as Option B.

Criteria	Option A Gas Industry Co Governance and Compliance	Option B Consumer Complaints Scheme Code of Practice	Option C Code of Practice with Gas Industry Co Monitoring
Change process	<ul style="list-style-type: none"> Complex change process as it would require a change to regulation/rules which are required to be approved by the Minister of Energy. 	<ul style="list-style-type: none"> Reasonably simple change process through the EGCC. The Commissioner can propose a change then it is voted upon by the Scheme Amendment Committee. 	<ul style="list-style-type: none"> Same as Option B.
Skills match	<ul style="list-style-type: none"> Gas Industry Co would be required to have expertise in consumer issues in addition to these skills being required within the EGCC Scheme. 	<ul style="list-style-type: none"> EGCC Scheme currently has resources that have knowledge of consumer issues. 	<ul style="list-style-type: none"> Will require some duplication of resources with knowledge of consumer issues.
Administrative arrangements	<ul style="list-style-type: none"> A level of duplication of effort and resource between the Gas Industry Co and the EGCC Scheme. 	<ul style="list-style-type: none"> No duplication of resources (other than as the result of multiple consumer complaints schemes). The production of model guidelines and the consideration of complaints would be undertaken by the EGCC Scheme. 	<ul style="list-style-type: none"> A level of duplication as the Gas Industry Co would need to have the internal resources to monitor retail contracts.
Implementation	<ul style="list-style-type: none"> Will require complex process involving design of the governance and compliance regime and completion of the formal regulation-making process. 	<ul style="list-style-type: none"> Is the simplest and quickest to implement as it is largely in place through existing arrangements. 	<ul style="list-style-type: none"> The governance aspects are largely in place, however the monitoring arrangements would take a longer to implement.

1.5 Preferred Governance Option

In determining the Gas Industry's Co's preferred governance option for model contracts, the Gas Industry Co commenced by considering the Government's general commitment to the protection of consumers which is reflected in its overall gas policy objective to "ensure that gas is delivered to existing and new customers in a safe, efficient, *fair*, reliable and environmentally sustainable manner"(emphasis added).

The Gas Industry Co has noted that many of the specific requirements contained within the GPS for gas governance are a mirror of similar requirements that have previously applied to electricity governance. These requirements include the development of model contract terms and conditions.

The Gas Industry Co has no evidence of significant problems with retail gas contracts. The EGCC Commissioner has advised that she has received a total of 12 complaints from gas consumers since April 2005.

As the majority of gas retailers are also involved in the electricity market it is reasonable to assume that changes to retail gas contracts have been made in parallel with the evolution of the corresponding contracts in the electricity sector.

The retail gas market is relatively small (approximately 230,000 gas customers compared to 1.7 million electricity customers). Gas is to some extent a "fuel of choice" for consumers.

Based on the above, the Gas Industry Co's preliminary conclusion is that its recommendation to the Minister of Energy will be that the current EGCC Scheme contains reasonable consumer protection measures at this time. The EGCC Scheme code of practice contains, to a large extent, the consumer protection requirements that are contained within the draft model contract guidelines. The Gas Industry Co's preferred option is therefore Option B.

A potential concern with Option B is that the EGCC Scheme does not monitor and enforce general compliance with the gas code of practice (as opposed to compliance on an individual consumer basis). However the benefit of such monitoring and compliance needs to be assessed against the benefits that are likely to be gained from having a duplication of contractual and resource requirements and the cost of such duplication which is likely to be borne by consumers through their retail contracts. The Gas Industry Co considers that, given the current size of the market and the relatively low level of gas complaints received by the EGCC to date, there may not be sufficient evidence of consumer protection issues within the gas retail market to warrant two bodies having roles in the development and governance of model contract terms and conditions.

Although on the face of it Option B might appear inconsistent with the expectation in the GPS, it is important to note that the inclusion of gas in the existing electricity scheme and the development of the codes of practice occurred subsequent to the

publication of the GPS. Accordingly, this option might not have been apparent at the time the GPS was formulated.

A significant advantage to Option B is that it allows an incremental approach to be taken if it is determined that there is sufficient concern to warrant additional consumer protection requirements in the future.

1.6 Purpose of this paper

This options paper seeks stakeholder feedback on the above analysis and preliminary conclusions prior to making recommendations to the Minister of Energy.

Part A: Overview

2 Introduction

2.1 Background

The Gas Act 1992 (Act) provides the Minister of Energy with regulation-making powers for setting minimum terms and conditions in contracts between domestic consumers and gas distributors or retailers.

The Government Policy Statement on Gas Governance (GPS) invites the Gas Industry Co to develop arrangements (including recommendations for regulations and rules where appropriate) for model contract terms and conditions between consumers and retailers.

In response to the GPS invitation, the Gas Industry Co established the Model Contracts Working Group (MCWG) to assist it to develop model consumer contracts or guidelines. The MCWG members are:

Bill Heaps	Independent Chair
Pamela Caird	Contact Energy
Clive Bull	Vector
Gavin Chambers	E-Gas
Steve Rawson	Mighty River Power
Trevor Starr	Genesis Power
Stephen Nicholls	Powerco
Lucy Daniels	NGC Holdings
David Russell	Consumers Institute
Catherine Ansley	Ministry of Consumer Affairs
Peter Rutledge	GreyPower

The MCWG has reported regularly to the Gas Industry Co, and its papers and meeting minutes are published on the Company's website.

The Gas Industry Co has also explored the broad options for giving effect to consumer contracts or guidelines developed by the MCWG. This has included consideration of governance and compliance issues, and a review of other industry organisations that have a role in the protection of consumer issues arising from gas consumer contracts.

The Gas Industry Co's development work in response to the GPS invitation has now progressed to a stage where it considers it appropriate to seek stakeholder feedback.

2.2 Purpose

The purpose of this options paper is to:

- provide an overview of industry, regulatory and policy context for consumer contracting issues (Part A).
- set out the draft contract guidelines developed by the Gas Industry Co, and seek stakeholder feedback on the adequacy of the draft contract guidelines (Part B); and
- set out the options identified by the Gas Industry Co for giving effect to consumer contract guidelines, and seek stakeholder feedback on the Gas Industry Co's preferred approach (Part C).

The Gas Industry Co has prepared this consultation paper with input from the MCWG, and following discussions with the Electricity and Gas Complaints Commissioner (EGCC Commissioner).

2.3 Submission Requirements

The Gas Industry Co invites submissions on the draft guidelines and preferred approach to give effect to those guidelines. To assist in structuring responses, key questions have been included in the options paper, and submitters are invited to respond to these questions. Submitters are welcome to include additional material in their responses.

Submissions are to be received by 5 pm on 12 December 2005. Please note that submissions received after this date may not be able to be considered.

The Gas Industry Co's preference is to receive submissions in electronic form (Microsoft Word format and pdf) and to receive one hard copy of the electronic version. The electronic version should be emailed with the phrase "Submission on Options paper for Consumer Contracts" in the subject header to info@gasindustry.co.nz, and one hard copy of the submission should be posted to the address below:

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The Gas Industry Co will acknowledge receipt of all submissions electronically. Please contact Nicki Lau Young if you do not receive electronic acknowledgement of your submission within two business days.

The Gas Industry Co values openness and transparency and therefore submissions will generally be made available to the public on the Gas Industry Co's website. Submitters should discuss any intended provision of confidential information with the Gas Industry Co prior to submitting the information.

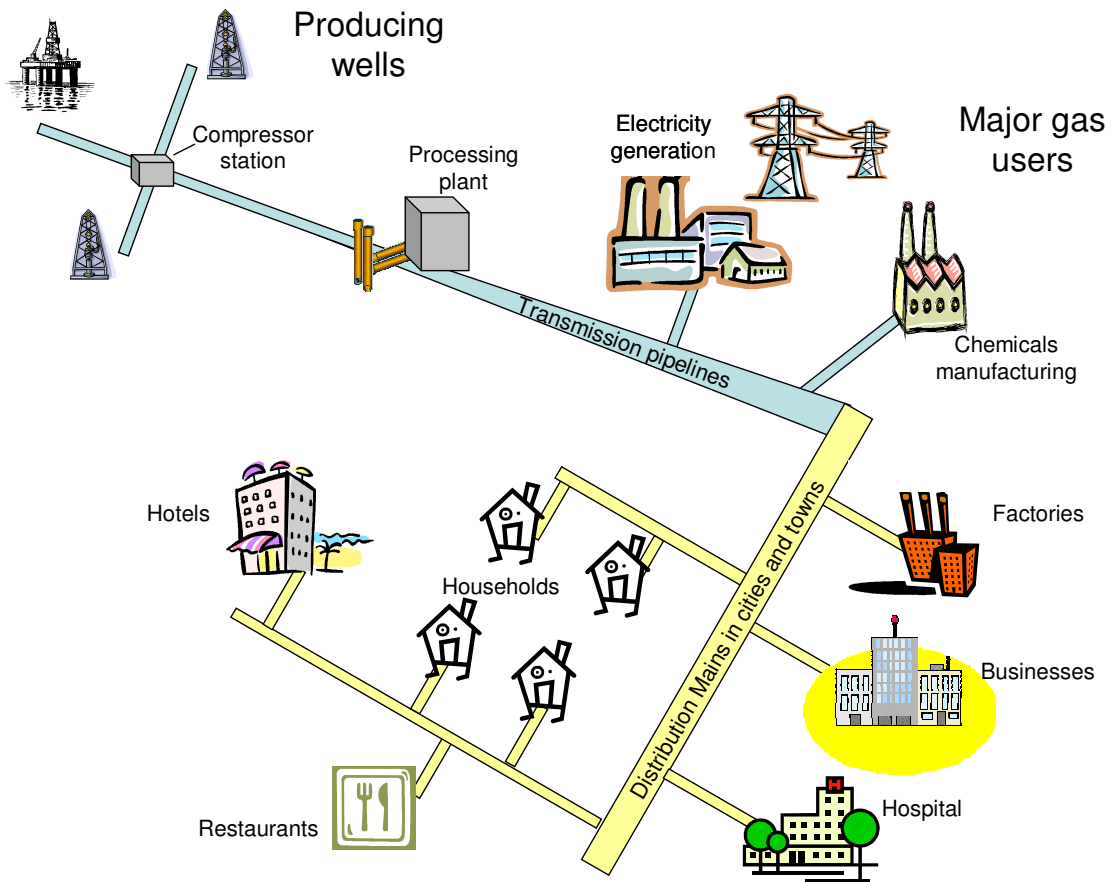
3 Industry Background

3.1 Introduction

The natural gas industry comprises four main sectors:

- exploration and production
- transmission
- distribution
- major users and the retail sector

These sectors take the natural gas from the point of extraction (the well head) to the point of consumption (the burner tip).



3.2 Exploration and production

3.2.1 Producing fields

Currently, natural gas is produced entirely in the Taranaki region from 11 fields. Production has been dominated since the late 1970s by the Maui field (65.8% of net production in the year to March 2005).¹ The Maui field is owned by Shell Petroleum Mining, OMV and Todd Energy. The next largest field by net production, Kapuni (15.1%), is owned by Shell Petroleum Mining and Todd Energy. Both fields are operated by Shell Todd Oil Services Limited.

The remaining 19% of net production in the year to March 2005 was provided from:

- McKee and Mangahewa, owned by Todd Taranaki Limited
- Waihapa/Ngaere and Tariki/Ahuroa fields, owned by Southern Petroleum New Zealand Exploration Limited and Swift Energy New Zealand Limited
- Rimu and Kauri fields owned by Swift Energy New Zealand Limited
- Ngatoro and Goldie fields, owned by Greymouth Petroleum Acquisition Company Limited, Southern Petroleum (Ochange) Limited and Greymouth Petroleum Limited
- Kaimiro, owned by Greymouth Petroleum Acquisition Company Limited.

Total New Zealand gas production in the year ended March 2005² was 155.6 PJ, a decline of 8.7% compared with 170.4 PJ in the year ended March 2004.

3.2.2 Exploration and development

There has been a substantial increase in gas exploration and development activities from 2004, and in the number and type of seismic acquisition surveys conducted. Exploration and development continue to be centred mainly in the Taranaki region and off the Taranaki coast.

The drilling of extended reach production wells (from an onshore location) in the Pohokura field commenced during the second quarter of 2005. The drilling of offshore production wells is scheduled to commence in early 2006. Initial production is expected to be 50 PJ of gas per annum commencing in late 2006.

¹ This information and much of the subsequent discussion comes from the *July 2005 Energy Data File*, published by the Ministry of Economic Development.

² Excluding gas re-injected or flared and LPG extracted.

The Pohokura joint venture partners are Shell Exploration NZ Ltd (48%), OMV NZ Ltd (26%) and Todd Pohokura Ltd (26%).

Australian-based Origin Energy has outlined its proposed developments for the Kupe oil and gas field. Kupe is expected to produce 20 PJ of gas per annum when it comes on-stream. Production from the Kupe field is expected to commence in the second quarter of 2007.

3.3 Transmission

Transmission pipelines transport large volumes of natural gas under high pressure from production fields to distribution networks, or to large customers along the pipeline.

There are over 3,400 km of high-pressure gas transmission pipelines in New Zealand. The major gas transmission pipelines are:

- NGC's network (although NGC has now been acquired by Vector), which extends to most major North Island centres and
- the Maui pipeline, extending from South Taranaki north to Huntly, owned by Maui Development Limited.

Other transmission pipelines are owned by Todd Petroleum and Shell, Todd Taranaki, Swift Energy and Westech Energy.

On 1 October 2005 an open access pipeline regime for the Maui pipeline came into effect, allowing all parties to ship gas through the Maui pipeline. The NGC/Vector transmission system already operated open access arrangements.

3.4 Distribution

Distribution networks transport gas from gate stations and reticulate it into residential houses, offices, hospitals, factories and other businesses.

There are more than 2,800 km of intermediate, medium and low pressure gas distribution pipeline networks in the North Island connected to the high pressure transmission system.

There are four gas distributors: NGC/Vector, Nova Gas, Wanganui Gas, and Powerco.

3.5 Major Users and the Retail Sector

3.5.1 Major users

The petrochemicals sector used around 29% of New Zealand's natural gas during the year ended March 2005. This gas was used in Methanex's methanol plants at Motunui and Waitara, and the Ballance Agri-Nutrients (Kapuni) ammonia/urea plant. Methanex has recently closed its Motunui plant as a consequence of natural gas supply constraints.

Electricity generation (excluding cogeneration) accounted for about 28% of New Zealand's natural gas produced during the year ended March 2005. Contact Energy Limited (Otahuhu B, Taranaki Combined Cycle and New Plymouth) and Genesis Power Limited (Huntly) are the main thermal electricity generators in New Zealand using natural gas. In August 2004, Genesis Energy committed to proceed with the construction of a new gas-fired power station at Huntly ("e3p"). The \$520 million project is one of the largest infrastructure projects currently underway in New Zealand.

A further 13% of New Zealand's natural gas was used for cogeneration. Apart from the major users already mentioned, other major users supplied directly from the transmission system include New Zealand Steel, Carter Holt Harvey, Degussa Peroxide, Fonterra Co-operative, NZ Refinery Company, Southdown Cogeneration, and Tasman Pulp and Paper. Many industrial users are connected to gas distribution networks.

3.5.2 Retailers and retail gas users

Retailers compete with each other to sell natural gas to smaller gas users (including residential households, hospitals and factories) who do not purchase directly from gas suppliers. Retailers effectively aggregate all the purchases of many smaller users to form a sizable purchase from gas suppliers. They also pay transportation tariffs associated with transmission and distribution so that they can offer a convenient, bundled product to retail customers.

There are nine gas retailers operating in New Zealand: NGC/Vector, Nova Gas, Wanganui Gas, Contact Energy, Genesis Energy, Mercury Energy, Bay of Plenty Electricity, E Gas and Auckland Gas Company.

4 Regulatory and Policy Context

4.1 Introduction

The Gas Industry Co's work on model consumer contracts occurs within the regulatory context provided by the Gas Act 1992 ("the Act"), and the Government Policy Statement on Gas Governance ("GPS"), published by the Government in October 2004 pursuant to section 43ZO of the Act.

The Gas Industry Co is able to make recommendations to the Minister of Energy on a range of matters affecting governance of the gas sector, including rules and regulations on the wholesaling, retailing, processing, transmission and distribution of gas. However, both the Government and gas industry seek the development of industry-led solutions where practical, and it is the Company's strong desire to promote industry-based co-operative arrangements and/or market based contractual solutions.

The Company also recognises the importance of taking a balanced approach between the needs of consumers and the operational and commercial considerations of the industry.

Changes to the Gas Act 1992 in late 2004 provided for co-regulation of the gas industry by the Government and an industry body. The Gas Industry Co was approved by Order in Council on 22 December 2004. Since that time the Company has focussed on establishing its work programme to address the requirements of the GPS and developing its capabilities to progress that work.

The Gas Industry Co's work in the area of model consumer contracts has been a key aspect of that work programme, and the Company now seeks stakeholder feedback on the work it has undertaken to date.

As background to considering the Gas Industry Co's progression of consumer contract issues, the regulatory and policy context within which the work has been undertaken is briefly summarised here. Readers are referred to the Act and the GPS for further details.

The Gas Industry Co's work on model consumer contracts is closely related to industry work on consumer complaints resolution systems. As background to considering options for progressing consumer contract arrangements, the regulatory context for consumer complaints resolution systems is also discussed here.

4.2 The Gas Act 1992

The Act, as amended in late 2004, provides for the co-regulatory model for the gas sector, through provisions relating to the approval of an industry body, the powers and functions of that body and regulation-making provisions covering a wide range of gas sector activities.

Section 43G provides that the Governor General may, by Order in Council made on the recommendation of the Minister, make regulations for a range of purposes. Those purposes are set out in subsection (2). Of particular relevance to the Gas Industry Co's work on model contracts are the following purposes:

- (a) *providing for the establishment of, or participation by gas distributors and gas retailers in, a complaints resolution system (that may include codes of practice) for the purpose of addressing complaints by all or any of small consumers (including potential small consumers), or owners and occupiers of land³ ...*
- (h) *providing for minimum terms and conditions in contracts between domestic consumers and gas distributors or gas retailers.*

The Act also includes provisions relating to compliance and enforcement. In particular it provides regulation-making powers for the purpose of "providing for compliance with gas governance regulations and rules to be monitored and enforced by the industry body ... or any other person or court, and the powers and procedure of that person or court". It contemplates the establishment of a Rulings Panel as a specialist body, if so required by any regulations made for compliance and enforcement, and sets out remedies available to such a body.

The Act also sets out the detailed process by which regulations (or rules) are made. These requirements provide important background to consideration of the issues and options for progressing the Gas Industry Co's work in the area of model contracts. In summary:

- Regulations are made by the Governor General by Order in Council made on the recommendation of the Minister. Rules are made by the Minister by notice in the Gazette.

³ Section 43E of the Gas Act provides that, once the Minister has approved (by notice in the Gazette) one or more gas complaints resolution systems, then every gas distributor and gas retailer must participate in an approved scheme. It is important to note that the Minister has not yet formally approved a gas complaints resolution system.

- There is no statutory authority for the Gas Industry Co to make regulations or rules itself, however it can recommend regulations or rules to the Minister.
- The Minister is able to recommend regulations (or make rules) for model consumer contracts (or for complaints resolution systems) without first having a recommendation from the Gas Industry Co.⁴ However, the Minister must first provide the Gas Industry Co with a reasonable opportunity to recommend regulations, and must have regard to any such recommendation.⁵

Before recommending regulations or rules, the Gas Industry Co would need to, amongst other things:

- have regard to its statutory and GPS objective; and
- seek to identify all reasonably practicable options for achieving the objective of the regulation and undertake an assessment of the costs and benefits of each option; and
- ensure that the objective of the regulation is unlikely to be satisfactorily achieved by any reasonably practicable means other than the making of the regulation (for example, by education, information, or voluntary compliance); and
- consult with interested parties.

4.3 The Government Policy Statement

The GPS sets the objectives and outcomes for the gas industry that the Government is seeking to achieve. The Government's overall objective for the gas industry is to ensure that gas is delivered to existing and new customers in a safe, efficient, fair, reliable, and environmentally sustainable manner.

Consistent with this overall objective, the Government is also seeking a range of specific outcomes, including:

- barriers to competition in the gas industry are minimised to the long-term benefit of end-users;
- delivered gas costs and prices are subject to sustained downward pressure;

⁴ There are a number of issues in the Gas Act on which the Minister is not able to recommend regulations (or make rules) without a recommendation from the Gas Industry Co. These include aspects of the wholesale gas market, transmission and distribution.

⁵ See sections 43J and 43M(1)(d).

- the quality of gas services, and in particular trade-offs between quality and price, as far as possible, reflect customers' preferences; and
- consistency with the Government's gas safety regime is maintained.

Paragraph 10 of the GPS notes that the Gas Act provisions allow the Government to regulate directly for retail and consumer issues "to ensure effective outcomes for consumers".

Paragraph 11 of the GPS provides some specific direction on retail and consumer arrangements:

The Minister of Energy invites the industry body [i.e. the Gas Industry Co] to recommend arrangements, including regulations and rules where appropriate, in the following areas

- *The development of efficient and effective arrangements for the proper handling of consumer complaints*
- *The development of model contract terms and conditions between consumers and retailers.*

In the period since establishment of the current GPS in October 2004, and in response to the GPS expectation on handling consumer complaints, the Electricity and Gas Complaints Commission has added gas consumer complaints to its existing electricity complaints scheme, and, as part of that scheme, has developed a gas code of practice which prevails in the event of a complaint regarding gas consumer contracts. It is this code of practice which is relevant in the consideration of the Gas Industry Co's work on model contract terms and conditions, and this is discussed further in Part C of this options paper.

Part B: Guidelines for Consumer Contracts

5 Purpose and Approach

5.1 Purpose and Objective of Model Retail Contracts

Paragraph 10 of the GPS indicates that the purpose of developing model contracts (and other retail and consumer issues) is to “ensure effective outcomes for consumers”. Consumers must be able to purchase gas with confidence, knowing that their gas retailer will deliver at least certain minimum standards of service.

Consumers often have limited information, or limited time or ability to absorb and understand available information when entering a gas contract. In contrast, gas retailers enter consumer contracts as part of their core business. A focus on consumer needs also recognises the difficulty individual consumers would face negotiating changes to posted terms and conditions.

Although the focus is on consumers, model contracts should also clarify the rights of gas companies (and the obligations of consumers). This would enable gas retailers to exercise their rights in the confidence that they are not acting inconsistently with government or industry policy.

5.2 Approach Adopted

The Gas Industry Co has interpreted the GPS invitation regarding model contract terms as relating to domestic consumers. It considers that this interpretation is reinforced by the Act which restricts the relevant regulation-making power to domestic consumers.

The Gas Industry Co’s initial approach has been to develop model guidelines for consumer contracts that focus on key issues of relevance to consumers. No attempt has been made to develop a full model contract with draft clauses covering all aspects of the retail relationship. The model contract guidelines establish minimum standards, so that the industry is free to develop contracts containing higher standards than the minimum (i.e. standards that are better for consumers).

This approach avoids unnecessary complexity and compliance costs for the industry. It provides maximum scope for innovation, with retailers competing to differentiate their services in the marketplace. It also appears consistent with the wording in the Act which provides regulation-making powers for “minimum terms and conditions”.

The Gas Industry Co established a number of work stream activities aimed at developing contract guidelines. As part of its approach, the Gas Industry Co formed the Model Contracts Working Group (MCWG) to assist it in the development of model contract guidelines. The MCWG consists of a Chair who is independent of the industry, and ten members appointed by the Gas Industry Co from nominations received from industry and consumer groups. A representative from the EGCC Scheme also attends as an observer. The MCWG reports regularly to the Gas Industry Co.

The MCWG developed draft guidelines for domestic consumer contracts. The draft guidelines have been prepared following a review of:

- existing domestic consumer contracts;
- the EGCC Scheme code of practice;
- other related legislation such as the Consumer Guarantees Act; and
- the experience of the working group members (both industry and consumer representatives)

6 Draft Guidelines

The draft guidelines for domestic consumer contracts developed by the MCWG, are set out in Table 1. Where relevant, comments on the draft guidelines have also been included to assist in understanding the nature of the guideline.

The purpose of setting out the draft guidelines is to provide stakeholders with the opportunity to assess the draft guidelines and to give feedback on whether it considers the guidelines are the minimum requirement to ensure effective outcomes for consumers.

Table 1: Draft contract guidelines

Draft Guideline
<p>1) How to become a customer</p> <p>The contract must clearly define the steps a consumer and retailer must take to form the contract and commence supply.</p> <p>The contract must state clearly when the contract is to commence and supply is to be taken. If the agreed supply date is retrospective the contract must make this clear to the customer.</p>
<p>2) Changes to a contract</p> <p>The contract must:</p> <ul style="list-style-type: none"> a) permit changes to be made to the terms and conditions of the consumer contract upon specified notice being given; and b) describe how the parties will propose, communicate and agree any changes to the consumer contract that may be able to be made under that contract (including increases in the price of gas).
<p>3) Service standards</p> <p>The consumer contract must describe the services provided to the consumer. This includes any quality of service standards that the company offers.</p> <p>A consumer contract must set out how the Company will respond to the consumer where quality of service standards are not met.</p>

Draft Guideline
<p>The contract must not contain quality of service standards that are inconsistent with the contract parties' obligations under legislation and regulations. Standards must:</p> <ul style="list-style-type: none"> a) comply with the Gas Act 1992 and the technical regulations and technical gas codes of practice; b) be no less than good industry practice prevailing in New Zealand; and c) require that equipment used in the provision of line function services will be monitored and maintained in line with good industry practice prevailing in New Zealand.
<p>4) Prices, bills and payment</p>
<p>If a company increases the price of gas supplied under the consumer contract, the contract must state that:</p> <ul style="list-style-type: none"> a) the timeframe and method in which notice will be given before increasing the price of gas; and b) an explanation of the reasons for the increase in price must be provided when it gives the consumer notice about the change; and c) if the increase in price is more than 5%, then a separate notice of the increase must be individually communicated to the customer in writing.
<p>The contract will state what will be included in the bill and that the bill will provide sufficient information for the customer to check the billed amounts.</p>
<p>The consumer contract must:</p> <ul style="list-style-type: none"> a) refer to the relevant prices or pricing schedule (as may be produced by the company from time to time) of products and services available to the consumer; b) state that the consumer is liable for the charges for all the services provided under the consumer contract; c) state the time from which the consumer will be liable for charges. d) provide that, except in the case of bills based on estimates, if the company makes an error and charges an incorrect amount to the consumer, then the consumer is: <ul style="list-style-type: none"> - entitled to a refund of the difference between the incorrect and correct amounts where the consumer has paid too much; or - is only liable to the company for the correct amount. The contract will state any term limitations that will apply for the recovery of underpayments. e) advise the consumer of the billing and/or reconciliation period; and

Draft Guideline
f) advise whether the customer is required to pay estimated accounts.
If the company offers alternative payment options to consumers, a simple explanation of how those options operate must be set out in the contract or in a separate publication identified in the contract.
5) Bonds
Where the company requires a bond from the consumer, the contract must state:
<ul style="list-style-type: none"> a) the period of time within which the bond must be paid to the company; b) how long the company will keep the bond. If the company keeps the bond for longer than 12 months, it must provide its reasons for doing so to the consumer; c) how the bond will be refunded; d) whether or not interest is payable on the bond.
6) Customer obligations and access
The contract must state:
<ul style="list-style-type: none"> a) the physical point at which the customer's responsibility begins. b) an explanation of the consumer's responsibilities for compliance with all safety and technical requirements under regulations and codes of practice.
The contract will state the rights of the retailer and/or their agents to gain access to their equipment located on the consumer's premises. The contract will also state the consequences the customer will face for not granting access.
7) Metering
Where metering is provided by the retailer, the consumer contract must clearly explain:
<ul style="list-style-type: none"> a) the requirements for metering relevant to the pricing option selected by the consumer. Any additional costs associated with providing or changing metering equipment must be explained; b) the consumer's responsibility for protecting, not tampering with and providing access to meter(s) for maintenance and reading purposes; c) the process to be followed in the event that either the retailer or the consumer suspects that a meter is reading incorrectly.
8) Disconnection and reconnection
The consumer contract must set out the conditions under which consumers can be disconnected and the actions that the customer can take to avoid disconnection.

Draft Guideline
A company may only disconnect a consumer for non-payment where the non-payment relates to bills (including a bond) associated with the supply of gas retail services, line function services, and/or gas.
<p>Except for emergency disconnections or in the case of disconnections under the Gas Act or Gas Regulations for safety reasons, or where a customer requests disconnection, consumer contracts must provide:</p> <ul style="list-style-type: none"> a) for at least 7 days notice of warning of disconnection and allow an additional 3 days for the delivery of the notice. b) for a final warning no less than 24 hours or more than 7 days before disconnection.
Consumer contracts must explain when charges for temporary disconnection and/or reconnection apply.
9) Faults and planned shutdowns
<p>The consumer contract must clearly state:</p> <ul style="list-style-type: none"> a) the circumstances under which the retailer may interrupt supply without prior warning. b) a minimum notice period before a planned shutdown, which should be no less than four days unless agreed otherwise with the consumer. c) terms detailing the retailer's rights and obligations under special or emergency operating situations. d) where information on emergency procedures is located and how under emergency conditions information and procedures for reconnection will be achieved.
The contract will give details on where information on the time and duration of unplanned outages can be obtained.
10) Privacy
<p>The contract must state that it will comply with the provisions of the Privacy Act 1993, and accordingly:</p> <ul style="list-style-type: none"> a) set out the purposes for which the company collects information from individuals; and b) confirm that customers will be able to access to information held about them and the opportunity to correct this information.

Draft Guideline
11) Dispute resolution and liability of the company and consumer
The contract must contain a clause that states that nothing in the contract will limit the customer's rights under the Consumer Guarantees Act.
The contract must define the situations covered under Force Majeure clauses and explain how a company will respond in such circumstances.
The contract must set out the ways in which the company and the consumer may terminate the contract. Should clearly set out responsibilities of the consumer when they wish to terminate the account.
The contract must advise consumers that there is an Electricity and Gas Complaints Commission, its role and how to contact it.
12) Deliver notices
The contract must specify how notices under the contract will be delivered to consumers.

7 Analysis of Guidelines against Code of Practice

The Gas Industry Co has analysed the EGCC Scheme gas code of practice against the draft guidelines. This analysis is contained in Appendix B. The analysis has determined that there is a high level of consistency between the code of practice and the draft guidelines with the code of practice containing the majority of the draft guidelines.

There are a limited number of draft guidelines which are not included in the code of practice. From discussions with the EGCC Commissioner, it appears that it was not a deliberate choice to exclude these requirements from the gas code of practice. Rather, the gas code of practice was prepared at the time that gas was included as part of the EGCC Scheme and largely reflects the EGCC Scheme electricity code of practice. A decision was made at the time of scheme expansion that it was not appropriate to undertake a significant review of the code contents for gas. The Gas Industry Co understands that the EGCC Scheme undertakes a five yearly review (in addition to undertaking general ongoing reviews) of the EGCC Scheme including a review of its codes of practice.

The draft guidelines which are currently not included in the EGCC Scheme code of practice are as follows:

- a) Commencement of Contract - The guidelines require the contract to clearly define the steps a consumer and retailer must take to form a contract and commence supply and require the contract to state when the contract is to commence and supply is to be taken. If the agreed supply date is retrospective the contract must make this clear to the customer.
- b) Termination of Contract – The guidelines require the contract to set out the ways in which the company and the consumer may terminate the contract. The contract should clearly set out responsibilities of the consumer when they wish to terminate the account.
- c) Metering - Where metering is provided by the retailer, the consumer contract must clearly explain:
 - the requirements for metering relevant to the pricing option selected by the consumer. Any additional costs associated with providing or changing metering equipment must be explained;
 - the consumer’s responsibility for protecting, not tampering with and providing access to meter(s) for maintenance and reading purposes;
 - the process to be followed in the event that either the retailer or the consumer suspects that a meter is reading incorrectly.
- d) Notice Delivery – The contract must specify how notices under the contract will be delivered to consumers.

Whilst the draft guidelines and the code of practice are in many instances drafted in different ways, the substantive effect of the guidelines is reflected in the code of practice for all but the above contract requirements.

8 Key Questions

To assist in structuring stakeholder feedback, the Gas Industry Co has set out a number of key questions submitters may wish to address in their responses on the draft guidelines.

- Q1: To what extent do the proposed guidelines for domestic consumer contracts (Table 1) cover all the matters necessary to be contained in retail contracts to ensure effective outcomes for consumers?
- Q2: If not, what additional matters should be covered?
- Q3: Are there any matters currently included that should be removed.
- Q4: If not, what alternative guidelines would you propose?
- Q5: For any additional matters you might have suggested in response to Question 2, what guidelines would you propose?

In addition to the key questions set out above, submitters may also wish to comment on a number of specific issues identified in the process to develop the draft guidelines set out here. These specific issues are:

- whether invoices should provide detail of the separation of energy and line (pipe) charges and/or fixed and variable charges.
- whether there should be a requirement for separate itemisation on bills of electricity and gas elements.
- whether a list of conditions and maximum charges for disconnection should be included.
- whether a customer's electricity should be able to be disconnected for non-payment of gas, and
- whether 4 days should be set as a minimum notice period before a planned shutdown.

Part C: Governance and Compliance

9 Introduction and Background

9.1 Introduction

Having considered the proposed guidelines for contracts between gas retailers and consumers, this part of the discussion paper considers options for consumer contract arrangements. It focuses on the governance and compliance issues that arise in relation to model contract arrangements, e.g. jurisdiction, monitoring and enforcement issues.

The purpose is to set out the broad options identified by the Gas Industry Co, together with its assessment of those options. This will assist it to determine the appropriate recommendations to the Minister on model contract arrangements.

The GPS gives some guidance in considering model contract issues, and the Gas Act provides certain regulation-making powers. The regulatory and policy context for consumer contracting issues are set out in detail in Part A of this paper. The key aspects are repeated here as an introduction to the Gas Industry Co's consideration of the issues and options for implementing suitable arrangements for consumer contracts.

9.2 Governance background

The GPS guides the policy direction, stating that: "The Minister of Energy invites the industry body to recommend arrangements, including regulations and rules where appropriate, in the [area of] development of model contract terms and conditions between consumers and retailers."

The Gas Act provides the relevant regulation making powers, empowering the Governor-General, by Order in Council made on the recommendation of the Minister, to make regulations for the purposes of, amongst other things "providing minimum terms and conditions in contracts between domestic consumers and gas distributors or gas retailers"

Before making a recommendation, the Gas Act requires the body making the recommendation to, amongst other things:

"seek to identify [and assess] all reasonably practicable options for achieving the objective of the regulation"

"ensure that the objective of the regulation is unlikely to be satisfactorily achieved by any reasonably practicable means other than the making of the regulation (for example, by education, information, or voluntary compliance)"

9.3 Compliance background

The Gas Act also contains certain provisions relating to compliance with regulations once made. In particular, the Act:

- *provides for regulation-making powers for the purpose of “providing for compliance with gas governance regulations and rules to be monitored and enforced by the industry body ... or any other person or court, and the powers and procedure of that person or court”;*
- *contemplates provision in any such regulations for the appointment of a Rulings Panel, and sets out provisions relating to its powers and remedies;*
- *sets out requirements on industry parties to “co-operate fully with any investigation carried out, for the purposes of monitoring or enforcing any gas governance regulations or rules, by the industry body... “.*

10 Options

The Gas Industry Co has identified three broad options for the governance and compliance arrangements required to implement the proposed set of consumer contract guidelines set out in Part B of these options per.

The aim is to identify the appropriate direction for the development of consumer contracting arrangements to take. It is not the intent of this discussion paper to set out detailed design and implementation arrangements.

Accordingly, the options are described here at a high level, for the purpose of inviting stakeholder feedback on preferred direction. They are described below, then set out in tabular form.

To assist in this process, and further inform the discussion, the Gas Industry Co's assessment of each of the broad options is contained in section 11.

Option A – Gas Industry Co Governance & Compliance

Under Option A, the Gas Industry Co, as the industry body appointed by the Minister, would take on the governance and administration of the consumer contract guidelines. It would do so by recommending rules and regulations to the Minister setting out minimum terms and conditions for retail contracts (as provided for in the Act). It would also establish suitable compliance arrangements, including monitoring and enforcement. This option has been termed the “Gas Industry Co Governance and Compliance” option.

This option would require a mandatory approach, i.e. rules and regulations would be required to ensure that all retailers complied with minimum contractual terms and conditions and the Gas Industry Co had the ability to monitor and enforce the requirements. As discussed later in this paper, there is currently a voluntary complaints resolution scheme, i.e. the Electricity and Gas Consumer Complaints Commission, which has a code of practice containing minimum requirements for retail contracts. Whilst it is possible that a voluntary approach could be adopted whereby retailers were actively encouraged to follow the model contracts and the Gas Industry Co could establish arrangements for monitoring uptake and compliance with the model contracts, there would be no enforceable information provision and investigative powers.

The key features of this broad option can be summarised as follows:

- The Gas Industry Co would complete the development and implementation of model consumer contract terms and conditions, and then administer the arrangements in an on-going sense. They could take the form of guidelines, model contract terms and conditions or default contracts, depending on the approach adopted. For simplicity, the remainder of this section refers generically to model contracts.
- The Gas Industry Co would seek a mandatory approach through the development of proposed regulations regarding model contracts, pursuant to the powers in the Act. Model contracts can only be made enforceable by promulgating regulations/rules.
- The rules and regulations would need to include a monitoring regime to allow the Gas Industry Co to investigate whether industry participant contracts complied with the model contracts. Information disclosure provisions would be required along with powers of investigation.
- An enforcement regime would be required to enforce industry participants' compliance with the model contracts. An enforcement body, such as the Rulings Panel contemplated by the Gas Act, would be needed which had powers to make certain orders such as issue warnings, penalties and compensation.
- The EGCC Scheme would continue in its current consumer complaints role.

Option B – Consumer Complaints Scheme Codes of Practice

The Gas Industry Co has considered the provisions in the Gas Act relating to consumer complaints schemes, and explored the work undertaken by the EGCC Scheme as to whether the existing legislative framework and governance and compliance arrangements of the existing consumer complaints scheme deliver effective outcomes for consumers.

In particular, the Gas Industry Co notes that the EGCC Scheme includes a gas code of practice which sets out the standards that the member companies agree to maintain for all of their dealings with customers. The gas code of practice sets out minimum standards/requirements that must be contained in contracts that member companies have with their customers. Further background to the EGCC Scheme is set out in Appendix A.

The Gas Industry Co notes that:

- An analysis of the draft guidelines and the EGCC Scheme’s code of practice determined that there is a high level of consistency between the two guidelines, although there are some guidelines not covered in the code of practice. The comparison is set out in Appendix B of this options paper.
- Once a gas retailer or distributor joins the EGCC Scheme, the EGCC Commissioner is able to make decisions about complaints that are binding on the member company. Five of the nine gas retailers are members of the EGCC Scheme (however three of those who have not joined are owned by the same parent company).
- Every gas company that is a member of the EGCC Scheme agrees to maintain the standards in the code of practice for all their dealings with customers. When the EGCC Commissioner determines a complaint, the code of practice is considered to prevail over any inconsistent terms and conditions in the customer’s contract. The EGCC Commissioner has the ability to require members to pay compensation to customers where there has been a non-compliance with the code of practice.
- The EGCC Scheme is not yet formally approved by the Minister pursuant to the Act. However, the intent is that such approval be sought in the near future. If approved, then in absence of another consumer complaints scheme being approved, it becomes mandatory for every gas retailer and distributor to belong to the EGCC Scheme.

The Gas Industry Co considers that this gives rise to a second broad option, and has termed this generically as the “Consumer Complaints Scheme Code of Practice” option. The Gas Industry Co has had preliminary discussions with the EGCC Commissioner as part of its identification and development of this option.

The key features of this broad option can be summarised as follows:

- The EGCC Scheme would continue to administer and develop its existing codes of practice in accordance with its own constitution and governance arrangements. The work of the Gas Industry Co in developing draft guidelines would be handed over to the EGCC Scheme to assist in any further development activity.
- The EGCC Commissioner would continue with its existing role in considering complaints made by individual domestic consumers and resolving those disputes. In particular, when the EGCC Commissioner rules on a dispute, the code of practice is considered to prevail over any inconsistent terms and conditions in the customer's contract.
- The EGCC Scheme does not include powers or arrangements for proactive monitoring of retailers' compliance with the code of practice, rather it only relates to individual complaints once made. The EGCC Commissioner has stated its view that to do otherwise would be inconsistent with the nature of its role, i.e. that of its dispute resolution role. The EGCC Scheme could, however, include the requirement to disclose individual member complaint statistics as a means of further encouraging compliance by publicising non-compliance or include the requirement for members to disclose the level of non-compliance between their retail contracts and the code of practice on an annual basis.
- The Gas Act provides for more than one consumer complaints scheme to be approved, and other schemes may or may not include codes of practice. In recognition of this possibility, the Gas Industry Co would recommend to the Minister of Energy that, to be an approved scheme, it must contain suitable arrangements, for instance binding codes of practice, protecting domestic consumers in their contracting with retailers.
- There is an existing commitment by the EGCC Scheme to review the codes of practice on an ongoing basis with a full review on a five-yearly basis when a full review of the Scheme is undertaken.

Although on the face of it this option might appear inconsistent with the expectation in the GPS, it is important to note that the inclusion of gas in the existing electricity scheme and the development of the codes of practice occurred subsequent to the publication of the GPS. Accordingly, this option might not have been apparent at the time the GPS was formulated.

Option C – Code of Practice with Gas Industry Co Monitoring

The Gas Industry Co acknowledges that the Consumer Complaints Scheme Code of Practice option (Option B) delivers effective resolution of domestic contracting issues in the event of a complaint, but that it does not necessarily ensure compliance in the absence of a complaint. As stated above, the Office of the Commissioner has stated its view that to undertake a surveillance and compliance function would be inconsistent with the nature of its dispute resolution role.

This gives rise to the third option which has been termed “Code of Practice with Gas Industry Co Monitoring”. This option entails the Gas Industry Co undertaking a role in the monitoring of compliance with the EGCC Scheme’s code of practice (or any other approved consumer complaints scheme’s code of practice). It is in effect a combination of Options A and B.

The key features of this option can be summarised as follows:

- As described in Option B, the EGCC Scheme would continue to administer and develop its existing codes of practice in accordance with its own constitution and governance arrangements. It would also continue with its existing role in hearing complaints made by individual domestic consumers and resolving those disputes, with the code of practice prevailing over any inconsistent terms and conditions in the customer’s contract.
- The Gas Industry Co would establish suitable arrangements for monitoring compliance with the codes of practice. However, in the absence of enforceable information provision and investigative powers, such monitoring would be on the basis of publicly available or voluntarily supplied information. This could include information provided by the Office of the Commissioner on complaint statistics.
- The Gas Industry Co would consider what, if any, action to take if it considered that the monitoring process was showing consistently unacceptable levels of compliance. Given the lack of enforcement rights under this Option C, the actions available to the Gas Industry Co for specific instances of non-compliance would be limited. However, the Gas Industry Co would have the ultimate ability to recommend to the Minister that model contracts, along with compliance and enforcement of such contracts, should be contained within rules and regulations (Option A).

In summary

The three options are illustrated in Table 2, which shows the key governance and compliance features of each.

Table 2: Summary of the Options identified

	Governance	Compliance
Option A Gas Industry Co Governance & Compliance	Gas Industry Co <ul style="list-style-type: none"> • mandatory approach to minimum terms through rules and regulations 	Gas Industry Co <ul style="list-style-type: none"> • full surveillance & enforcement regime
Option B Consumer Complaints Scheme Code of Practice	Office of the Complaints Commissioner, through <ul style="list-style-type: none"> • administering codes of practice • on-going development over time • review within five years 	Office of the Complaints Commissioner, through: <ul style="list-style-type: none"> • resolving individual complaints once made • code of practice prevailing where conflict • no pro-active monitoring (but recommendation that individual member complaint statistics are disclosed) • Gas Industry Co recommends to Minister that any approved scheme should be required to include suitable arrangements protecting domestic consumers in contracts with retailers
Option C Code of Practice with Gas Industry Co Monitoring	Office of the Complaints Commissioner, through <ul style="list-style-type: none"> • administering code of practice • on-going development over time • review within five years 	Office of the Complaints Commissioner, through <ul style="list-style-type: none"> • resolving individual complaints once made • code of practice prevailing where conflict • Gas Industry Co pro-active monitoring & review of compliance • Gas Industry Co recommends to Minister that any approved scheme should be required to include suitable arrangements protecting domestic consumers in contracts with retailers

11 Comparison of the Options

11.1 Introduction

The Gas Industry Co has undertaken a high level assessment of the three broad options identified in Section 10 of this options paper against a number of key criteria. These criteria include for each option:

- the effectiveness in protecting domestic consumers
- the effectiveness for retailers; and
- the administrative, resourcing and implementation requirements.

In assessing each option, the Gas Industry Co has had regard to the size of the domestic gas market (approximately 230,000 gas customers as opposed to 1.7 million electricity customers). It has also had regard to information received from the EGCC Scheme on gas complaints, namely that they have received a total of 12 complaints from gas consumers since April 2005. Whilst this is significantly less relative to electricity retail complaints, it needs to be recognised that the EGCC Scheme for gas is relatively new and therefore it may be some time until consumers fully utilise the scheme.

The following Gas Industry Co's assessment is also summarised below in Table 3.

Option A

Option A provides significant protection to consumers. The EGCC Scheme provides an avenue for consumers to make individual complaints regarding retail contracts and provides for the investigation of such complaints. The Gas Industry Co, on the other hand, would ensure that each retail contract is compliant with the model contract guidelines through proactive monitoring and undertaking enforcement in the event of non-compliance. This option offers the maximum protection to consumers especially given that the rules and regulations would be mandatory on all industry participants.

This option, however, may create a lack of clarity for retailers. To the extent that model contract guidelines are contained within rules and regulations and the EGCC gas code of practice also contains contractual guidelines, it will place retailers in a position of potentially having different contractual and legislative requirements if the two guidelines are inconsistent. With two separate governance structures, there will be no certainty that the code of practice and model contract rules and regulations will be consistent or that a non-compliance will not be considered by two separate governance bodies.

The Gas Industry Co would need to retain significant resource with consumer and retail knowledge in order to make recommendations on model contract rules and regulations, undertake periodic reviews of the rules and regulations and undertake ongoing monitoring and enforcement. This resource is currently contained with the EGCC Scheme and would need to remain so for its ongoing consumer complaints role. Accordingly, Option A involves a measure of duplication of effort, resource and administration between the Gas Industry Co and the EGCC Scheme (noting that the Gas industry Co may need enforcement resources for a number of its other roles). Co-existence of two substantially similar schemes may also result in additional work through interface and jurisdictional issues.

The duplication of resource and administration will result in increased costs for the gas industry, which will ultimately be passed to the end consumer.

The implementation of Option A would be a complex process involving design of the governance and compliance regime, development of suitable rules and regulations, and completion of the formal regulation-making process. Implementation would then follow, and this could involve significant work in the area of surveillance and compliance.

In summary, Option A, whilst providing a high level of protection for consumers, is likely to result in a duplication of resource between the consumer compliant regime and the Gas Industry Co. The cost of this duplication will ultimately be passed to consumers. Option A will also take a significantly longer time to implement than the other two options.

Option B

Option B does provide a level of consumer protection through the EGCC Scheme's requirement that members comply with the code of practice, the ability of individual consumers to make complaints to the scheme regarding retail contractual issues and the ability of the EGCC Commissioner to investigate such complaints and make awards of compensation. Provided the EGCC Scheme is mandatory, or any other approved scheme has similar requirements to protect consumers, the Gas Industry Co considers that there is a reasonable level of consumer protection. However the option does not include a monitoring regime by either the Gas Industry Co or the EGCC Scheme that would ensure that best practice is being implemented across the gas industry and that consumers are being awarded suitable levels of protection in absence of an individual complaint.

This option includes a suggestion by the Gas Industry Co that the EGCC Scheme provides that it can disclose individual member complaint statistics and that members are required to publicly disclose the extent to which they comply with the code of practice. The publication of non-compliances would assist in encouraging future compliance.

One of the significant benefits of Option B is that there will be no duplication of contract requirements, nor of resources and administration, thus considerably reducing the cost to each retailer (and ultimately to the consumer). The EGCC Scheme would retain its existing resources which would only need to be increased in the event that the number of gas complaints increased. In the event that the Minister of Energy approves another consumer complaints scheme then a level of duplication of resources may exist however this is inevitable given the Act provides that two schemes may be approved.

Option B offers a large measure of flexibility for future market developments. In the event that it is determined that the Gas Industry Co should not take any role in model contracts as the EGCC Scheme contains appropriate protection for consumers and then at a later date it is determined that further protection is warranted, Option A or Option C can be implemented without complex “unravelling” of existing frameworks.

In conclusion, Option B offers protection to consumers through individual complaint processes without a duplication of resources and governance. It does not however provide monitoring and enforcement of retail contracts other than as the result of an individual complaint. As set in the description of Option B, minor changes to the Scheme to allow for disclosure of individual member complaint statistics or the publication by members of non-compliances with the code of practice may assist in this regard. Option B is the simplest and quickest option to implement as it is largely in place through existing arrangements.

Option C

Option C includes most of the benefits outlined in Option B as it retains the EGCC Scheme (or other approved schemes) as the body responsible for the setting and governance of the codes of practice. It will involve a lesser degree of duplication than Option A, as the governance of the code of practice, and the requirement to have ongoing monitoring of those standards will remain in one body.

Option C also offers a large measure of flexibility for future options although there will be some up-front commitment in establishing monitoring regimes which may not later be required.

Whilst Option C will provide a limited degree of proactive monitoring (to the extent that retailers voluntarily provide retail contracts) the Gas Industry Co will have no means by which to enforce any non-compliance. It is more than likely that not all industry participants will voluntarily agree to provide retail contracts to the Gas Industry Co and comply with Gas Industry Co’s recommendations in relation to the compliance of the contracts with the guidelines. In this event, there may be no additional consumer protection under Option C to that granted to consumers under Option B, but there will be increased cost to retailers given the additional resource and administration required to undertake the monitoring function.

Table 3: High level assessment of the options

Criteria	Option A – Gas Industry Governance and Compliance	Option B – Consumer Complaints Scheme Code of Practice	Option C – Code of Practice with Gas Industry Co Monitoring
Effectiveness in protecting domestic consumers	<ul style="list-style-type: none"> The greatest level of consumer protection. Option A provides for a consumer complaints process (through EGCC) in addition to regulatory monitoring and enforcement by the Gas Industry Co. 	<ul style="list-style-type: none"> A level of consumer protection in the event of an individual complaint but does not ensure compliance with minimum standards in absence of a complaint. 	<ul style="list-style-type: none"> A level of consumer protection in the event of an individual complaint but does not ensure compliance with minimum standards in absence of a complaint. Provides a limited degree of proactive monitoring (to the extent that retailers voluntarily provide retail contracts) and no enforcement.
Effectiveness for retailers	<ul style="list-style-type: none"> The Gas Industry model contracts could potentially differ from the codes of practise under the complaints bodies. This would create a level of uncertainty for retailers – potentially inconsistent obligations. 	<ul style="list-style-type: none"> One scheme will clearly be more effective for retailers. One set of model contracts by which each retailer must comply will result in clarity on expectations. 	<ul style="list-style-type: none"> Given the Gas Industry Co monitoring will be voluntary, it will be up to retailers as to whether provide contracts and comply with Gas Industry Co recommendations.
Future-proofing	<ul style="list-style-type: none"> A mandatory version of Option A is the least flexible as it involves substantial up-front commitment to governance and compliance regimes. 	<ul style="list-style-type: none"> Option B offers a large measure of flexibility as it does not preclude a move to Option C or A at a future point if warranted. 	<ul style="list-style-type: none"> Option C also involves a large measure of flexibility, although some up-front commitment in establishing monitoring regimes which may not later be required.

Criteria	Option A – Gas Industry Governance and Compliance	Option B – Consumer Complaints Scheme Code of Practice	Option C – Code of Practice with Gas Industry Co Monitoring
Enforceability	<ul style="list-style-type: none"> Option A would obtain enforcement through rules and regulations. 	<ul style="list-style-type: none"> Enforcement by EGCC on an individual complaints basis by the EGCC code of practice prevailing against the member companies' contract. 	<ul style="list-style-type: none"> Same as for Option B. No ability of the Gas Industry Co to enforce non-compliances in absence of rules and regulations or by voluntary agreement.
Coverage	<ul style="list-style-type: none"> Rules and regulations would be mandatory therefore there would be full coverage. 	<ul style="list-style-type: none"> Currently high coverage through high level of membership of existing EGCC Scheme. This level would improve further if EGCC Scheme is formally approved or any further approved scheme has consumer protection requirements. 	<ul style="list-style-type: none"> Same as for Option B.
Change process	<ul style="list-style-type: none"> Complex change process as it would require a change to regulation/rules which are required to be approved by the Minister of Energy 	<ul style="list-style-type: none"> Reasonably simple change process through the EGCC. The Commissioner can propose a change then it is voted upon by the Scheme Amendment Committee. 	<ul style="list-style-type: none"> Same as Option B

Criteria	Option A – Gas Industry Governance and Compliance	Option B – Consumer Complaints Scheme Code of Practice	Option C – Code of Practice with Gas Industry Co Monitoring
Skills match	<ul style="list-style-type: none"> Requires Gas Industry Co to have expertise in consumer issues in addition to these skills being required within the EGCC. 	<ul style="list-style-type: none"> Option B appears to provide the greatest skills match, as the Office of the Complaints Commissioner is best placed to address consumer issues. 	<ul style="list-style-type: none"> If enforceability is a key requirement, then those skills are better matched with the Gas Industry Co.
Administrative arrangements	<ul style="list-style-type: none"> Option A involves a measure of duplication of effort and resource between the Gas Industry Co and the Scheme in reviewing and administering the model contract guidelines/code of practice and in monitoring. Co-existence of two substantially similar schemes could result in additional work through interface and jurisdictional issues. 	<ul style="list-style-type: none"> Option B involves no duplication of resources. All work in the area of model contracts would be undertaken by the EGCC. 	<ul style="list-style-type: none"> There would be level of duplication as the Gas Industry Co would need to have the internal skills to monitor retail contracts.

Criteria	Option A – Gas Industry Governance and Compliance	Option B – Consumer Complaints Scheme Code of Practice	Option C – Code of Practice with Gas Industry Co Monitoring
Implementation	<ul style="list-style-type: none"> A mandatory version of Option A would be a complex process involving design of the governance and compliance regime, development of suitable regulations, and completion of the formal regulation-making process. Implementation would then follow, and this could involve significant work in the area of surveillance and compliance. 	<ul style="list-style-type: none"> Option B is the simplest and quickest to implement as it is largely in place through existing arrangements. 	<ul style="list-style-type: none"> The governance aspects of Option C are largely in place, however the monitoring arrangements would take a little longer to implement.

12 Preferred Option

In determining the Gas Industry's Co's preferred governance option for model contracts, the Gas Industry Co commenced by considering the Government's general commitment to the protection of consumers which is reflected in its overall gas policy objective to "ensure that gas is delivered to existing and new customers in a safe, efficient, *fair*, reliable and environmentally sustainable manner"(emphasis added).

The Gas Industry Co has noted that many of the specific requirements contained within the GPS for gas governance are a mirror of similar requirements that have previously applied to electricity governance. These requirements include the development of model contract terms and conditions.

The Gas Industry Co has no evidence of significant problems with retail gas contracts. The EGCC Commissioner has advised that she has received a total of 12 complaints from gas consumers since April 2005.

As the majority of gas retailers are also involved in the electricity market it is reasonable to assume that changes to retail gas contracts have been made in parallel with the evolution of the corresponding contracts in the electricity sector.

The retail gas market is relatively small (approximately 230,000 gas customers compared to 1.7 million electricity customers). Gas is to some extent a "fuel of choice" for consumers.

Based on the above, the Gas Industry Co's preliminary conclusion is that its recommendation to the Minister of Energy will be that the current EGCC Scheme contains reasonable consumer protection measures at this time. The EGCC Scheme code of practice contains, to a large extent, the consumer protection requirements that are contained within the draft model contract guidelines. The Gas Industry Co's preferred option is therefore Option B.

Whilst the Scheme is not mandatory, every industry participant is required by the Gas Act to participate in a complaints resolution scheme that is approved by the Minister of Energy. This will ensure that, in the event that no other complaints resolution scheme is approved, that once the Scheme is approved all industry participants will be required to participate in the Scheme. A condition of participating in the Scheme is that members comply with the gas codes of practice, effectively resulting in the gas codes of practice having mandatory status.

A potential concern with Option B is that the EGCC Scheme does not monitor and enforce general compliance with the gas code of practice (as opposed to compliance on an individual consumer basis). However the benefit of such monitoring and compliance needs to be assessed against the benefits that are likely to be gained from having a duplication of contractual and resource requirements and the cost of such duplication which is likely to be borne by consumers through their retail contracts. The Gas Industry Co considers that

given the current size of the market and the relatively low level of gas complaints received by the EGCC Commissioner to date that there may not be sufficient consumer protection issues within the gas retail market to warrant two bodies having roles in the development and governance of model contract terms and conditions.

To ensure there are appropriate incentives for compliance the Gas Industry Co would, however, suggest to the Minister that the EGCC Scheme should include the requirement to disclose individual member complaint statistics and that individual members are required to publicly disclose the extent to which they comply with the code of practice.

Option B would not preclude a move to rules and regulations in the future in the event that, following a reasonable period of industry participants being required to participate in an approved consumer complaints scheme, that it is determined that consumer protection issues are not being adequately addressed by the current framework and that monitoring and enforcement are required.

Other benefits of Option B include:

- there is no implementation required as it largely involves existing arrangements;
- skills in dealing with consumer issues already exist within the EGCC Scheme;
- it is an arrangement that the majority of retailers and consumers are already familiar with; and
- it involves minimal duplication of resources and administrative costs.

13 Key Questions

To assist in structuring stakeholder feedback, the Gas Industry Co has set out a number of key questions submitters may wish to address in their responses on the broad options for governance and compliance arrangements for model contracts.

Q6: Do you agree with the Gas Industry Co's description of the broad options?

Q7: Can you suggest any additional broad options for consideration?

Q8: What other comment do you have on each of the broad options set out?

Q9: Do you agree with the Gas Industry Co's assessment of each of the broad options? If not, what alternative assessment would you make?

Q10: Do you agree with the Gas Industry Co's preference for Option B?

Appendix A: Electricity & Gas Complaints Commission

During 2002, the Electricity and Gas Complaints Commission established a complaints resolution scheme for electricity complaints. From 1 April 2005, the scheme was expanded to include gas complaints.

The scheme is free to consumers. It is funded by electricity and gas retailers and distributors, but remains independent of the industry in its investigation processes and decision-making.

There are three main components of the scheme:

- The electricity and gas **codes of practice** - every member company agrees to maintain the standards in the codes for all of their dealings with customers.
- The **internal complaints process** - each company must provide a complaints process for customers who aren't satisfied with some aspect of the company's service. All consumers with complaints must follow the individual company's complaints process before approaching the EGCC.
- The **complaints commissioner** - an independent, qualified person who will assist in the resolution of a complaint if it is not resolved with the company. The commissioner may make a decision ordering companies to pay money or take other steps to put the matter right, as is appropriate in the circumstances.

All member companies participating in the scheme agree to be bound by the terms of reference and the commissioner's decisions, and to follow the codes of practice for electricity and gas.

The gas companies that are members of the scheme are:

- Contact Energy
- NGC
- Vector
- Genesis
- Wanganui Gas

Governance

The Scheme has a two-tier governance structure:

First level: The Electricity and Gas Complaints Council (the “Council”) are those members of the electricity and gas industry (retailers and lines companies) that agree to be bound by the constitution for the Scheme and to pay for its costs. The Electricity and Gas Complaints Council Board (the “Board”) (consisting of six Council members and an independent chair) provides the executive management of the Council and appoints two representatives of Council members to the Electricity and Gas Complaints Commission (the “Commission”).

Second level: The Commission is made up of the two Council representatives, two consumer representatives, (appointed by the Ministry of Consumer Affairs) and an independent chair. The purpose of the Commission is to establish and maintain the office of the Electricity and Gas Complaints Commissioner and to provide independent implementation and administration of the Scheme to ensure it is:

- Free to Consumers
- Accessible
- Fair
- Effective
- Accountable, and
- Independent

The Commission appoints the Electricity and Gas Complaints Commissioner (the “Commissioner”) to implement the Terms of Reference for the Scheme.

The Commissioner’s terms of reference provide that her principal powers and duties are to consider and facilitate the resolution of complaints between members and consumers.

There is no direct line relationship between the Board, the Council, and the Commission, the Commissioner or the Commissioner’s office.

Gas code of practice

The gas code of practice is available on the Scheme’s website at:

<http://www.electricitycomplaints.co.nz/images/gascodofpractice.pdf>

The constitutional process for changes to the Scheme (including the Commission Rules, the Commissioner's Terms of Reference and the Code) is as follows:

- The Commission may at any time propose to the Board amendments to the scheme. Before referral, the Commission must consult with the Chief Ombudsman, the Ministry of Consumer Affairs, council members, representatives of consumer organisations;
- The chair of the Board convenes a Scheme Amendment Committee (SAC) who votes on the proposed changes.
- The SAC is made up of six industry board members and six consumer representatives nominated by the Consumers' Institute, and the Board's chair who does not vote.
- Changes require support from 10 out of 12 SAC members. If the SAC does not approve an amendment, it may be referred to the Council for voting 50% in support.
- The Council may change the constitution and the dispute resolution protocols by voting 75% in support.

Expansion to cover complaints by owners and occupiers of land

Section 43E of the Gas Act provides that, once the Minister has approved at least one complaints resolution system, all gas retailers and distributors will need to belong to an approved scheme. Regulation-making powers enable the government to establish a complaints resolution system with compulsory membership if the industry does not establish its own suitable scheme.

Section 43E envisages that complaints resolution systems will be able to address complaints not only from consumers and potential consumers, but also from owners and occupiers of land affected by pipelines (landowners).

At present the Scheme does not cover complaints by landowners. However, given the regulatory background, the Office of the Complaints Commissioner is working with the industry to expand the scheme to cover landowners so that it can eventually be approved by the Minister pursuant to section 43E.

A similar expansion for land is required to the Scheme for the electricity sector.

Formal approval of the scheme

Section 43E of the Gas Act provides that the Minister may formally approve a complaints resolution system by notice in the Gazette. The GPS appears to envisage that the Gas Industry Co would advise the Minister on that decision. However, there is no statutory requirement for the Minister to seek, consider or follow that advice.

As soon as at least one complaints resolution system is approved, it becomes mandatory for every gas retailer and distributor to participate in an approved system.

Appendix B: Comparing content of guidelines and code of practice

The following table compares the draft guidelines developed by the MCWG to the equivalent provisions in the EGCC Scheme code of practice.

The comparison is provided for the purpose of assisting stakeholders in their consideration of the draft guidelines proposed by the Gas Industry Co in Part B of this options paper.

Draft Guideline	Gas Consumer Code of Practice
<p>1) How to become a customer</p> <p>The contract must clearly define the steps a consumer and retailer must take to form the contract and commence supply.</p> <p>The contract must state clearly when the contract is to commence and supply is to be taken. If the agreed supply date is retrospective the contract must make this clear to the customer.</p>	<p>CA9 WHAT CAN THE CONSUMER EXPECT FROM A CONSUMER CONTRACT?</p> <p>CA9.1 A Consumer Contract must:</p> <ul style="list-style-type: none"> • Be easy to understand; • Clearly set out the rights and obligations of both the Company and the Consumer; • Refer to any other information that is part of the terms and conditions of the Consumer Contract; • Be easy for Consumers to obtain; • Allow Disconnection only as a last resort except for reasons of safety or other reasons authorised under the Gas Regulations 1993; and • Provide for free, accessible, fair and effective systems for resolving Complaints within a Company.
<p>2) Changes to a contract</p> <p>The contract must:</p> <ul style="list-style-type: none"> • permit changes to be made to the terms and conditions of the consumer contract upon specified notice being given; and • describe how the parties will propose, communicate and agree any changes to the consumer contract that may be able to be made under that contract (including increases in the price of gas). 	<p>CA10 CHANGES TO CONSUMER CONTRACTS</p> <p>CA10.1 If a Company changes the terms and conditions of a Consumer Contract, the Company must:</p> <ul style="list-style-type: none"> • Give no less than 30 days notice before making any changes to the terms and conditions of the Consumer Contract; and • Explain the reasons for the changes to the Consumer Contract terms and conditions when it gives the Consumer notice about the change. <p>CA10.2 The Consumer Contract must describe how the Company will communicate any changes to the terms and conditions of the Consumer Contract that may be made under the Consumer Contract. However, any change in the frequency of billing and/or frequency of meter reading, must be individually communicated to the Consumer in writing.</p>

Draft Guideline	Gas Consumer Code of Practice
	<p>CA11 CHANGES TO PRICE</p> <p>CA11.1 If a Company increases the price of Gas supplied under a Consumer Contract, including for example any increase in variable Gas prices and/or daily fixed charge prices, the Company must:</p> <ul style="list-style-type: none"> • Give no less than 30 days notice before increasing the price of Gas; and • Explain the reasons for the increase in price when it gives the Consumer notice about the change. <p>CA11.2 The Consumer Contract must describe how the Company will communicate any increases in the price of Gas. If the increase in price is more than 5%, then a separate notice of the increase must be individually communicated to the Consumer in writing as soon as practicable.</p> <p>CA11.3 For the avoidance of doubt, a Company is not required to give a Consumer advance notification of a decrease in the price of Gas supplied.</p>

Draft Guideline	Gas Consumer Code of Practice
<p>3) Service standards</p> <p>The consumer contract must describe the services provided to the consumer. This includes any quality of service standards that the company offers.</p> <p>A consumer contract must set out how the Company will respond to the consumer where quality of service standards are not met.</p> <p>The contract must not contain quality of service standards that are inconsistent with the contract parties' obligations under legislation and regulations. Standards must:</p> <ol style="list-style-type: none"> a) comply with the Gas Act 1992 and the technical regulations and technical gas codes of practice; b) be no less than good industry practice prevailing in New Zealand; and c) require that equipment used in the provision of line function services will be monitored and maintained in line with good industry practice prevailing in New Zealand. 	<p>CA12 SERVICES PROVIDED</p> <p>CA12.1 The Consumer Contract must describe the services provided to the Consumer. This includes any quality standards that the Consumer should expect from the Company in providing these services.</p> <p>CA12.2 A Consumer Contract must set out how the Company will respond to the Consumer where quality of service standards are not met, including any compensation that would be paid to the Consumer if the Company does not meet its obligations.</p> <p>CA12.3 The quality of service standards must:</p> <ul style="list-style-type: none"> • Comply with the Gas Act 1992 and the technical regulations and technical Gas codes of practice; • Be no less than good industry practice prevailing in New Zealand; and • Require that equipment used in the provision of Line Function Services will be monitored and maintained in line with good industry practice prevailing in New Zealand.
<p>4) Prices, bills and payment</p> <p>If a company increases the price of gas supplied under the consumer contract, the contract must state that:</p> <ol style="list-style-type: none"> a) the timeframe and method in which notice will be given before increasing the price of gas; and b) an explanation of the reasons for the increase in price must be provided when it gives the consumer notice about the change; and c) if the increase in price is more than 5%, then a separate notice of the increase must be individually communicated to the customer in writing. <p>The contract will state what will be included in the bill and that the bill will provide sufficient information for the customer to check the billed amounts.</p>	<p>CA13 PRICE INFORMATION</p> <p>CA13.1 The Consumer Contract must refer to the relevant prices or pricing schedule (as may be produced by the Company from time to time) of products and services available to the Consumer.</p> <p>CA14 BILLING</p> <p>CA14.1 Consumer Contracts must set out:</p> <ul style="list-style-type: none"> • That the Consumer is liable for the charges for all the services included in the Consumer Contract and is responsible for making sure that the contractual requirements are met; • That the Consumer will only be liable for charges from the date of occupancy or responsibility unless another date has been

Draft Guideline	Gas Consumer Code of Practice
<p>The consumer contract must:</p> <ul style="list-style-type: none"> a) refer to the relevant prices or pricing schedule (as may be produced by the company from time to time) of products and services available to the consumer; b) state that the consumer is liable for the charges for all the services provided under the consumer contract; c) state the time from which the consumer will be liable for charges. d) provide that, except in the case of bills based on estimates, if the company makes an error and charges an incorrect amount to the consumer, then the consumer is: <ul style="list-style-type: none"> - entitled to a refund of the difference between the incorrect and correct amounts where the consumer has paid too much; or - is only liable to the company for the correct amount. The contract will state any term limitations that will apply for the recovery of underpayments. e) advise the consumer of the billing and/or reconciliation period; and f) advise whether the customer is required to pay estimated accounts. <p>If the company offers alternative payment options to consumers, a simple explanation of how those options operate must be set out in the contract or in a separate publication identified in the contract.</p>	<p>agreed between the Consumer and the Company;</p> <ul style="list-style-type: none"> • That, except in the case of bills based on estimates, if the Company makes an error and charges an incorrect amount, the Consumer: <ul style="list-style-type: none"> ○ is entitled to a refund of the difference between the incorrect and correct amounts where the Consumer has paid too much; or ○ is only liable to the Company for the correct amount; and • The billing period and/or reconciliation period. <p>CA14.2 Where a Consumer has chosen a price option offered by a Gas Retailer that includes fixed charges for Gas and Line Function Services, the Company's bill must identify the fixed charge component of the bill separately from the variable charge.</p> <p>CA14.3 If a Company's bill that relates to the supply of Gas and Line Function Services includes charges for other goods and services, those goods and services should be itemised separately unless the Consumer has agreed otherwise under the Consumer Contract.</p> <p>CA14.4 If the Consumer Contract is a Combined Electricity and Gas Consumer Contract, the amount payable for electricity and the amount payable for Gas should be itemised separately.</p> <p>CA14.5 If a Company's bill to a Consumer is based on a method of estimating Gas and/or Line Function Services usage:</p> <ul style="list-style-type: none"> • The Consumer should be given the opportunity of reading their own meter(s) and giving the reading(s) to the Company until the Company arranges for the meter to be read; • The Company must provide, on request, a simple explanation

Draft Guideline	Gas Consumer Code of Practice
	<p>of how estimates are calculated and amend an estimated bill when the Consumer provides a valid meter reading;</p> <ul style="list-style-type: none"> • The Company must make sure that its bills state clearly if an estimate has been used; and • The Company must state in the Consumer Contract whether the Consumer is required to pay estimated accounts. <p>CA16 PAYMENT OPTIONS</p> <p>CA16.1 A Company with a Consumer Contract (or the person who does that Company's billing on its behalf) must have policies in place that assist a Consumer who is having difficulty paying a bill.</p> <p>CA16.2 Where currently offered payment options are to change, reasonable notice must be given and adequate information provided to explain the changes to Consumers before the change takes effect. The minimum notification provisions of CA10 Changes to Consumer Contracts apply.</p> <p>CA16.3 If alternative payment options are offered to Consumers, these should be supported by a simple explanation of how the options operate, either in the Consumer Contract or in a separate publication or notice.</p> <p>CA16.4 In the case of a Combined Electricity and Gas Consumer Contract, a Consumer may direct a Company on how payments for the supply of electricity and/or Gas must be applied to that Consumer's account.</p>

Draft Guideline	Gas Consumer Code of Practice
<p>5) Bonds</p> <p>Where the company requires a bond from the consumer, the contract must state:</p> <ol style="list-style-type: none"> a) the period of time within which the bond must be paid to the company; b) how long the company will keep the bond. If the company keeps the bond for longer than 12 months, it must provide its reasons for doing so to the consumer; c) how the bond will be refunded; d) whether or not interest is payable on the bond. 	<p>CA17 BONDS</p> <p>CA17.1 If a Company requires a Bond:</p> <ul style="list-style-type: none"> • The Company must give to the Consumer the reason for that decision; • The Bond must not be more than the expected loss if a Consumer doesn't pay; • The Consumer Contract should state if interest is payable on the Bond; • The Bond must be held on trust in a separate account; and • The Consumer Contract must state: <ul style="list-style-type: none"> ○ the period of time within which the Bond must be paid to the Company; and ○ how long the Company will keep the Bond and that if the Company keeps the Bond for longer than 12 months, it must provide its reasons for doing so to the Consumer; and ○ how the Bond will be refunded.
<p>6) Customer obligations and access</p> <p>The contract must state:</p> <ol style="list-style-type: none"> a) the physical point at which the customer's responsibility begins. b) an explanation of the consumer's responsibilities for compliance with all safety and technical requirements under regulations and codes of practice. <p>The contract will state the rights of the retailer and/or their agents to gain access to their equipment located on the consumer's premises. The contract will also state the consequences the customer will face for not granting access.</p>	<p>CA21 OBLIGATIONS FROM POINT OF SUPPLY</p> <p>CA21.1 A Company must supply information (on request) to a Consumer about a Consumer's Gas supply that explains where the Gas Lines Company's ownership and responsibilities end in relation to the distribution system.</p> <p>CA21.2 A Consumer Contract must set out the responsibilities of the Consumer, the Gas Retailer and the Gas Lines Company (the Gas Retailer and Gas Lines Company may be the same Company) in relation to ownership of equipment. For example, a Consumer Contract must clearly set out the extent to which the Consumer is responsible for maintaining a tree's root system and whether a Consumer may build over underground equipment.</p>

Draft Guideline	Gas Consumer Code of Practice
	<p data-bbox="1060 365 1816 451">CA21.3 A Consumer Contract must explain the Consumer's responsibilities for compliance with all Line Function Services safety and technical requirements under regulations and codes of practice.</p> <p data-bbox="1060 500 1417 527">CA22 ACCESS TO PREMISES</p> <p data-bbox="1060 539 1858 711">CA22.1 Consumer Contracts must include provisions permitting reasonable access to a Consumer's Premises for the direct purposes of the Gas Retailer or Gas Lines Company and any agent or subcontractor of that Company. The consequences of not granting access should also be set out in the Consumer Contract. Other conditions of access should be in line with the provisions of the Gas Act 1992.</p> <p data-bbox="1060 760 1858 873">CA22.2 Where a Company is in the possession of keys and/or security information for a Consumer's Premises, the Company should have formal procedures for the secure storage and use of and return of these keys and/or security information.</p>

Draft Guideline	Gas Consumer Code of Practice
<p>7) Metering</p> <p>Where metering is provided by the retailer, the consumer contract must clearly explain:</p> <ul style="list-style-type: none"> a) the requirements for metering relevant to the pricing option selected by the consumer. Any additional costs associated with providing or changing metering equipment must be explained; b) the consumer's responsibility for protecting, not tampering with and providing access to meter(s) for maintenance and reading purposes; c) the process to be followed in the event that either the retailer or the consumer suspects that a meter is reading incorrectly. 	<p>CA15 METERING</p> <p>CA15.1 Meter readings used by a Company for billing a Consumer must comply with Gas industry standards and codes of practice for meter reading. Meter readings should take place a minimum of four times a year unless the Consumer agrees individually otherwise or does not provide the Company with reasonable access to the meter.</p> <p>CA15.2 On request the Company must inform the Consumer of the results of any meter test, and, if it is not clear in the Consumer Contract, inform the Consumer of any extra charge the Consumer may incur as a result of the Company testing the Consumer's meter prior to undertaking the work.</p> <p>CA15.3 The Company must inform the Consumer prior to taking any action on the Consumer's meter which may impact on the Consumer's bill or result in an extra charge.</p> <p>CA15.4 The obligations on Companies to inform Consumers under Clause CA15.2 and Clause CA15.3 do not apply where the Company has reasonable cause to suspect that fraud, theft or meter tampering has taken place.</p>
<p>8) Disconnection and reconnection</p> <p>The consumer contract must set out the conditions under which consumers can be disconnected and the actions that the customer can take to avoid disconnection.</p> <p>A company may only disconnect a consumer for non-payment where the non-payment relates to bills (including a bond) associated with the supply of gas retail services, line function services, and/or gas.</p> <p>Except for emergency disconnections or in the case of disconnections under the Gas Act or Gas Regulations for safety reasons, or where a customer requests disconnection, consumer contracts must provide:</p>	<p>CA18 DISCONNECTION AND RECONNECTION</p> <p>CA18.1 Consumer Contracts must set out the conditions under which Consumers can be disconnected.</p> <p>CA18.2 Consumer Contracts must state that a Company may only disconnect a Consumer for non-payment where the non-payment relates to bills (including a Bond) associated with the supply of Gas Retail Services, Line Function Services, and/or Gas.</p>

Draft Guideline	Gas Consumer Code of Practice
<p>a) for at least 7 days notice of warning of disconnection and allow an additional 3 days for the delivery of the notice.</p> <p>b) for a final warning no less than 24 hours or more than 7 days before disconnection.</p> <p>Consumer contracts must explain when charges for temporary disconnection and/or reconnection apply.</p>	<p>CA18.3 Where a Company intends to disconnect a Consumer because the Company considers that the Consumer has not paid a bill (including a Bond), Disconnection should be the Company's last course of action.</p> <p>CA18.4 If a Consumer has started using and is pursuing the dispute resolution processes set out in the Consumer Contract (including the Electricity and Gas Complaints Commissioner Scheme) in relation to that Consumer not paying the bill, the Company must not disconnect that Consumer or commence credit recovery action until the processes are exhausted.</p> <p>CA18.5 This means that a Consumer should not be disconnected for non-payment of part of an account that is the subject of a dispute resolution process. However, a Consumer may be disconnected for non-payment of that part of an account which is not in dispute.</p> <p>CA18.6 A Consumer should not be disconnected on the basis of an estimated account unless it is fair and reasonable in the circumstances to do so.</p> <p>CA18.7 Except in the case of agreed or emergency Disconnections or in the case of Disconnections under the Gas Act or Gas Regulations for safety reasons, Consumer Contracts must:</p> <ul style="list-style-type: none"> • Provide for at least seven days notice of warning of Disconnection and allow an additional three days for the delivery of the notice; and • Provide for a Final Warning no less than 24 hours nor more than seven days before Disconnection. The Final Warning must specify these timeframes. If the Disconnection is not prevented by the Consumer and not completed within these timeframes, the Company must issue another Final Warning.

Draft Guideline	Gas Consumer Code of Practice
	<p>CA18.8 Consumer Contracts must explain when charges for temporary Disconnection and/or Reconnection apply. When warnings are delivered as per the provisions of CA18.7, they must include and make explicit what additional charges over and above the recovery of billing arrears will apply.</p> <p>CA18.9 Temporary Disconnection and/or Reconnection charges should not be more than the level required to meet the overall costs of the Disconnection and/or Reconnection service.</p> <p>CA18.10 Disconnection notices should include:</p> <ul style="list-style-type: none"> • Information about the Company's dispute resolution processes; • Contact details of the Company's credit department so that the Consumer can contact that credit department to arrange payment of a bill that has not been paid, and • The cost of Reconnection.

Draft Guideline	Gas Consumer Code of Practice
<p>9) Faults and planned shutdowns</p> <p>The consumer contract must clearly state:</p> <ol style="list-style-type: none"> the circumstances under which the retailer may interrupt supply without prior warning. a minimum notice period before a planned shutdown, which should be no less than four days unless agreed otherwise with the consumer. terms detailing the retailer's rights and obligations under special or emergency operating situations. where information on emergency procedures is located and how under emergency conditions information and procedures for reconnection will be achieved. <p>The contract will give details on where information on the time and duration of unplanned outages can be obtained.</p>	<p>CA19 FAULTS AND EMERGENCIES</p> <p>CA19.1 Information about 24-hour telephone numbers to call for faults and emergencies must be provided on every bill to a Consumer.</p> <p>CA19.2 The Company must provide advice, whether in the Consumer Contract or by any other means (for example in brochures or advertisements), to Consumers on how to turn off their Gas supply in an emergency situation. This advice must be easy for Consumers to obtain and understand.</p> <p>CA20 PLANNED SHUTDOWNS</p> <p>CA20.1 A Consumer Contract must clearly state a minimum notice period before a Planned Shutdown which should be no less than four days unless agreed otherwise in the Consumer Contract.</p> <p>CA20.2 Companies must notify Consumers of a Planned Shutdown within the notice period.</p>
<p>10) Privacy</p> <p>The contract must state that it will comply with the provisions of the Privacy Act 1993, and accordingly:</p> <ol style="list-style-type: none"> set out the purposes for which the company collects information from individuals; and <p>+confirm that customers will be able to access to information held about them and the opportunity to correct this information.</p>	<p>CA26 PRIVACY</p> <p>CA26.1 A Consumer Contract must adhere to the provisions of the Privacy Act 1993 and accordingly:</p> <ul style="list-style-type: none"> Set out the purposes for which the Company collects information from individuals; and Confirm that Consumers will have ready access to information held about them and the opportunity to correct this information.
<p>11) Dispute resolution and liability of the company and consumer</p> <p>The contract must contain a clause that states that nothing in the contract will limit the customer's rights under the Consumer Guarantees Act.</p>	<p>CA23 CONSUMER COMPLAINT RESOLUTION</p> <p>CA23.1 Companies must have a free, accessible, fair, and effective internal Consumer Complaints handling process.</p>

Draft Guideline	Gas Consumer Code of Practice
<p>The contract must define the situations covered under Force Majeure clauses and explain how a company will respond in such circumstances.</p> <p>The contract must set out the ways in which the company and the consumer may terminate the contract. Should clearly set out responsibilities of the consumer when they wish to terminate the account.</p> <p>The contract must advise consumers that there is an Electricity and Gas Complaints Commission, its role and how to contact it.</p>	<p>CA23.2 Companies must accept Consumer Complaints in any reasonable form from a Consumer including written and oral, and via a variety of delivery mechanisms including face-to-face, posted, hand-delivered, facsimile or electronic.</p> <p>CA23.3 Companies must:</p> <ul style="list-style-type: none"> • Provide information to Consumers about how their Complaint will be dealt with, and by when; • Provide written information about their Consumer Complaints handling processes; and • Treat Consumers courteously and with respect. <p>CA23.4 Companies must also:</p> <ul style="list-style-type: none"> • Train their staff about their Consumer Complaints handling processes; • Use processes that are easy to understand, easy to use and free to Consumers; • Provide adequate resources for their Complaints handling processes; • Tell Consumers that there is an Electricity and Gas Complaints Commissioner to whom they can go if their Complaint is not resolved; and • Review their Consumer Complaints handling process regularly. <p>CA23.5 Companies must provide for appropriate remedies to Consumers.</p> <p>CA23.6 Companies must collect and analyse information about Complaints, and use it to adjust business practices as required.</p>

Draft Guideline	Gas Consumer Code of Practice
	<p>CA23.7 For Consumers, Gas Retailers, must have in place an effective process to ensure there has been an offer and acceptance of the Consumer Contract.</p> <p>CA24 LIABILITY</p> <p>CA24.1 Except as permitted under Clauses CA24.2 and CA24.3, a Consumer Contract must not limit the scope of liability, in contract or tort, of a Company to a Consumer to less than liability for physical damage to property where it can be shown that the Company has been negligent and the amount and nature of the Consumer's loss was reasonably foreseeable.</p> <p>CA24.2 A Consumer Contract must not limit the monetary amount of liability, whether in contract or tort, of a Company to a Consumer for an event or a series of closely related events occurring on a distribution system to any amount less than \$10,000. This clause does not prevent or limit any provision in a Consumer Contract stating that liability is subject to any monetary cap contained in the Consumer Contract for an event or series of closely related events in relation to more than one Consumer on a distribution system.</p> <p>CA24.3 A Consumer Contract must not fix a per annum cap on liability in respect of one or more Consumers on a distribution system or for events or a series of closely related events occurring on a distribution system.</p> <p>CA24.4 Notwithstanding the provisions of the Code, and in particular Clause CA24, Consumers have access to any remedies that arise under the Consumer Guarantees Act 1993. Where the Code conflicts with the Consumer Guarantees Act, the Consumer Guarantees Act will take precedence.</p>

Draft Guideline	Gas Consumer Code of Practice
	<p>CA25 FORCE MAJEURE CLAUSES</p> <p>CA25.1 A Consumer Contract must define the situations covered under Force Majeure clauses and explain how a Company will respond in such circumstances.</p>
<p>12) Deliver notices</p> <p>The contract must specify how notices under the contract will be delivered to consumers.</p>	