



# Retail Gas Contracts: Review of the Oversight Scheme

**Date issued: 13 June 2013**  
**Submissions close: 25 July 2013**







### **About Gas Industry Co.**

Gas Industry Co is the gas industry body and co-regulator under the Gas Act. Its role is to:

- develop arrangements, including regulations where appropriate, which improve:
  - the operation of gas markets;
  - access to infrastructure; and
  - consumer outcomes;
- develop these arrangements with the principal objective to ensure that gas is delivered to existing and new customers in a safe, efficient, reliable, fair and environmentally sustainable manner; and
- oversee compliance with, and review such arrangements.

Gas Industry Co is required to have regard to the Government's policy objectives for the gas sector, and to report on the achievement of those objectives and on the state of the New Zealand gas industry.

Gas Industry Co's corporate strategy is to 'optimise the contribution of gas to New Zealand'.

**Submissions close: 25 July 2013**

**Submit to:** [www.gasindustry.co.nz](http://www.gasindustry.co.nz)

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# Executive summary

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Gas Industry Co seeks to achieve the principal objective of Part 4A of the Gas Act 1992, which is that gas is delivered safely, efficiently, and reliably to existing and new consumers. One clear representation of the delivery of gas to a consumer is their gas supply arrangement with a gas retailer.

The Minister of Energy and Resources has endorsed, and Gas Industry Co has implemented, a Retail Gas Contracts Oversight Scheme (the Scheme), under which an Independent Assessor reviews each standard published consumer gas retail contract against a set of principle-based Benchmarks (Benchmarks). The Scheme was initiated in 2010, with a two year transition period. The results of the first full assessment were published in October 2012.

To date, retailers have taken significant steps to improve the alignment of their retail contracts with the Benchmarks. There has also been commendable industry involvement in the voluntary Scheme. Since the Baseline Assessment in 2010, all but one retailer has updated and improved the alignment of its standard published contract for residential gas consumers with the Benchmarks. The overall average alignment of all standard published retail gas contracts (for both residential and small commercial consumers) has improved from moderate alignment in 2010 and 2011, to substantial alignment in 2012.

In recommending the Scheme, Gas Industry Co suggested that a review should occur following the first full assessment. Gas Industry Co understands that few amendments (if any) to retail contracts are likely to occur in the near future, and certainly not before the next scheduled assessment in July 2013.

Given the substantial degree of alignment and the low expectation for further contractual changes, Gas Industry Co advised the Minister that it would be an appropriate time to suspend assessments of the Scheme and conduct this review.

This paper sets out a number of options for the future of the Scheme. They are:

- maintaining the status quo,
- regulated contract terms,
- combining reviews with the Electricity Authority (due to similarities in the schemes and the predominance of dual-fuel contracts), or
- modifying the Scheme based on findings from the past three assessments.

Gas Industry Co is also open to suggestions from the industry for other areas of improvement to the Scheme.

A brief analysis of each of the options is provided, although Gas Industry Co has not yet reached a view as to the best option for the future of the Scheme.

- The status quo will still require a review of the Benchmarks for relevancy and to ensure a continued understanding of expectations. However, an annual review may not be necessary if contracts are not revised as frequently.
- Based on the positive steps taken towards alignment, Gas Industry Co does not consider further regulatory intervention is necessary (such as the introduction of a model contract or regulated minimum terms).
- Due to similarities with the Electricity Authority Minimum Contract Terms, it may be possible to integrate a review of gas supply arrangements with the review conducted by the Electricity Authority. Full integration may not be possible, due to the differences in the fuels.
- Given the remaining scope for further industry alignment with the Benchmarks (from 'Substantial' to 'Full'), Gas Industry Co considers some continued oversight remains appropriate. The past three assessments have provided guidance on possible modifications to the scope, Benchmarks, and assessment process.

Feedback is welcomed by **25 July 2013**.

Gas Industry Co is happy to hold an industry forum to discuss the review with stakeholders. Written submissions and any forum comments will feed into the next stage of this process. If there is general consensus around options for changing the Scheme, Gas Industry Co would move towards preparing a Statement of Proposal. If there are further issues raised, another round of consultation may be required.

Ultimately, and assuming changes are proposed, Gas Industry Co would then seek the endorsement of the Minister for the revised Scheme, prior to it being implemented. We hope to complete this review and report to the Minister by December 2013.



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# 1

## Background

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### 1.1 Development of Benchmarks

Gas Industry Company Limited (Gas Industry Co) is the co-regulator of the gas industry in New Zealand. As the "industry body" approved under the Gas Act 1992, it has the power to make recommendations for regulations, rules, or other governance arrangements to ensure that gas is delivered to existing and new consumers safely, efficiently and reliably.

One clear representation of the delivery of gas to a consumer is their gas supply arrangement with a gas retailer.

The April 2008 Government Policy Statement on Gas (GPS) describes other outcomes and objectives for Gas Industry Co. One of the GPS outcomes is that Gas Industry Co should consider whether contractual arrangements between gas retailers and small consumers adequately protect the long-term interests of those consumers.

Following consultation in 2008 on a range of consumer issues, Gas Industry Co worked with industry and consumer representatives to develop a set of benchmark terms for gas supply arrangements (the Benchmarks). These terms were not prescriptive model clauses; rather they established the outcomes that a fair and reasonable gas contract between a retailer and a consumer should seek to achieve.

The Retail Gas Contracts Oversight Scheme (the Scheme) was then developed to assess retail gas contracts against these Benchmarks. Feedback was sought from the industry and consumers. In early 2010, Gas Industry Co recommended, and the then Associate Minister of Energy and Resources endorsed, the Scheme.

The Scheme is a voluntary industry arrangement, the objectives of which are to ensure that consumer contracts for gas supply:

- are sufficiently complete, accessible, and balanced to support the long term interests of gas consumers;
- clearly set out the respective obligations of the retailer and consumer, including any obligations the consumer has to meter or network owners;

- reflect as far as possible market structures; and
- support the achievement of an effective complaints resolution scheme for consumers.

The key elements of the Scheme are:

- An annual assessment of published standard retail gas contracts against a set of industry agreed best practice benchmarks, supplemented by Gas Industry Co's interpretation of those benchmarks.
- Contracts are assessed against a qualitative ranking scale of "full", "substantial", "moderate", "low" or "none".
- The scope of the Scheme is limited to reticulated natural gas supply arrangements with small consumers (defined in the Gas Act 1992 as those with annual consumption under 10 TJs per annum).
- The results of the transitional period assessments would not disclose the performance of individual retailers. However, the results of subsequent assessments would be reported identifying individual retailers.

## **1.2 Implementation of the Scheme**

Gas Industry Co has implemented the Scheme and over the last three years has published an initial, transitional, and full assessment of gas retailers' contractual arrangements. In line with the original recommendation, and in response to the improving trend of alignment over the three years of assessments, Gas Industry Co considers it is timely to review the Scheme. The purpose of this document is to scope that review. This paper assesses the success of the Scheme, suggests possible changes for consultation with industry, and outlines Gas Industry Co's current thinking.

Gas Industry Co appointed Elwood Law as the independent assessor.

On 5 June 2010, Elwood Law undertook an initial baseline assessment. The results of that assessment showed overall alignment of contracts with the benchmarks as "moderate". On 1 July 2011, Elwood Law then conducted a transitional assessment. The results showed some movement, but contracts overall achieved "moderate" alignment. On 1 July 2012, the first full assessment was undertaken and the results showed a marked improvement across retailers to "substantial" alignment of standard published retail gas contracts with the benchmarks.

The benchmarks have also been modified slightly over the past two years in response to the results of the first two assessments. As a result, in June 2011, Gas Industry Co issued a restatement of the benchmarks. The restatement did not substantially alter the benchmarks themselves, but clarified them through a reorganisation and removal of some duplicate matters.

In March 2012, Gas Industry Co issued a Decision Paper that further clarified the interpretation of benchmarks 9 and 16<sup>1</sup>. The most substantive change was to the interpretation of benchmark 16 (liability). This was amended such that a limitation clause is to be assumed to be reasonable unless liability is completely excluded, or the retailer requires the customer to provide an indemnity for the retailer's obligations. As a result of the revised interpretation, the level of alignment with benchmark 16 in 2012 substantially improved (when compared with both the 2010 and 2011 assessments).

The original Recommendation noted that following the first full assessment (in 2012), Gas Industry Co would review the Scheme to consider the extent of retailer participation in the Scheme arrangements, the general degree of alignment, and the extent to which particular benchmarks were proving to be problematic to implement and why. It was anticipated that the review would have one of three outcomes:

- continuation of the arrangement as it exists; or
- continuation of the arrangement with modifications (the most likely modifications were predicted to be to the benchmarks, either to better reflect emerging consumer concerns, or to deal with issues of practicability for the industry); or
- the recommendation of partial or full regulation in the event that the arrangement was clearly not working adequately (if regulation was partial then the industry-led arrangement could continue in parallel, with appropriate modifications).

The original Recommendation did not contemplate a pause in the annual timetable of assessments while the Scheme was reviewed. However, given the level of substantial industry alignment and the understanding that few changes to retail gas contracts are planned in the next year or so, Gas Industry Co considers it is appropriate to postpone assessments while it reviews the Scheme.

### **1.3 Success of the Scheme**

Gas Industry Co has been encouraged by retailers actively engaging in assessment processes, and for the most part, entering into free and constructive dialogue with the independent assessor.

As noted earlier, the results of the 2012 assessment saw the overall alignment increase to "substantial". All of the six published residential gas supply arrangements that have "substantial" alignment overall, have been amended since the benchmarks were introduced, which is indicative of the voluntary steps being taken by retailers towards alignment with the Scheme. The average alignment of contract terms across the industry has considerably improved in a number of areas (for example, issues such as dispute resolution, supply commencement and supply restoration procedures have all improved considerably since the Scheme was introduced).

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<sup>1</sup> Benchmark 9 relates to clear pricing information, while Benchmark 16 relates to retailer liability limitations.

Gas Industry Co acknowledges that updating of mass market arrangements requires a great deal of time and resources for retailers, and we were very encouraged to see the efforts retailers put in to doing so.

While alignment with the benchmarks is trending in the desirable direction, it is clear that progress towards alignment with some benchmarks is slower than others. The independent assessor has noted that where commercial and other drivers do not support alignment with the benchmarks, less movement towards alignment has occurred. Gas Industry Co intends to consider, as part of this review, whether these benchmarks are set at the appropriate level.

## **1.4 Next Steps**

Gas Industry Co believes it is now appropriate to conduct a full review of the Scheme to:

- target future work;
- ensure the Scheme design is fit for purpose; and
- ensure the compliance costs are appropriate given the benefits.

The original Recommendation contemplated an assessment would be undertaken in 2013. Gas Industry Co has written to the Minister indicating its intention not to proceed with an assessment in 2013 while it undertakes this review.

# 2

## Issues for Consultation

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This consultation document proposes options for the future of the Scheme. As noted earlier, the overall substantial alignment of retailers' contracts with the benchmarks is a key factor in this review. Also relevant is the feedback received from industry participants on the scope and application of the Scheme during the three years of assessments, the work that has been done to update retail contracts to align with the benchmarks, and the reality that published gas supply contracts are infrequently updated.

We have set out below our initial thoughts on issues to be considered in relation to the future design and scope of the Scheme. This list is not exhaustive and many of the matters are not mutually exclusive.

### **2.1 Maintaining the status quo**

Maintaining the status quo would involve continuing with an annual assessment of all standard published retail gas supply contracts for small consumers (residential and business) against the benchmarks as currently set. To support the assessments, Gas Industry Co would continue to provide interpretations of particular contractual wording as necessary.

As the results of the 2012 assessment show an alignment rating of 'substantial' across retailers, Gas Industry Co's preliminary view is that there would not be sufficient benefit in undertaking an across the board annual assessment of all contracts against all of the benchmarks each year.

Most industry participants are unlikely to revise their retail contracts in the next couple of years. Some retailers have a regular, scheduled contract update process, but a number of the remaining alignment issues reflect matters where it may be difficult for those retailers to take additional steps towards alignment (for example, the retailer's distribution contract may require the retailer to include certain provisions in its retail contracts and those provisions do not align with the benchmarks). Based on this information, and given the improvement in overall alignment across the industry, Gas Industry Co does not consider that there would be any value in using resources to conduct an assessment in 2013 as the contracts are unlikely to have changed significantly and the results would be expected to be substantially similar to the 2012 assessment.

Rather Gas Industry Co considers some modifications to the Scheme are appropriate. In considering the extent of those modifications and the design of the Scheme going forward the status quo will be a useful analytical comparison tool.

## **2.2 Regulatory Intervention**

Gas Industry Co considers that the Scheme to date has been a success in terms of the extent of alignment with the benchmarks over a relatively short period of time, and the extent that industry has engaged in the assessment process. Industry participants have actively participated in a voluntary scheme; the contracts show substantial alignment overall; and there is no evidence of market failure.

As will be noted in the discussion of scope in section 2.4 below, the GPS seeks certainty about gas supply arrangements for “small consumers”, which are defined in the Gas Act as being those consumers taking less than 10 TJ of gas per year. However, the provision of the Gas Act that would enable Gas Industry Co to recommend regulated contractual terms for retail gas supply applies to “domestic consumers”, which is defined as anyone in a residential dwelling house. As such, were Gas Industry Co to seek to develop a regulatory arrangement, it would exclude coverage of small businesses (so-called ‘mum and pop’ operations).

We do not consider that full or partial regulatory intervention is needed at this time, and subject to submissions to the contrary, do not intend to consider this issue further.

## **2.3 Further aligning Benchmarks with Electricity Authority’s Minimum Terms**

It has been suggested that further alignment of the Benchmarks with the electricity minimum terms may be possible.

### **Full integration**

Some retailers have specifically asked Gas Industry Co to take steps to improve alignment with the Electricity Authority’s Minimum Terms. Both the electricity and gas arrangements cover substantially similar ground and, overall, the requirements of the arrangements are well aligned. Gas Industry Co considers it is important that the gas and electricity arrangements are appropriately consistent in relation to matters of common ground. However, our initial view is that it would be problematic to *fully* align the Scheme with the Electricity Authority’s Minimum Terms. For example, there are some fuel specific issues that require separate consideration; there is the potential for there to be a new entrant retailer that only supplies gas; and the logistics of full alignment of the schemes and assessment processes could be problematic (e.g. Gas Industry Co’s Scheme currently covers retail contracts for some commercial customers, whereas the Electricity Authority’s process only assesses domestic supply agreements).

We consider a gas specific Scheme should continue to be published and assessed by Gas Industry Co. A list of matters (for example, benchmarks) that should be addressed in each retail gas supply contract

is informative for the gas sector, gas consumers and other interested persons. However, as discussed below, Gas Industry Co does intend to consider whether further alignment between the two can be achieved.

### **Further alignment (including partial integration)**

As noted above, there are certain aspects of the Scheme where alignment with the Electricity Authority's Minimum Terms could be improved. For example, the gas benchmarks require retailers to give 7 working days' notice of disconnection and allow 3 working days' for delivery of that notice, whereas the Electricity Authority's Minimum Terms require retailers to ensure the equivalent notice is provided between 7 and 14 working days prior to disconnection. It is unclear why the two industries would need a different policy approach on this point, with the result that there are some retail contracts that meet the Electricity Authority's Minimum Term but do not meet the Gas Industry Co benchmarks.

All of the domestic retail contracts assessed by the gas Scheme in 2012 were also assessed by the Electricity Authority's review. For matters where substantially similar contractual terms are being assessed in the same contracts, it may be inefficient for retailers and regulators to contribute time and other resources to separate assessments for the separate fuels.

Alignment could be improved through either one or more of the following:

- changing the scope of the Scheme;
- changing the requirements of the benchmarks; or
- changing the process used to assess gas retailer alignment with the Scheme.

Gas Industry Co's initial view is that there is potential for improved alignment, while still delivering the same consumer benefit.

The scope of the Scheme for gas is different to the electricity assessment scope (in particular, contracts for the supply of gas to small commercial customers are currently within the scope of the gas assessment). Gas Industry Co's initial view is that the scope of the Scheme for gas should be developed in line with the gas objectives, and accordingly may remain different than the scope of the Minimum Terms for electricity. For example, see the discussion below on commercial contracts and LPG.

There could be improved alignment of the benchmarks and Minimum Terms through rewording some of the benchmarks. Where the differences between the gas and electricity requirements appear to be minor or not fuel specific, Gas Industry Co's initial view is that alignment should be improved. Gas Industry Co will liaise with the Electricity Authority on this process and consider any possible changes. For example, Gas Industry Co will reconsider whether the time required for delivery of disconnection notices should be different.

In relation to the assessment process, where a retail contract is reviewed by the Electricity Authority, Gas Industry Co may be comfortable that the Electricity Authority's assessment process alone means that a separate gas assessment is not required. Alternatively, Gas Industry Co may be comfortable with a heavily modified gas assessment process (for example, limiting the assessment to clauses of particular consumer concern). Possible changes in assessment process are discussed further under "Scope of the Scheme - Frequency".

## **2.4 Continue the Scheme with modifications**

Some options for modification are set out below, and feedback on each of these options is welcomed:

### **Make minor wording changes to the benchmarks**

Gas Industry Co considers it timely to review the benchmarks, given information provided from the previous three assessments and changes in the industry since the Scheme was designed.

A number of drafting and alignment questions have been considered during the assessments. For example:

- What is a reasonable limitation of retailer liability?
- Should retailers need to give customers 30 days' notice when a contractual change is for that customer's benefit?
- What counts as a material variation to a contract?

In addition, the assessor has highlighted to Gas Industry Co wording that technically aligns with the benchmarks but in the assessor's view may be contrary to the intent of the benchmarks. It is timely to consider whether these matters are appropriately addressed by the benchmarks.

Gas Industry Co will consider the drafting of each of the benchmarks in light of the comments and findings of the previous assessment processes.

### **Scope of the Scheme**

In addition to reviewing the benchmarks, Gas Industry Co also intends to consider the scope of the Scheme and seeks industry views on this.

Some questions relating to scope, and Gas Industry Co's initial views, are as follows:

- **Should the Scheme only apply to domestic contracts?**

In developing the Scheme, Gas Industry Co was predominantly guided by the objective set out in the GPS; namely,



*“Contractual arrangements between gas retailers and small consumers adequately protect the long-term interests of small consumers.”*

For clarity, it was determined that the term “small consumers” used in the GPS should be the same as that in the Gas Act 1992: ‘a consumer who is supplied with less than 10 terajoules of gas per year’ (section 43D). This definition ensured coverage of the Scheme over domestic and small business consumers.

During feedback on the scope of the Scheme during the 2012 assessment, one retailer has submitted that the Scheme should only apply to domestic consumers, and commercial consumers should be excluded from its scope.

Gas Industry Co still considers that the scope of the Scheme should capture small commercial consumers, as well as domestic customers. We note that a number of the retailers have one published contract that covers both domestic and small commercial consumers. We also consider that while some smaller commercial consumers are able to adequately negotiate their own terms with retailers, there are others who lack leverage or ability to do so. This finding is broadly consistent with changes being proposed in the Consumer Law Reform Bill. However, it may be more efficient not to define the phrase “small consumer” by reference to the Gas Act 1992. We welcome submissions on this point.

- **Should the Scheme cover special terms?**

Currently only standard published contracts are assessed under the Scheme. However, a number of customers are on promotional or other special terms, for example, dual fuel discount terms and fixed price offers. We consider that the consumer protections in the benchmarks are equally applicable to these contracts (given the open and wide nature of such offers). Gas Industry Co welcomes feedback on the extent to which retailers offer special terms to specific customers consuming less than 10 TJs of gas per annum, and whether these terms should be covered by the Scheme. If these contracts were included within the scope, it is unlikely that it would be practicable to assess each special term contract. Rather one option could be assessment of the terms at Gas Industry Co’s discretion.

- **Should the Scheme be extended to retail LPG supply contracts?**

Under the Gas Act 1992, Gas Industry Co is able to recommend arrangements regarding certain aspects of the LPG market. However, we do not currently undertake any regulatory activity in that market. We note that the EGCC has received a few dozen complaints over the past several years regarding LPG. In fact, the EGCC is moving to extend its operations to include LPG. It is thus appropriate for us to consider whether the Scheme should be extended to cover LPG terms of supply. Gas Industry Co has been asked by one LPG retailer whether the Scheme will review LPG consumer terms, and at least two of the contracts already reviewed under the Scheme cover LPG supply (as well as natural gas and electricity).

Extending the Scheme to LPG would require several changes. While our initial view is that many of the issues that the benchmarks address would apply equally to a reticulated LPG network, we note that a number of issues would also apply to bottled LPG supply. At a high level, the outcomes and objectives set out in the Gas Act and GPS apply to both LPG consumers and natural gas consumers.

It is important to note that there are key differences in the LPG market. For example, there are no formal rules governing switching on reticulated LPG networks; and, connection and disconnection issues differ substantially with bottle services. Any extension to the benchmarks would need to reflect these differences.

There are also issues in respect of whether it is appropriate for Gas Industry Co to be doing this work. Gas Industry Co is funded by the natural gas sector, and the majority of participants may see little benefit in funding policy work to extend the scope of the Scheme to LPG. Alternatively, gas retailers may see benefits in further aligning Gas Industry Co's compliance and monitoring activity with the LPG market. This may require a new levy to be raised on the basis of LPG customer numbers.

Gas Industry Co seeks your views on whether extension of the Scheme to the LPG market is appropriate. If the industry supports an extension of the Scheme to LPG, a work programme for this would need to be prepared and further consultation with the LPG industry would need to occur. Given the separate issues, it may be that this policy work progresses on a different timeline to the review of the Scheme for natural gas consumers.

- **Should the frequency of assessments be changed?**

The most recent assessment has shown a marked improvement in the extent of alignment of retail contracts with the benchmarks. These contracts are not frequently updated and the industry advises that there are unlikely to be substantial changes to these arrangements in the near future. Thus, one would expect little movement in the short-term in the level of alignment with many of the benchmarks.

Gas Industry Co's current view is that annual assessments against the Scheme are unlikely to be cost effective or warranted. Gas Industry Co seeks the Industry's views on the preferred frequency of future reviews. More specifically:

- **Should the time period between assessments be increased?**

It may be more appropriate to schedule assessments at less frequent intervals (for example, every two to three years, rather than annually).

- **Should agreements only be assessed when they are updated?**

Rather than committing to a regular assessment process, it may be more appropriate to undertake an assessment of contracts as and when they are updated. The concept of reviewing agreements when they are amended would recognise the work that retailers do to update their contracts in

order to align with the benchmarks. In lieu of any further imminent updates, reviews could occur if and when: a contract is updated; a retailer requests a review; concerns arise about practice versus contractual terms; or, a potential new entrant requests an assessment.

- **Reassessment if Benchmarks significantly revised**

If the benchmarks are significantly revised, then it may be appropriate to conduct a new baseline initial assessment of all arrangements against the revised benchmarks to confirm the degree of alignment.

- **Should retailers be able to request additional reviews?**

If a retailer has substantially updated its contract terms and would like a full review of its terms against the benchmarks, Gas Industry Co would welcome an individual review of that retailer's contract being conducted (with the cost being met by that retailer). Gas Industry Co would engage the Independent Assessor to maintain an "arm's length" relationship between gas retailers and the Assessor.

- **Should assessment focus on alignment of key benchmarks (with a watching brief on others)?**

Some Benchmarks require that gas retail contracts confirm retailers are complying with legislative or other obligations imposed by other agencies. For example:

- the Electricity and Gas Complaints Commission will be considering whether its complaints scheme is appropriately referenced by relevant retailers;
- the Office of the Privacy Commissioner will consider any privacy complaints made to it in respect of gas companies, and publish Case Notes on the outcome of this process; and
- the Commerce Commission will consider Consumer Guarantees Act and Fair Trading Act issues, which may include whether retail gas contracts include unfair contract terms (if the Consumer Law Reform Bill is enacted in its current form).

As noted earlier, the Electricity Authority contract assessment process, with respect to electricity retail contracts, covers similar areas of concern to those addressed in the gas Benchmarks.

It is possible that maintaining a watching brief on the work of these other bodies could give Gas Industry Co sufficient comfort that there are not systemic industry issues regarding certain benchmarks. Gas Industry Co would reserve the ability to conduct an assessment as and when it chooses.

That said, there may be some benchmarks that will not be assessed by other bodies, or situations where alignment issues still exist. In these situations, Gas Industry Co may consider it appropriate to maintain a regular assessment process in order to encourage continual improvement of alignment.

It would appear that the assessment process could be reduced in a manner that minimises cost and effort, but continues to sufficiently protect consumers' outcomes. At a minimum, Gas Industry Co would maintain a watching brief on alignment with all of the revised benchmarks, with an ability to perform assessments where it considers it is required.

## **2.5 Industry suggestions**

We are open to suggestions from the industry on other options for ongoing monitoring of retail gas contracts.

# 3

## Next Steps

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### 3.1 Considering the options

Gas Industry Co intends to consider the options presented in this paper in light of feedback received from stakeholders. The options are not mutually exclusive. The following assumptions are made:

- The scope of the Scheme for natural gas consumers is broadly appropriate. In particular, it is appropriate to assess standard published retail contracts for all small consumers (retail and small commercial), but there is no need to assess bespoke arrangements with large users. There should be an option for Gas Industry Co to assess promotional or other terms offered to all consumers, but it is not necessary to regularly assess such special terms.
- Gas Industry Co is considering whether the regime should be extended to LPG contracts.
- It is appropriate to reconsider the wording of the benchmarks in light of the progress made and issues identified. In particular, scope for further alignment with the Electricity Authority's Minimum Terms should be explored.
- The assessment regime (and associated compliance costs) could be scaled back, while still delivering appropriate consumer protection. Retail contracts are not frequently updated, and other agencies have an oversight role in respect of similar issues (e.g. Electricity Authority, Electricity and Gas Complaints Commission, Commerce Commission and Office of the Privacy Commissioner). There may be scope to implement a monitoring regime with less frequent assessments (for example, 3 yearly) or 'as required' assessments (for example, only when a retail contract is amended or a new entrant starts supply).

Gas Industry Co will be reviewing the overall Scheme design with a view to a more streamlined regime that is appropriately future proofed, while minimising compliance costs, and giving sufficient comfort that it meets the objectives of the GPS and consumers.

### 3.2 Your submissions welcomed

Gas Industry Co now seeks submissions on this review of the Scheme, and the issues set out in this document. We have attached a template for submissions at Appendix A. We also welcome any additional suggestions for enhancements to the Scheme.

Gas Industry Co is happy to hold an industry forum to discuss the review with stakeholders. Written submissions and any forum comments will feed into the next stage of this process. If there is general consensus around options for changing the Scheme, Gas Industry Co would move towards preparing a Statement of Proposal. If there are further issues raised, another round of consultation may be required.

Ultimately, and assuming changes are proposed, Gas Industry Co would then seek the endorsement of the Minister for the revised Scheme, prior to it being implemented. We hope to complete this review and make a report to the Minister by December 2013.

# Appendix A Template for Submissions

To assist Gas Industry Co in the orderly and efficient consideration of submitters' responses, a suggested format for submissions has been prepared (an electronic copy of which is available on our website). Submitters are also invited to include any other comments in their responses to this Consultation Document.

Name of organisation:

Contact person:

Email address:

Phone:

Could you please provide comments on possible options as set out below. Gas Industry Co is also interested in any other issues or comments you may wish to make on potential options for the future design of the Scheme.

|      | COMMENT |
|------|---------|
| Q1:  |         |
| Q2:  |         |
| Q3:  |         |
| Q4:  |         |
| Q5:  |         |
| Q6:  |         |
| Q7:  |         |
| Q8:  |         |
| Q9:  |         |
| Q10: |         |
| Q11: |         |
| Q12: |         |
| Q13: |         |
| Q14: |         |

|                                 |                |
|---------------------------------|----------------|
|                                 | <b>COMMENT</b> |
| Q15                             |                |
| <b>OTHER ISSUES/SUGGESTIONS</b> | <b>COMMENT</b> |
|                                 |                |