Statement of Proposal

Switching Arrangements for the New Zealand Gas Industry

Part 1

31 August 2006

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1 Executive Summary

Background

1.1 In response to the Government's desire to minimise barriers to customer switching, Gas Industry Co has undertaken a review of switching arrangements for retail gas customers in New Zealand. This has built upon a broad industry acknowledgement of the inefficiency and sub-optimal performance of the current switching arrangements.

1.2 The findings of this review have resulted in a proposal for the future development of switching arrangements. The review undertaken by Gas Industry Co of the current switching arrangements included the receipt and consideration of submissions from industry participants on three separate discussion papers ("Discussion Papers") encompassing:

- alternative ways to improve current switching arrangements;
- cost benefit analysis of those alternatives; and
- mechanisms to implement the preferred approach.

1.3 The Switching and Registry Working Group (SRWG) was established to assist Gas Industry Co with this review.

1.4 Subsequent to that review, Gas Industry Co has resolved to develop rules, to be recommended to the Minister of Energy under the Gas Act 1992 ("Gas Act"), governing retail gas customer switching (the "Proposal").

The Proposal

1.5 The Proposal will:

- establish a central registry (to be called the "Gas Registry") as a database of record for all data required to undertake a switch of a customer between gas retailers; and
- set rules for the operation of the Gas Registry; and
- standardise data exchange protocols across the industry so that switching is effected efficiently and correct data is communicated to all affected parties in a timely manner; and
- provide consistent switching processes transparent to all participants, providing certainty and enforceability to the industry; and

- ensure customer installation data is consistent across the industry enabling more accurate billing of customers and more accurate cost allocations between industry participants.

1.6 The proposed draft rules for switching arrangements will be mandatory on all parties required to effect a switch of a customer between gas retailers.

Legislative requirements

1.7 Prior to Gas Industry Co recommending rules or regulations to the Minister of Energy under the Gas Act, it must first comply with section 43L of the Gas Act. That section requires Gas Industry Co to, among other things, consult with those persons it thinks are "*representative of the interests of persons reasonably likely to be substantially affected*" by the proposed rules or regulations.

1.8 This paper constitutes the formal consultation required under section 43L(1)(b) of the Gas Act.

1.9 This Proposal is Part 1 of a two part suite of documents; Part 2 is a proposal for a tailor made compliance regime which has been designed to support the switching rules ("Compliance Proposal"). Submitters are invited to provide feedback separately in respect of the Compliance Proposal.

1.10 Gas Industry Co believes the collective powers set out in the Gas Act support the proposed draft rules for switching arrangements detailed in this Statement of Proposal paper. However, section 43G(2)(c) of the Gas Act, read in isolation, refers to switching arrangements between retailers and customers and does not refer to the other parties involved in switching a customer, namely distributors and meter owners. Gas Industry Co is currently seeking clarification from the Minister of Energy about whether such an interpretation would impede the ability to implement the Proposal.

Conclusion

1.11 The key benefits of implementing the Proposal include:

- improvement in customer satisfaction by implementing an efficient, timely and accurate switch process;
- lower barriers to competition in the gas retail market by facilitating customer choice between retailers; and
- a reduction in administrative inefficiencies and costs involved in completing a switch of a retail customer for all participants.

1.12 Although it is difficult to quantify the benefits to consumers that will result from improvements in customer satisfaction, Gas Industry Co believes, as concluded in

Appendix 2, there is a strong positive net benefit under a wide range of input assumptions for the Proposal which justify a recommendation to the Minister of Energy for the approval of the proposed draft rules for switching arrangements.

2 Regulatory Objective

The Gas Act and GPS

General objectives and outcomes

2.1 The Government Policy Statement on Gas Governance (referred to as the "GPS" in this paper) sets out the Government's objectives and outcomes for governance of the New Zealand gas industry, and its expectations for industry action. Under section 43ZO of the Gas Act, Gas Industry Co must have regard to those objectives and outcomes when making recommendations for gas governance rules or regulations.

2.2 The Government's overall policy objective for the gas industry, as stated in the Gas Act and the GPS, is:

> *"To ensure that gas is delivered to existing and new customers in a safe, efficient, fair, reliable, and environmentally sustainable manner."*

2.3 Section 43G(2)(c) also refers to the "objective of promoting competition in gas retail markets"

2.4 Paragraph 5 of the GPS adds that, consistent with this overall objective, the Government is seeking certain specific outcomes which include:

> *"(c) Barriers to competition in the gas industry are minimised to the long-term benefit of end-users;*
>
> *…*
>
> *(g) The quality of gas services and in particular trade-offs between quality and price, as far as possible, reflect customers' preferences;"*

Specific switching objectives

2.5 Paragraph 11 of the GPS specifically deals with switching arrangements and states:

> *"The Minister of Energy invites the industry body to recommend arrangements, including regulations and rules where appropriate, in the following areas:*

- *The standardisation and upgrading of protocols relating to customer switching, so that barriers to customer switching are minimised."*

2.6 The GPS sets the date for delivery of switching arrangements, being August 2005. However, Gas Industry Co has, on behalf of the industry, agreed with the Minister of Energy to extend the deadlines. The new dates for delivery of new switching arrangements are set out in Gas Industry Co's Strategic Plan issued pursuant to section 43ZQ of the Gas Act.

2.7 This places a requirement for a recommendation regarding switching arrangements to be made to the Minister of Energy by 31 December 2006 and for the proposed solution to 'go live' by 30 June 2007.

Regulatory Objective of this Statement of Proposal

2.8 Given the Gas Industry Co's obligations and powers under the Gas Act and the GPS, the objective of the proposed draft rules for new switching arrangements is to achieve timely and accurate switching of customers between retailers and distributors ("Regulatory Objective").

Q1:	*Do submitters agree with this Regulatory Objective? If not, what do you think the regulatory objective should be?*

3 Legislative Framework

The Gas Act 1992

Specific powers for proposed switching arrangements

3.1 The Gas Act allows the Government to directly regulate for retail and customer issues to ensure effective outcomes for customers. Section 43G(2) of the Gas Act provides that the Minister of Energy can recommend to the Governor-General the making of regulations for the purpose of:

> *"(c) requiring all gas retailers to comply with, and give effect to, a system or set of rules that will enable any consumer or class of consumer to choose, and alternate, between competing gas retailers, with the objective of promoting competition in gas retail markets:*
>
> *(d) …*
>
> *(e) providing for the disclosure of information by gas transmitters, distributors, and retailers on tariff and other charges:*
>
> *(f) providing for terms and conditions of access to gas meters by gas retailers:*
>
> *(g) …*
>
> *(h) providing for minimum terms and conditions in contracts between domestic consumers and gas distributors or gas retailers:"*

3.2 In exercising the power to recommend rules or regulations to the Governor General under sections 43G(2)(c) or (h) of the Gas Act, the Minister of Energy must provide Gas Industry Co (as industry body) with a reasonable opportunity to make recommendations on gas governance (section 43J(2) of the Gas Act).

3.3 Gas Industry Co also has the power under section 43F(2)(c) of the Gas Act, to recommend rules or regulations:

> *"prescribing reasonable terms and conditions for access to transmission or distribution pipelines.*"

Supplementary powers

3.4 In addition, under section 43S of the Gas Act, a regulation or rule made under Subpart 1 of Part 4A of the Gas Act (which includes rules or regulations for switching arrangements) includes supplementary empowering provisions. Those provisions include the ability for rules or regulations to:

> *"(a) provide for 1 or more persons or bodies or groups of persons to carry out functions in relation to those regulations or rules, and for matters concerning their establishment, constitution,*

functions, members (including their appointment, removal, duties, and protection from liability), procedures, employees, administration and operation, funding by industry participants, and reporting requirements:

(b) provide for systems, processes and procedures (including dispute resolution procedures), and the keeping, supply and disclosure of information, in relation to any of the matters specified in this subpart:

(c) prescribe the form and manner in which information is to be disclosed:

(d) …

(e) prescribe when and for how long information must be disclosed:

(f) exempt or provide for exemptions (including provide for the revocation of exemptions), on any terms and conditions, of any person or class of persons from all or any of the requirements in regulations or rules made under this subpart:

(g) provide for the supply of information for the purpose of administration and enforcement of this Act, and regulations and rules made under this Act:

(h) provide for transitional provisions:

(i) provide for any other matters contemplated by this Act or necessary for its administration or necessary for giving it full effect."

Conclusion

3.5 Gas Industry Co therefore believes the collective powers in the Gas Act support the proposed draft rules for switching arrangements set out in this Statement of Proposal paper.

3.6 However, section 43G(2)(c) of the Gas Act, read in isolation, refers to switching arrangements between retailers and customers and does not refer to the other parties involved in switching a customer between retailers, namely distributors and meter owners.

3.7 Gas Industry Co is currently seeking clarification from the Minister of Energy about whether such an interpretation would impede the ability to implement the Proposal.

Legal requirements when recommending rules or regulations

Section 43L consultation

3.8 Prior to Gas Industry Co recommending rules or regulations to the Minister of Energy under the Gas Act, it must first comply with section 43L(1) of the Gas Act. This section requires Gas Industry Co to:

"(a) undertake an assessment under section 43N; and

(b) consult with persons the recommending body thinks are representative of the interests of persons likely to be substantially affected by the proposed regulations; and

(c) give those persons an opportunity to make submissions; and

(d) consider those submissions."

Section 43N(1) assessment

3.9 The assessment under section 43N(1) of the Gas Act, requires Gas Industry Co to:

"(a) seek to identify all reasonably practicable options for achieving the objective of the regulation; and

(b) assess those options by considering-

(i) the benefits and costs of each option; and

(ii) the extent to which the objective would be promoted or achieved by each option; and

(iii) any other matters that the industry body or the Commission considers relevant; and

(c) 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

(d) prepare a statement of the proposal for the purpose of consultation under section 43L(1)."

Section 43N(2) Statement of Proposal

3.10 A statement of proposal must, under section 43N(2) of the Gas Act, contain:

"(a) a detailed statement of the proposal; and

(b) a statement of the reasons for the proposal;

(c) an assessment of the reasonably practicable options, including the proposal, identified under subsection (1); and

(d) other information that the industry body or the Commission considers relevant."

3.11 This paper constitutes a statement of proposal for the purposes of section 43N(2) of the Gas Act.

Rules and Regulations

3.12 Section 43Q(1) of the Gas Act allows the Minister of Energy to make a rule for all or any of the purposes for which a gas governance regulation may be made.

3.13 Under section 43Q(2) of the Gas Act, in deciding whether to make a recommendation for a rule, the Minister must only have regard to the following:

> *"(a) the importance of the rule, including whether the rule has a material effect on the rights and interests of individuals:*
>
> *(b) the subject matter of the rule, including whether the rule contains detailed or technical matters rather than matters of general principle:*
>
> *(c) the application of the rule, including-*
>
> *(i) whether the rule applies principally to a particular group (e.g. industry participants) rather than the general public:*
>
> *(ii) whether the benefits of publication in accordance with section 43R rather than the Acts and Regulations Publication Act 1989 outweigh the costs of publication by that method:*
>
> *(d) the expertise and rule-making procedures of the recommending body.*

3.14 Given that the proposed draft Gas (Switching Arrangements) Rules:

- govern the limited domain of processes for switching a customer between retailers;
- incorporate detailed and technical matters affecting gas supply and distribution;
- apply to retailers, distributors and meter owners only, who are all industry participants;
- are aimed at making the switching processes more consumer friendly and efficient;
- would be readily accessible, at no charge and at all reasonable times, on both an internet site maintained by the Minister of Energy and on Gas Industry Co's website making the cost of publication under the Act and regulations Publication Act unwarranted; and
- have been drafted by Gas Industry Co, a co-regulatory body set up by the Government to undertake the specific task of regulating the New Zealand gas industry through rules or regulations where appropriate.

Gas Industry Co believes that it is appropriate that the new switching arrangements should be implemented by rules not regulations and Gas Industry Co has prepared this Statement of Proposal on that basis.

3.15 Gas Industry Co believes that, given the Gas Act requirement for rules is met and the timing and flexibility benefits of rules over regulations, the best way to implement the new switching arrangements is by way of rules recommended to the Minister of Energy.

Terminology

3.16 The terminology used in this Statement of Proposal is defined in the Gas Act, the draft Rules and otherwise throughout this paper.

4 Industry Background

The retail market

4.1 When selecting a gas supplier, customers are currently able to choose between a number of retailers. This level of choice depends on where a customer lives as not all retailers operate in all geographical areas or across all market segments.

4.2 At the time of preparing this Statement of Proposal, Genesis Energy is the only retailer that offers coverage across the entire North Island for residential customers wishing to secure a supply of gas from a reticulated network. Table. 1 identifies retailers who are able to offer a reticulated gas supply to residential customers.

Table. 1 Gas retailers for residential customers

Location	Retailer
Northland	Genesis Energy
	Mercury Energy
Auckland	Auckland Gas Company
	Contact Energy
	Genesis Energy
	Mercury Energy
Hamilton	Genesis Energy
	Mercury Energy
Tauranga	Bay of Plenty Electricity
	Genesis Energy
	Mercury Energy
Taupo	Bay of Plenty Electricity
	Genesis Energy
	Mercury Energy
Gisborne	Contact Energy
	Genesis Energy
New Plymouth	Genesis Energy
	Directenz

Location	Retailer
Wanganui	Genesis Energy
	Wanganui Gas
Hawkes Bay	Contact Energy
	Genesis Energy
	Directenz
Manawatu	Contact Energy
	Genesis Energy
	Directenz
Kapiti Coast	Contact Energy
	Genesis Energy
Wellington	Contact Energy
(South/Central)	Genesis Energy

4.3 However, all of the retailers above offer reticulated gas supply to non-residential customers. Furthermore, three additional retailers E-Gas, Nova Gas and NGC Energy also offer products to customers in this sector of the market.

The distribution market

4.4 Gas is transported to the customer via a distribution system and charges for this service are represented as a component of a customer invoice. Although they have an integral role in completing an effective customer switch, network owners (distributors) do not generally bill customers directly for the delivery of gas. This is entirely the responsibility of the retailer. There are currently four network owners:

- GasNet;
- Nova Gas[1];
- Powerco; and

[1] Nova Gas does not permit any third party to retail gas via their network.

- Vector Networks.

4.5 Additional information regarding retailers and network owners that operate in the New Zealand gas industry can be found on the Gas Industry Co website[2].

The metering services market

4.6 The amount of gas a customer uses is measured by metering equipment, which comprises a meter and, where larger quantities of gas are consumed, other equipment such as a corrector. This is often referred to as a Gas Measurement System (GMS).

4.7 Currently, Contact Energy, Nova Gas, Powerco, Wanganui Gas and Vector Networks are metering equipment owners.

Customer switching

4.8 There are numerous reasons why a customer might wish to switch between competing retailers. They include:

- To gain better price or service; or
- Moving to a new property and choosing a retailer different from the one that previously supplied the property.

4.9 There are approximately 240,000 gas Installation Control Points (ICPs) and the number is growing at a rate of approximately 2% per annum.

4.10 It is believed, based on information provided by industry participants, that substantial inefficiencies arise from current switching arrangements. Some parties believe that these inefficiencies could account for as much as 90% of their total costs associated with switching activities.

4.11 There has been much debate concerning the length of time it takes industry participants to complete a switch. Some estimates highlight that it takes approximately 25 minutes to process a switch. It was noted by an industry participant that gas switches take around three times longer to process than electricity switches, which are largely automated, have standard information exchange formats and a central database.

[2] http://www.gasindustry.co.nz/

4.12 Whilst difficult to quantify the full benefits to consumers, Gas Industry Co believes that the improved switching arrangements contained within this Proposal will result in significant benefits and improved satisfaction for consumers when choosing their gas supplier.

4.13 Table 2 sets out the number of estimated monthly switches for gas customers and compares these against the number of electricity switches that have taken place over the same period:

Table 2 Gas & Electricity Switching Statistics

Utility	Monthly Switches	Total Customer	Annual Churn (%)
Gas	1,000	240,000	0.42%
Electricity	13,000	1,700,000	0.78%

Source: Gas data monthly switches based on industry estimates, electricity data provided by the Electricity Commission as at October 2005

4.14 The table above illustrates that switching levels for gas are about half the level they are for electricity.

Current switching arrangements

4.15 Customer switching in the New Zealand gas retail industry is currently governed by Part B of the Reconciliation Code[3]. The Reconciliation Code came into effect in July 2000 and is awarded legal status through a requirement for all retailers and meter owners to comply with its provisions as part of network services agreements with various distributors.

4.16 Part B of the Reconciliation Code sets out the principles to which parties should adhere and specifies data exchanges required between parties when a customer switches retailer.

4.17 Under the Reconciliation Code, customer switching is affected through various data exchanges.

4.18 The current environment requires that a retailer acquiring a new customer is responsible for obtaining all relevant information from the customer that will be required to complete an effective switch. Such information will include their address, current retailer and their ICP number.

[3] A copy of the Reconciliation Code is available on Gas Industry Co's website at http://www.gasindustry.co.nz/Gas_Allocation.html

4.19 The acquiring retailer is then responsible for issuing a transfer notice to all parties that will be affected by the switch. This will include the current retailer supplying the customer, the network owner and the GMS owner.

4.20 Assuming that all information provided by the acquiring retailer is correct, and that each affected party processes a transfer notice in response to the acquiring retailer's transfer notice, the switch can proceed and the customer is then transferred to the new retailer.

4.21 The meter reading at the date of switch transfer is forwarded to the relevant distributor to allow for the accurate billing of network charges to be applied to both the new and the old retailer. The intended process flow for completing a customer switch and a generic customer transfer form can be found under Appendices A & B of the Reconciliation Code.

4.22 To facilitate switching and the cost allocation processes, it is necessary for gas retail market participants to be able to identify the participants that have a responsibility for each customer installation at any point in time.

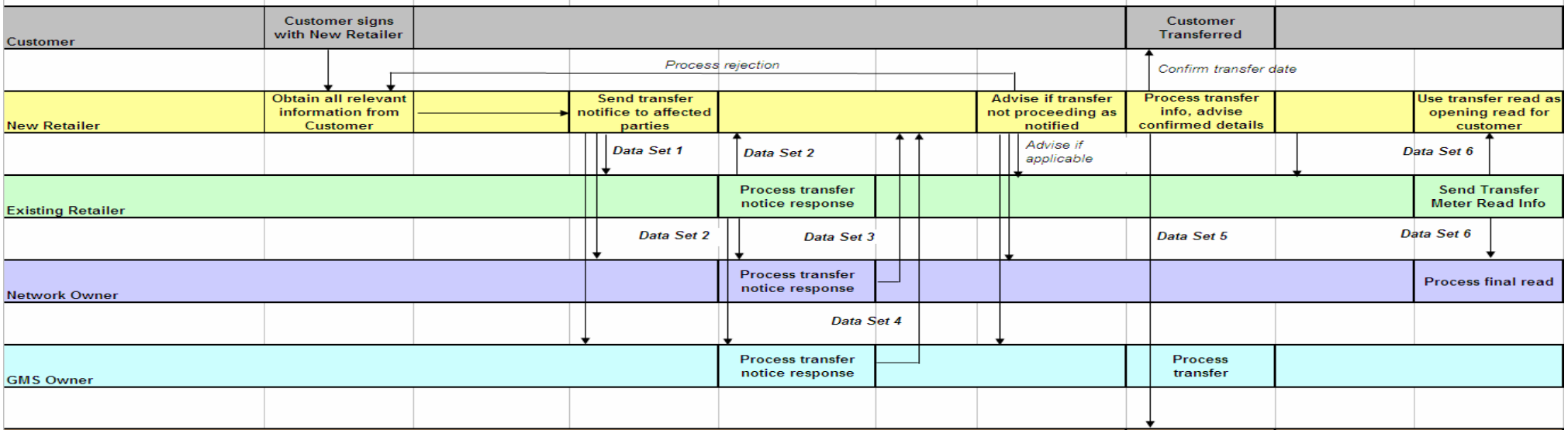
4.23 Every customer installation is assigned an ICP number, which is the point at which the installation is deemed to have gas supplied from a gas distribution system, and each ICP has a unique identifier.

4.24 Under the current arrangements, access to ICP information requires a number of parties (retailers, distributors and meter owners) to voluntarily provide data from their individual databases to initiate and complete a switch.

4.25 To assist current switching arrangements, several distributors have developed websites which assist with some aspects of switching. One distributor provides the facility for the new retailer to record a completed switch on the distributor's network via their website. These distributor websites are limited in the level of information they provide and are not recognised as a 'database of record'.

4.26 The following schematic diagram illustrates customer transfer information flows associated with current switching arrangements:

Customer Transfer Information Flow schematic



Information Required

Data Set 1 (New Retailer)		**Data Set 2 (Existing Retailer)**		**Data Set 4 (GMS Owner)**		**Data Set 5 (New Retailer)**		**Data Set 6 (Existing Retailer if NRD)**	
Date sent	Compulsory	Date sent	Compulsory	Date Sent	Compulsory	Files 1-4 after responses	Compulsory	Existing Retailer	Compulsory
New Retailer's Cust. Ref. No	Optional	Any transfer issues	If applicable	Any transfer issues	If applicable	SDP & supporting details	If SDP proposed	Date of creation	Compulsory
ICP No	Compulsory	Confirm NRD	If applicable	Confirm NRD	If applicable	**or**		ICP No	Compulsory
Customer Name	Compulsory	Last 12 mths total usage	Compulsory	GMS charge category	Compulsory	New Retailer	Compulsory	Customer Name	Compulsory
Street address	Compulsory	Altitude info	If currently applicable	Composite factor	If applicable	ICP No	Compulsory	Meter No	Compulsory
New Retailer	Compulsory	Load Shedding Category	As existing	Metering details	Compulsory	Customer Name	Compulsory	Transfer Read Date	Compulsory
Existing Retailer	Compulsory	Credit status	If requested	Corrector details	If applicable	Street address	Compulsory	Transfer Meter Read	Compulsory
Network Owner	Compulsory	GMS locked off (Y/N)	If applicable	Data logger details	If applicable	Receipt point name	Compulsory		
GMS Owner	Compulsory	Meter read usage details	If requested			Allocation Group No	Compulsory		
Allocation Agent	Compulsory					Transfer date	Compulsory		
Receipt point (gate station) name	Compulsory	**Data Set 3 (Network Owner)**				SDP & supporting details	If SDP proposed		
Allocation Group No	Compulsory	Date sent	Compulsory						
Use of existing GMS requested (Y/N)	Compulsory	Any transfer issues	If applicable						
Date of Customer authorisation	Compulsory	ICP No	If incorrect in notice						
Nominated transfer date (NRD or date)	Compulsory	Correct Receipt Point	If incorrect in notice						
Meter read usage details requested (Y/N)	Optional	Network pressure regime	Compulsory						
Credit Status requested (Y/N)	Optional	Confirm NRD	If applicable						
		Network charge category	Compulsory						
		Existing NAQ & MHQ	If known						

Notes:

1) ICP No means Network Owner's delivery point ID (ICP No or other unique ID if ICP format not used by Network Owner).
2) All responses are to be provided without splitting the response Data Set from Data Set 1.
3) It is assumed the New Retailer will copy responses into one complete file containing Data Sets 1-4 before forwarding to the Allocation Agent.
4) The flow diagram assumes the Existing Retailer is responsible for scheduling meter reads and therefore providing the NRD. If either the Network Owner or GMS owner has this responsibility, then that party must provide the NRD to the other parties instead of the Existing Retailer.
5) Where a special transfer read is requested the new retailer is expected read the meter and to provide the information in Data Set 6 instead of the existing retailer.

Issues identified with current switching arrangements

4.27 The Gas Industry Co has established that the current switching arrangements do not achieve the Regulatory Objective due to the following issues:

- **Data exchange processes are inefficient:** File formats used are not standard, meaning that processes cannot be automated and participants exchange switching data by email and spreadsheets. Switching participants often do not meet time standards and the data transportation mechanisms are insecure. The result is that the switching process is labour intensive to complete;

- **Retailers have incomplete access to key ICP data:** There are no rules requiring parties to provide access to important data needed for accurate switching. Often it is not clear which retailer is supplying a customer installation, or whose meter is attached to it, which are essential data for initiating a switch with the correct parties;

- **No rules for updating ICP data:** There are no mandatory rules for updating ICP data in distributor databases and, consequently, distributor records do not always reflect the correct retailer, correct meter owner or the correct status of an ICP. Such an unreliable source of ICP data enables customers to have a gas supply without a retail contract and can result in more than one retailer billing the same customer;

- **Data discrepancies:** There are often data discrepancies between individual distributor databases and between distributor and retailer databases. This creates problems and delays in the switching process, and issues for billing and reconciliation. Without mandatory protocols for reporting or resolving distributor-retailer database discrepancies, it can be difficult to resolve such issues;

- **Lack of compatibility between systems:** There is no protocol or standard mechanism for retailer and distributor databases to interface with each other to reduce and resolve discrepancies;

- **No governance structure to support and enforce compliance:** Notwithstanding that the current arrangements lack participant support and are not adhered to, there is no compliance mechanism or reporting/audit framework to support them;

- **Does not support effective complaints resolution:** Agencies working on behalf of customers not able to directly source information that would enable speedy resolution of switching complaints. Lack of this support can undermine customer confidence in switching; and

- **No linkage with the allocation and reconciliation processes.** Allocation agents have no single reference point for validating the monthly allocations of energy purchases by retailers. The result is that allocations and annual reconciliations are often contentious.

4.28 There is evidence that issues with the current switching arrangements can result in consequences that negatively impact on customers and particularly upon their ability to switch retailers. In particular, these include:

- delays, inaccurate billing and customers being incorrectly disconnected caused by errors in the switching process are inconsistent with the level of service that gas customers should receive from their gas suppliers;
- customers should not be expected to pay for the administrative inefficiencies resulting from lack of standardisation and automation of file transfers and the discrepancies between various datasets;
- if switching processes are difficult and unreliable, retailers are discouraged from actively recruiting new customers because of the potential cost involved, and customers are discouraged from switching retailers. The combined effect of this will be a reduction in competitive activity to the detriment of customers;
- similarly new retailers might be discouraged from entering the retail market because of the difficulties in acquiring new customers and lack of transparency around the size of the potential retail market; and
- the combined effect is likely to be suppressed competitive activity to the detriment of customers. Barriers to competition will reduce incentives on new and existing retailers to innovate in the products and prices they offer customers.

4.29 As previously stated in 4.12, whilst it may be difficult to quantify the full benefits to consumers, Gas Industry Co believes that the improved switching arrangements contained within this Proposal will result in significant benefits and improved satisfaction for consumers when choosing their gas supplier.

Previous development of switching arrangements

4.30 Following the commencement of the Reconciliation Code, a gas industry working group known as the Reconciliation Code Working Group ("RCWG") was formed, to consider switching and reconciliation issues.

4.31 A number of issues and inefficient outcomes, relating to both customers and industry participants, were identified with the switching arrangements under the Reconciliation Code.

4.32 During 2001, the RCWG focused on enhancing the arrangements for switching and reconciliation in the Reconciliation Code. Despite the development of a number of recommendations, unanimous industry support for arrangements based on voluntary multi-party data interchanges could not be achieved and the RCWG was dis-established.

Switching & Registry Working Group (SRWG)

4.33 Gas Industry Co formed the Switching and Registry Working Group ("SRWG") to assist in the analysis which led to this Statement of Proposal. The SRWG included broad representation of industry and customer stakeholders and an independent chair[4].

4.34 The SRWG has assisted in the preparation of Discussion Papers, analysing submissions to those Discussion Papers and has also been instrumental in developing the functional specification for a Gas Registry.

4.35 This work will form the basis of any request for proposal to service providers (as a registry operator) should the proposed draft rules for switching arrangements be recommended and approved by the Minister of Energy.

[4] Further information regarding the SRWG can be found on our website: http://www.gasindustry.co.nz/Switching_Registry.html

5 Identification and Analysis of Reasonably Practicable Options (section 43N (1))

Process undertaken by Gas Industry Co

5.1 In order to achieve the Regulatory Objective, Gas Industry Co undertook a review of current switching arrangements including receipt and consideration of submissions from industry participants on three separate Discussion Papers.

First Discussion Paper identified the potential options

5.2 The SRWG assisted Gas Industry Co to identify options that had the potential to address the issues identified with current switching arrangements. The four options identified formed the basis of the first Discussion Paper - "*Options for Switching Arrangements for the New Zealand Gas Industry*" dated October 2005 ("Options Paper").

5.3 The potential options were analysed against:

- the extent to which each option met the Regulatory Objective; and
- if they met the Regulatory Objective, the strengths, weaknesses, benefits and potential costs of those options.

5.4 Table 3 summarises that analysis:

Table 3: Summary of options analysis

Option	Analysis
Status Quo	Does not achieve objective.
Reconciliation Code Enhancements	Only partially meets the objective. Does not address customer dissatisfaction. Some improvements in retail competition. High transaction costs for participants.
Central Registry (Gas Industry Co's Preferred Approach)	Achieves objective. Improves service to customers. Removes barriers to competition. Reduces inefficiency of processes. Investment from industry required.
Central Registry integrated with Allocation Mechanism	Exceeds objective. Improves service to customers. Removes barriers to competition. Reduces inefficiency of processes. Significant resources from industry required over longer period of time.

5.5 Paragraph 7.30 details the extent to which the Proposal achieves the Regulatory Objective. Appendix 1 also sets out the detailed analysis of how each of the alternative options either does or does not satisfy the objectives.

5.6 The Options Paper made a recommendation to the industry that the central registry option would best meet the objectives of the GPS in the most cost effective way and therefore was the preferred approach.

5.7 Submissions were received from 10 parties in response to the Options Paper, which indicated that:

- all options to address the key issues in relation to switching arrangements had been identified; and
- industry participants support the development of the central registry option as the preferred approach.

5.8 A brief summary of submissions, showing the preferred option for each submitter, is provided in Table 4:

Table 4 – Summary of preferred option by submitter

Submitter	Preferred Option
Contact Energy	Central Registry
Electricity and Gas Complaints Commission	No preference
GasNet	No preference
Genesis Energy	Central Registry
Mighty River Power	Central Registry
Ministry of Customer Affairs	Central Registry
Nova Gas	Central Registry
Powerco	Enhanced Reconciliation Code initially with longer term aim of Central Registry with reconciliation and allocation mechanism
Vector	Central Registry
Wanganui Gas	Central Registry with reconciliation and allocation mechanism

5.9 While being broadly supportive of the central registry option, submitters requested that a more detailed cost benefit analysis be undertaken prior to making any recommendation to the Minister of Energy.

5.10 Following receipt of submissions in response to the Options Paper, members of the SRWG made further recommendations to Gas Industry Co concerning some aspects of the functionality of the central registry option. The main recommendations were:

- the adoption of a more comprehensive method of recording ICP status, including providing a link between ICP status and physical connection status; and
- the addition of a facility to discourage inappropriate access to certain commercially sensitive data of meter owners and distributors recorded on the Gas Registry.

5.11 These recommendations are endorsed by Gas Industry Co and have been incorporated into the Proposal.

Second Discussion Paper analysed benefits and costs

5.12 In response to submissions received to the Options Paper, Gas Industry Co undertook further analysis on the benefits and costs of the options identified in the Options Paper and provided industry participants with the opportunity to respond.

5.13 Gas Industry Co wrote to industry participants requesting information about their current costs associated with switching arrangements. All industry participants were also asked to provide information concerning the anticipated costs and benefits should any of the options under consideration be implemented.

5.14 Gas Industry Co also issued a request for information to prospective service providers concerning the feasibility and costs associated with the possible implementation of a Gas Registry option.

5.15 An independent report was commissioned for a cost benefit analysis of all the options set out in the Options Paper. The findings of this work, based on the information received, then formed the basis of a cost benefit discussion paper issued to the wider industry ("Cost Benefit Paper").

5.16 Submissions were received from eight parties in response to the Cost Benefit Paper which confirmed continued industry support for development of the central registry option.

5.17 However, several submissions on the Cost Benefit Paper noted that it would be useful to quantify the dynamic efficiency benefits of increased retail competition that would result from improved customer switching arrangements. A quantitative assessment of the benefits and costs of the Proposal, including these dynamic efficiency benefits addressing this request, is set out in Appendix 2.

5.18 Gas Industry Co acknowledges that the concept of a central registry, incorporating a fully integrated allocation mechanism, may be an ultimate objective for the New Zealand gas industry. However, given the timeframes required to deliver against the objectives, it considers that the capability of industry participants to implement this option within those timeframes required do not make this option realistic at this time.

5.19 An incremental approach, that firstly establishes the Gas Registry, may be an appropriate first step to achieving a central registry with a fully integrated allocation mechanism at some future point in time. Such an approach should not negatively impact upon the overall benefits and costs of either option whilst satisfying the Regulatory Objective.

Third Discussion Paper analysed delivery mechanism

5.20 On 19 June 2006, Gas Industry Co issued a further Discussion Paper - "*Mechanisms to Implement a Central Registry*" ("Implementation Paper") which identified three different options for implementing new switching arrangements, being:

- a multi-lateral industry agreement;
- rules or regulations imposed by the Government under the authority of a statute; and
- a hybrid of the two above options, being a multi-lateral industry agreement executed by all relevant parties no later than 31 December 2006 or rules or regulations will be implemented.

5.21 The Implementation Paper made a recommendation, based on the information available at that date, that a Gas Registry implemented by rules would best meet the Regulatory Objective.

5.22 A brief summary of submissions received, indicating the preferred delivery mechanism for the central registry option is set out in the following table:

Table 5 – Summary of preferred delivery mechanism by submitter

Submitter	Preferred Option
Age Concern New Zealand Incorporated	Rules/Regulations
Pat Cunniffe, Consumer Representative	Rules/Regulations
Contact Energy	Rules/Regulations
GasNet	Rules/Regulations
Genesis Energy	Rules/Regulations
Mighty River Power	Rules/Regulations
Nova Gas	Non-mandatory contractual arrangements
Vector	Mandatory multi-lateral industry agreement with rules/regulations fallback

5.23 Having considered all the submissions, Gas Industry Co believes that the pursuit of an industry agreement is likely to be problematic and that rules or regulations are the most suitable mechanism for effecting mandatory switching arrangements[5].

Reasonably practicable options

5.24 Having concluded the process outlined above, Gas Industry Co believes that:

- the status quo option does not meet the objectives and therefore is not a "reasonably practicable option";
- the Reconciliation Code enhancement option does not meet the objectives and therefore is not a "reasonably practicable option";
- the Gas Registry with integrated allocation mechanism option, while meeting (and exceeding) the objectives, places unrealistic expectations upon industry participants to implement this option within the timeframes required. Therefore, this is not a "reasonably practicable option" for consideration at this moment in time; and

[5] All submissions received by Gas Industry Co to the three discussion papers can be found on our website http://www.gasindustry.co.nz/Previously_consulted.php

- as switching arrangements must be mandatory;
    - a multi-lateral industry agreement involves risks relating to costs and delays in implementation due to the need for industry agreement and possible authorisation or clearance from the Commerce Commission. Therefore, this is not a "reasonably practicable option"; and
    - a multi-lateral industry agreement with a rules/regulation fallback likewise involves substantial cost, delay, implementation and possible Commerce Act risks and therefore is not a "reasonably practicable option".

5.25 Therefore, the only reasonably practicable option at this time to meet the objectives, is to develop rules or regulations to govern switching arrangements that incorporates the establishment and operation of a Gas Registry.

Other matters considered relevant

5.26 Gas Industry Co does not believe that any other matter is relevant to making an assessment of the Proposal under section 43N(1) of the Gas Act.

Choice between Rules and Regulations

5.27 Section 43Q(1) of the Gas Act allows the Minister of Energy to make a rule for all or any of the purposes for which a gas governance regulation may be made.

5.28 The process for adopting and amending rules as opposed to regulations is generally quicker and more streamlined. Any recommendation for rules made by Gas Industry Co will be considered by the Minister of Energy (after consulting with the Minister of Consumer Affairs for certain matters, including switching arrangements) who decides whether to recommend their adoption to the Governor General.

5.29 Alternatively, for recommendations by Gas Industry Co for regulations, the Minister of Energy must consult with the Minister of Consumer Affairs, achieve sign-off of the proposed regulations from the Parliamentary Counsel Office and the Regulations Review Committee and present the proposed regulations to parliament for assent. Only then can the Minister of Energy recommend them to the Governor General for adoption. Involving these parliamentary processes necessarily results in delay and inflexibility in both adopting any regulations and making any amendments to them.

5.30 Ultimately, it is the decision of the Minister of Energy as to whether to recommend rules or regulations to the Governor General for adoption. Under section 43Q(2) of the Gas Act, in deciding whether to make a recommendation for a rule, the Minister must only have regard to the following:

"(a) the importance of the rule, including whether the rule has a material effect on the rights and interests of individuals:

(b) the subject matter of the rule, including whether the rule contains detailed or technical matters rather than matters of general principle:

(c) the application of the rule, including-

(i) whether the rule applies principally to a particular group (e.g. industry participants) rather than the general public:

(ii) whether the benefits of publication in accordance with section 43R rather than the Acts and Regulations Publication Act 1989 outweigh the costs of publication by that method:

(d) the expertise and rule-making procedures of the recommending body."

5.31 Given that the proposed draft Gas (Switching Arrangements) Rules:

- govern the limited domain of processes for switching a customer between retailers;
- incorporate detailed and technical matters affecting gas supply and distribution;
- apply to retailers, distributors and meter owners only, who are all industry participants;
- are aimed at making the switching processes more consumer friendly and efficient;
- would be readily accessible, at no charge and at all reasonable times, on both an internet site maintained by the Minister of Energy and on Gas Industry Co's website making the cost of publication under the Act and regulations Publication Act unwarranted; and
- have been drafted by Gas Industry Co, a co-regulatory body set up by the Government to undertake the specific task of regulating the New Zealand gas industry through rules or regulations where appropriate.

Gas Industry Co believes that it is appropriate for the Minister of Energy to conclude that the new switching arrangements should be implemented by rules not regulations.

5.32 Gas Industry Co believes that, given the Gas Act requirement for rules is met and the timing and flexibility benefits of rules over regulations, the best way to implement the new switching arrangements is by way of rules recommended to the Minister.

Other means to achieve the objective

5.33 Gas Industry Co does not believe that the objectives are likely to be satisfactorily achieved by any reasonably practicable means other than the making of the Proposal for the reasons previously described.

6 Proposed Switching Arrangements

Detailed description of the proposed Switching Arrangements

Gas Registry

6.1 The Gas Registry will consist of:

- a repository of certain ICP data, maintained by a third party service provider (according to specific rules); and
- the mechanisms by which data is transferred between participants and by which the associated events are recorded on the Gas Registry.

6.2 The Gas Registry will be at the centre of future switch processes. Customer switching is represented by switching of ICPs from one retailer to another, as recorded on the Gas Registry. Only switches conducted through the Gas Registry will be valid under any applicable gas industry compliance regime, and the Gas Registry will ensure:

- efficient processes are strictly followed to minimise the time required to complete the switch of a retail customer between retailers;
- transparency of the identity of the participants responsible for an ICP at any time, and of the status of an ICP switch throughout the switching processes;
- switches transacted through the Gas Registry are valid and complete in terms of the defined data interchange processes;
- all events are tracked thereby providing a basis for monitoring the processes, the performance of participants and the enforcement of participant compliance; and
- the existence of a 'database of record' for participants to reference for data important for completion of a retail customer switch and for use in identifying responsibilities for ICPs in relation to the allocation and reconciliation of energy, network services and GMS service costs between participants.

6.3 The Gas Registry will not hold meter readings or consumption data under this Proposal, but will be a database of record for allocation and reconciliation purposes. This means that, although not fully integrated with any allocation and reconciliation database, the Gas Registry may be employed in an integrated relationship with any database containing customer installation consumption data and may be used for allocation and reconciliation purposes.

A time-series record of events

6.4 As a database, the Gas Registry will primarily be a time-series data store of events covering the life of each ICP and will contain a complete event history for each ICP.

6.5 In this context an event means an occurrence that results in either the change to the value of an ICP parameter value or the completion of a stage of a switch process.

6.6 Five separate event types will be defined for the Gas Registry processes that change the value of an ICP Parameter, each type reflecting the participant class responsible for maintaining the ICP parameter value that changes or the process that effected the change. The five event types will be:

- network data events;
- metering data events;
- retailer data events;
- ICP status data events; and
- switch process events.

System capacity

6.7 The Gas Registry system will be capable of:

- in the first instance, managing 30,000 switches per annum, with each switch representing at least four transactions passing through the Gas Registry; and
- expansion in terms of the range of ICP parameters that can be accommodated, the volume of switches that can be managed and the number and type of participants that can be served.

Functional Elements of the Gas Registry

6.8 The key functional elements of the Gas Registry focus on:

- providing an accessible, authoritative single point of reference for data vital to switching and allocation; and
- ensuring the quality of the communications and data transfers between participants.

6.9 Related to those elements, the Gas Registry will provide:

- an “on-line” search function to enable retailers to verify customer installation and ICP identification prior to proceeding with a switch; and

- for all reasonable interactions with the Gas Registry, access and transactions to be available by means of .csv files (using FTP) and by web browser.

Switching processes

6.10 In relation to ICP switching, the Gas Registry will facilitate the exchange of the various switching notices between the affected retailer participants, record events as they occur and notify interested participants of the switch completion event immediately after it occurs.

6.11 The records transferred between the participants through the Gas Registry will consist of:

- a switch notice, from the retailer acquiring the customer to the retailer about to lose the customer, advising of the impending switch;

- an acceptance notice from the current retailer to the acquiring retailer as an acknowledgement of receipt of the switch notice and advising of certain (if any) features that might be inherent with the switch;

- a switch withdrawal request notice, that may be raised by either the acquiring retailer or the current retailer participants in a switch, requesting withdrawal of the switch for one of a specific set of reasons;

- a switch withdrawal response notice, issued in response to a switch withdrawal request, advising the other retailer party to the switch whether the switch withdrawal request is accepted or rejected;

- a transfer notice from the current retailer to the acquiring retailer, immediately after the switch readings and certain other data required by the acquiring retailer, to commence accurate billing of the customer is available;

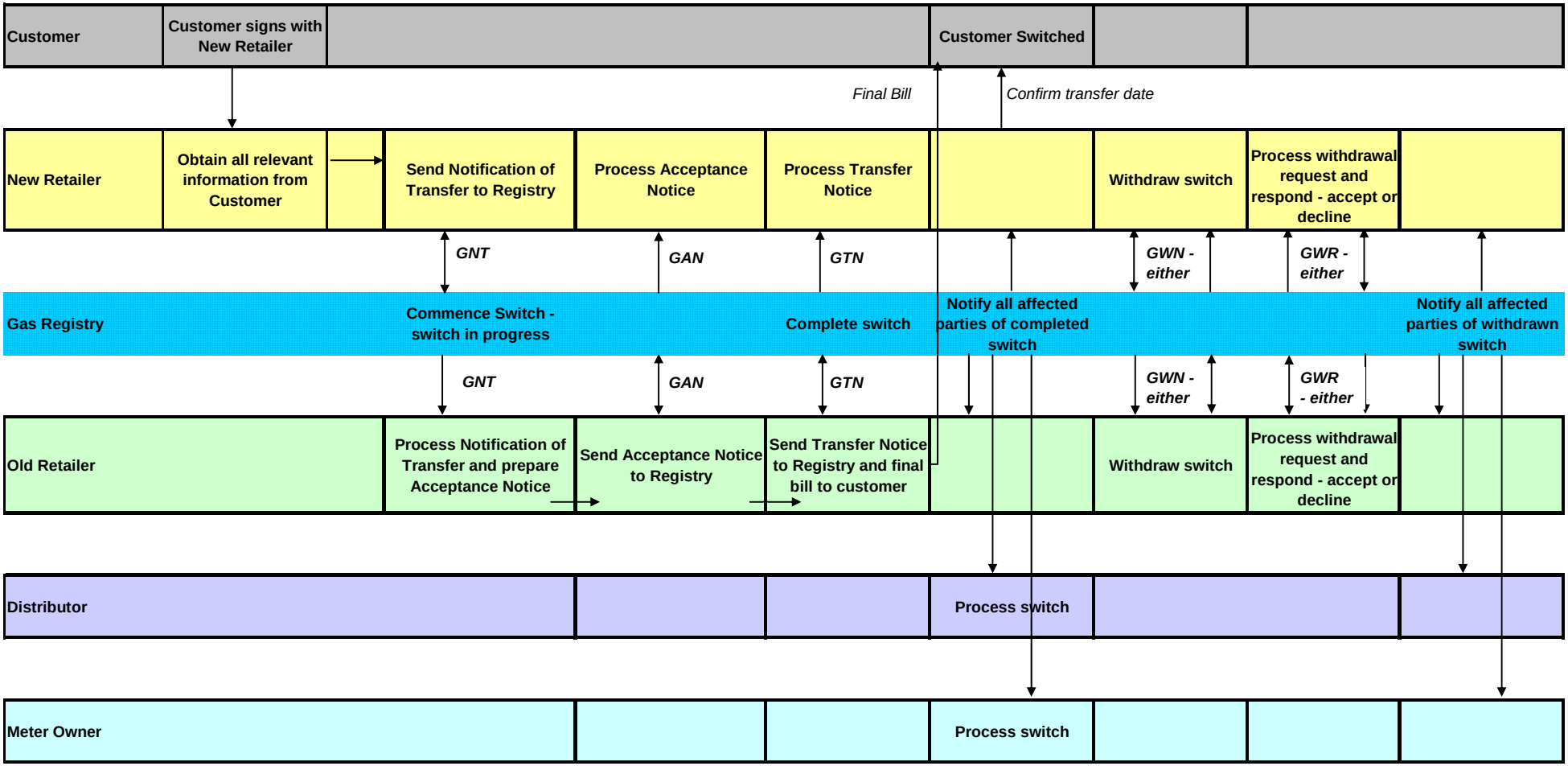
- a switch reading renegotiation request, from the new retailer to the previous retailer after completion of a switch, requesting a change to the switch reading to that provided in the reading renegotiation request; and

- a switch reading renegotiation response from the previous retailer, advising whether the request for change in switch reading was accepted or declined.

6.12 Once a valid transfer notice is processed by the Gas Registry, all interested participants will be notified by the Gas Registry of the switch event, including the event date and the identity of the new retailer.

6.13 A schematic of the flow of notices relating to the main switching processes that will flow through the Gas Registry is provided on the following page:

Customer Transfer Information Flow schematic - Gas Registry



Access to Gas Registry data

6.14 The Gas Registry will have a reporting function. There will be controls to avoid its use for data-mining activities considered to be beyond the intent of the Gas Registry.

6.15 One such control will be to provide distributors and meter owners with a 'security flag' facility that will only enable restricted access to certain data held on the Gas Registry. The data that the security flag will apply to must be within specific parameters that distributors and meter owners agree should be on the Gas Registry but because of commercial sensitivity should not be directly accessible by competitors.

6.16 When the security flag is activated for (say) the network parameters, only those participants with a current responsibility will have view access to the parameters subject to the control. Access to the data by other participants will be by means of an special information request notice (one ICP per request) to the Gas Registry. The data will be returned in a notice to the requester, with (in this case) the distributor also receiving a notice from the Gas Registry that the requester has been provided with the data.

6.17 It is envisaged that, in addition to the distributors, retailers, meter owners and the registry operator, Gas Industry Co may provide view access to the Gas Registry to other parties such as the Electricity and Gas Complaints Commission and other industry or customer bodies. The board of Gas Industry Co will govern this access policy.

Reporting from the Gas Registry

6.18 The Gas Registry will facilitate the extraction of reports derived from the events recorded on the Gas Registry for the purposes of:

- enabling participants to reconcile the data held on the Gas Registry with comparable data held by other participants in other locations;
- enabling participants, and any other party assigned a monitoring and/or enforcement role, to view data for the purpose of compliance; and
- providing input into the allocation and reconciliation processes for energy and other service purchases.

Participants' Complementary Systems

6.19 To communicate and maintain synchronicity with the Gas Registry, participants will need to establish and maintain databases and communications facilities capable of managing their transactional obligations.

6.20 Although the specific content of the data exchanges are different for each class of participant, the formats required to send data to, and receive data from, the Gas Registry will be the same for all participants.

6.21 As referred to earlier, the Proposal means participants will have the capability to:

- receive and digest data provided by the Gas Registry in comma separated data files (.csv files); and
- maintain the values of the ICP parameters for which they have responsibility by means of web browser.

6.22 In addition, participants will be required to have the capability to perform reconciliation processes that identify discrepancies between the values of ICP parameter data held on the Gas Registry and the values held for the same parameters on their own databases.

6.23 The Gas (Switching Arrangements) Rules, provided as Appendix 4, define the responsibilities of switching participants in the establishment and operation of the Gas Registry, and specify a number of requirements relating to the functions of the Gas Registry.

7 Statement of Proposal (section 43N(2))

7.1 This paper constitutes a Statement of Proposal for the purposes of section 43N(2) of the Gas Act 1992 which requires:

- a detailed statement of the Proposal;
- a statement of the reasons for the Proposal;
- an assessment of the reasonably practicable options, including the Proposal; and
- other information that Gas Industry Co considers relevant.

Detailed Statement of the Proposal

7.2 The Proposal is for a recommendation to the Minister of Energy under the Gas Act to approve rules governing switching arrangements which incorporates the establishment and operation of a central registry ("Gas Registry").

7.3 The specific functional requirements of the Gas Registry and proposed switching arrangements that result from the Proposal have already been discussed in section 6 of this Proposal.

Participant coverage

7.4 All parties required to affect the switch of a customer between retailers will be required to participate in the Gas Registry (including gas distributors, gas retailers supplying customer installations connected to gas distribution systems and all meter owners with meters recording gas consumption at those customer installations).

7.5 This means that all customer installations on all current open-access and non-open-access reticulated natural gas networks will be included on the Gas Registry.

Event processing by the Gas Registry

7.6 For each event, the Gas Registry will record the system user creating the event, the event date (i.e. date the event actually occurred) and the posting date (i.e. time/date the event is recorded on the Gas Registry). The Gas Registry will process events in the time-order received.

Notification of successful events

7.7 Whenever there is a change to the value of an ICP parameter on the Gas Registry, the Gas Registry will issue a notification (advising the new value and date of change for the ICP parameter concerned), to each participant that has an interest in that ICP parameter.

7.8 The participants identified as having an interest in the ICP parameter concerned will be those that have a current responsibility for the ICP or, where a switch is just completed, the last retailer that had responsibility for the ICP.

7.9 In the case where an erroneous event is corrected by a subsequent reversing transaction, the interested participants will include not only the participants with a current responsibility for the ICP but also those with a responsibility at the time of the erroneous event.

Acknowledgement of attempted events

7.10 Whenever a participant attempts to create an event on the Gas Registry, there will be a response to the participant advising either that the event is successfully created or that the attempt is rejected. In either case, the Gas Registry will send the participant an acknowledgement of such an attempt.

7.11 In the case of a successful attempt, the acknowledgement will precede the notification issued to the participant and other interested participants. In the case of rejected attempts, the acknowledgement (which would include the reason why the attempted event was rejected) will be the only advice of the attempt.

Correction of event errors

7.12 The Gas Registry will allow for corrections of erroneous events which could arise from:

- an incorrect ICP being referenced in the update of an ICP parameter value or in the initiation of a switch;
- an incorrect event date being used in an ICP parameter value update; and/or
- incorrect data being used in an ICP parameter value update.

7.13 The error correction facility will recognise that the error might not be related to the most recent event, but instead some other event in the ICP history. Therefore, the Gas Registry will have a complete audit trail of the sequence of events and ensure that any correction does not affect the validity of any events with later event dates.

ICP creation

7.14 The Gas Registry will be the repository of every ICP created by a distributor participant, and the distributor will be required to populate the values for the set of ICP parameters defined as being under its responsibility.

7.15 Similarly, before an ICP can become available for any other transactions on or through the Gas Registry, there will be a requirement for:

- a retailer participant to populate the values for a range of ICP parameters that are defined as being under the responsibility of the current retailer; and
- a meter owner participant (specified as the current meter owner by the current retailer), to populate the values for a range of ICP parameters defined as being under the responsibility of the current meter owner.

ICP parameter maintenance processes

7.16 Once created and having the initial set of ICP parameters populated, further maintenance of ICP parameter values will be restricted to those participants identified on the ICP as the current responsible participants. At any point in time, an ICP will have three current responsible participants – a distributor, a retailer and a meter owner.

7.17 Each ICP parameter is categorised as being of a particular type. That is a parameter is one of a network, retail, metering or status type. Each class of participant is restricted to maintain only certain types of ICP parameter data:

- distributors maintain network type parameter values and (subject to the ICP status at the time of maintenance) status parameter values;
- retailers maintain retail type parameter values and (subject to the ICP status at the time of maintenance) status parameter values; and
- meter owners maintain only metering parameter values.

Reasons for the Proposal

7.18 Current switching arrangements do not achieve the Regulatory Objective due to the issues previously identified at paragraphs 4.27 and 4.28 of this Proposal.

7.19 The combined effect is that these issues do not facilitate the timely and accurate switching of customers between suppliers. Furthermore, they may also cause barriers to competition that have the potential to reduce incentives on new and existing retailers and distributors to innovate in the products and prices they offer to customers.

7.20 Accordingly, Gas Industry Co has undertaken a review of the current switching arrangements and has concluded that the only reasonably practicable option to meet the Regulatory Objective is to recommend rules to the Minister of Energy for approval under the Gas Act governing switching arrangements. These can be found in Appendix 4. In order to recommend such rules, Gas Industry Co is required to comply with the Gas Act and prepare this Statement of Proposal.

7.21 As set out in section 5 of this Statement of Proposal, it is Gas Industry Co's considered view, and after consulting widely with participants, that the only "reasonably practicable option" under the Gas Act is the central registry option. Therefore, the Proposal is considered the only reasonably practicable option.

7.22 This assessment therefore focuses on the benefits and costs of the Proposal and the extent to which the Proposal achieves the Regulatory Objective.

Assessment of benefits of the Proposal

7.23 The principal benefits of the Proposal will be to reduce inefficiencies currently encountered with switching processes, with the desired result of improving outcomes for consumers and increasing the potential for retail competition. This will be achieved by reducing the cost of customer switching by having a single point of reference for key switching data, around which switching processes can be coordinated. This will better facilitate the timely and accurate switching of customers between retailers and distributors, create more choice for customers and provide more accurate billing information.

7.24 Specific benefits of the Proposal include:

- consistent and secure data flows between parties by having a standard switching process for all participants, effected through the Gas Registry;
- the capability for performance monitoring by recording data flows;
- transparency of the switching processes by recording the retailer responsible for an ICP at any point in time, including during a switch;
- improved service levels through timely and accurate switch processes;
- reduction in data discrepancy issues between participants by establishing the Gas Registry as database of record and specifying which parties are responsible for maintaining specific data on it;
- reduction of switching costs and risks by simplifying and reducing the required transactions to complete a switch and by enabling processes to be automated;
- support for timely and accurate billing set up which reduces costs to participants; and

- assistance with current allocation and reconciliation processes by providing a record of participant responsibilities for ICPs in relation to the allocation and reconciliation of gas quantities and other service costs.

7.25 The key outcomes of implementing the Proposal include:

- improvement in customer satisfaction by implementing an efficient, timely and accurate switch process;
- lower barriers to competition in the gas retail market by facilitating customer choice between retailers; and
- reduction in administrative inefficiencies and costs involved in completing a switch of a retail customer for all consumers and participants.

7.26 Appendix 2 includes a quantitative assessment of the benefits of the Proposal. It has been limited to assessing the benefits that it is practical to quantify, including short-term cost savings (static benefits) and long-term efficiency gains (dynamic benefits). The benefits to consumers of a clearer set of rules governing customer switches, a more timely switching process, and more accurate billing information have not been quantified. Accordingly, the Gas Industry Co considers that the assessment of the benefits in Appendix 2 is very conservative.

Assessment of Costs of the Proposal

7.27 The costs of the Proposal relate to data cleansing and migration, software development and ongoing software operation and maintenance. These are quantified further in Appendix 2.

7.28 Costs will also include those of compliance. For a detailed analysis of these costs, respondents should refer to the Compliance Proposal separately issued for consultation in conjunction with this Proposal.

Overall assessment of the benefits and costs of the Proposal

7.29 The quantitative assessment of the benefits and costs of the Proposal contained in Appendix 2 concludes that that there is a strong positive net benefit under a wide range of input assumptions.

7.30 This assessment, combined with the qualitative benefits outlined in this section, leads the Gas Industry Co to conclude that the Proposal has a strong positive net benefit.

Extent to which the Proposal achieves the Regulatory Objective

7.31 The Proposal was analysed against the overall Regulatory Objective, being timely and accurate switching of customers between retailers and distributors, and the GPS objective:

> *"To ensure that gas is delivered to existing and new customers in a safe, efficient, fair, reliable, and environmentally sustainable manner"*

with the following specific desired outcomes:

- *energy and other resources are used efficiently; and*
- barriers to competition in the gas industry are minimised to the long-term benefit of end-users.

Table 6 – Achievement of the Regulatory Objective by the Proposal

Objective	Objective requirement	Meets objective requirement	How objective met/not met
Benefit to end-user.	Supports customer choice of retailer.	Yes	Retailers more active in competing for customers. Facilitates better switch complaints resolution.
Benefit to end-user.	Enables correct billing setup for the production of accurate invoices to customers.	Yes	Registry assists integrity of data transferred and is the database of record, resulting in fewer customer complaints. Systems include a discrepancy resolution process. Assists allocation and reconciliation systems through Gas Registry reporting function.
Benefit to end-user.	Allows timely and accurate switching.	Yes	Simpler switching process against a database of record. Rules governing timely and accurate participants' actions and responses.
Benefit to end-user.	Improves customer satisfaction.	Yes	Switching process is more efficient, auditable, traceable and transparent.

Objective	Objective requirement	Meets objective requirement	How objective met/not met
Efficiency.	New retailers can easily identify the customer's existing distributor if the ICP number is known.	Yes	Single point of reference for more accurate and timely data.
Efficiency.	New retailers can easily identify whether the ICP is 'switchable' (on an open access network).	Yes	Single point of reference to more accurate status data.
Efficiency.	New retailers can easily identify the customer's existing retailer.	Yes	Single point of reference to more accurate and timely data.
Efficiency.	New retailers can easily identify a customer's ICP where they are a move-in switch.	Yes	Using an address search facility.
Efficiency.	Provides an efficient switching process.	Yes	Single point of reference to more accurate data with all transactions recorded centrally.
Efficiency.	Switching progress can be tracked by all affected parties.	Yes	All switch transactions processed through the Gas Registry with a full transaction history.
Efficiency.	Switch transactions are sent to all affected parties efficiently.	Yes	Gas Registry notifies all affected parties automatically.
Reliability.	Is secure.	Yes	Gas Registry is protected via standard web security functions with user access restrictions and passwords.
Reliability.	Supports effective discrepancy management to ensure ICP data integrity across all systems where the ICP is recorded.	Yes	Discrepancy process defined in the rules.
Reliability.	Is performance managed.	Yes	Performance criteria will form part of the contract with a service provider who will be appointed via a contestable process.
Reliability.	Is auditable.	Yes	Automatic audit trail and recording of all transaction history.

Objective	Objective requirement	Meets objective requirement	How objective met/not met
Reliability.	Supports effective compliance monitoring.	Yes	Single point of reference to more accurate data with an audit trail that is transparent to all participants and compliance personnel. Reporting by registry operator (service provider).
Reliability.	Supports effective complaints resolution.	Yes	Single point of reference to more accurate data with an audit trail that is transparent to all participants and complaints resolution personnel.
Reliability. Benefit to end-user.	Supports effective discrepancy management to enable accurate reconciliation.	Yes	Rules require monthly reports to be generated for all participants for discrepancy resolution purposes and for reconciliation and allocation purposes.
Barrier to competition minimised.	Provides a switching process, which is standard for all parties.	Yes	Single database of record.
Barrier to competition minimised. Fairness.	Provides a switching process, which does not create barriers to new entrants AND current participants (i.e. not too costly to set-up and operate).	Partly, and depends on whether a single central registry or a virtual central registry is implemented.	Mandatory participation is more onerous than current arrangements but common to all participants. A virtual registry, would be relatively more costly for smaller participants than a single central registry.
Barrier to competition minimised.	Provides a switching process which does not create barriers to new entrants as meter owners AND current meter owners (i.e. not too costly to set-up and operate).	Yes	Minimal set-up costs requiring internet access and FTP (or similar).
Barrier to competition minimised.	Provides a switching process which does not create barriers to new entrant Allocation Agents, i.e. not too costly to set-up and operate.	Yes	Minimal set-up costs requiring internet access and FTP (or similar).

Objective	Objective requirement	Meets objective requirement	How objective met/not met
Barrier to competition minimised.	Provides a switching process which does not create barriers to new entrant retailers (i.e. not too costly to set-up and operate).	Yes	Minimal set-up costs requiring internet access and FTP (or similar).
Barrier to competition minimised. Efficiency.	Switching process allows for high volume switching.	Yes	FTP (or similar) facility allows for multiple transactions.

Other information considered relevant

7.32 Gas Industry Co does not believe that any other information is relevant to making an assessment of the Proposal under section 43N(2) of the Gas Act.

Conclusion

7.33 Gas Industry Co considers that the Proposal meets the Regulatory Objective and that no other options identified and analysed meets the Regulatory Objective more cost efficiently than the Proposal.

Q2: *Do submitters agree with the analysis of the Proposal? If not, please state your reasons.*

Q3: *Do submitters agree this Proposal complies with section 43N of the Gas Act? If not, please state your reasons.*

Q4: *Do submitters have any other information that they consider is relevant to the assessment of the Proposal?*

Q5: *Do submitters agree that the Proposal meets the Regulatory Objective? If not, please state your reasons.*

Q6: *Do submitters agree with the benefits relative to the costs of the Proposal as set out in Appendix 2? If not, please state your reasons.*

8 Proposed Draft Rules

Summary of proposed draft rules

8.1 The purpose of the proposed draft rules, set out in Appendix 4, (the "Rules") is to establish a set of gas switching and registry arrangements that will better enable consumers to alternate between competing retailers.

8.2 The principal elements of the Rules are that they will:

- be mandatory for all parties required to affect a switch of a customer between retailers;
- establish the Gas Registry and provide a process for migration of current ICP data onto the Gas Registry;
- govern access to the Gas Registry;
- provide for the ongoing operation (i.e. management of data) of the Gas Registry by a third party service provider;
- govern the appointment, performance review and audit of the third party service provider by Gas Industry Co;
- govern assignment and determination of ICP parameters and their codes;
- govern the process to establish a new ICP and decommission existing ICPs;
- govern the process for switching customers between retailers;
- set out the reporting requirements of each party;
- set out both the development fees and ongoing monthly fees that will be payable by participants;
- provide for transitional arrangements for switches initiated before the commencement of the relevant Rules; and
- be enforced by a compliance regime set out in regulations to be recommended to the Minister of Energy under the Gas Act (these are the subject of part 2 of this Proposal 'Compliance Proposal').

8.3 Gas Industry Co believes the most efficient approach to managing the database is to appoint a third party service provider ("Registry Operator"). This appointment will be conducted via a contestable process run by Gas Industry Co.

8.4 The Rules provide for Gas Industry Co to:

- appoint the Registry Operator;

- negotiate to contract with the Registry Operator, within certain parameters also set out in the Rules (a copy of which shall be made publicly available by Gas Industry Co);
- review the ongoing performance of the Registry Operator; and
- audit the Registry Operator.

8.5 This approach is consistent with the electricity industry and will be familiar to many industry participants. Gas Industry Co believes it provides the best balance between efficiency, independence and risk management for the industry.

8.6 Subject to any negotiation with the successful service provider, Gas Industry Co intends to licence the required registry services from the service provider acting as Registry Operator. This will include appropriate protection (e.g. access to source code and a right to the ongoing use) through a separate service provider agreement.

Q7:	*Do submitters believe the Rules adequately reflect and govern the Proposal? If not, please provide all drafting amendments in mark-up.*

Funding

8.7 The Rules contemplate both a development fee (the fee associated with establishing the Gas Registry) and an ongoing fee (the fee for maintaining the Gas Registry).

Development Fee

8.8 The development fee reflects the costs associated with developing and establishing the Gas Registry and includes:

- the capital costs of developing the Gas Registry;
- the costs of appointing the Registry Operator;
- the administrative costs of Gas Industry Co in connection with the development and establishment of the Gas Registry; and
- any other costs reasonably associated with developing and establishing the Gas Registry.

8.9 It is proposed that the development fee shall be apportioned 50/50 among Distributors and Retailers. The proportion of the fee that each Distributor or Retailer will be expected to pay shall be based upon their respective share of ICPs

as a percentage of the total. For example, if the total development costs are $1,000, Distributors shall pay $500 of the development fee. Each Distributor's share of that $500 is calculated based on the percentage of total ICPs that each Distributor has connected to their network(s).

Ongoing fee

8.10 The ongoing fee reflects the costs of operating and maintaining the Gas Registry and includes:

- the costs payable to the Registry Operator;
- the administrative costs of Gas Industry Co in connection with its role in maintaining the Gas Registry; and
- any other costs reasonably associated with maintaining the Gas Registry.

8.11 It is proposed that the ongoing fee shall be apportioned 45/45/10 among Distributors, Retailers and Meter Owners respectively. The proportion of the fee that each Distributor, Retailer or Meter Owner will be expected to pay shall be based upon their respective share of ICPs as a percentage of the total. For example, if the total ongoing fees amount to $1,000 per annum, Retailers shall pay $450 of the ongoing fee. Each Retailer's share of that $450 is calculated based on the percentage of total ICPs supplied by that Retailer.

8.12 The ongoing fee shall be payable to Gas Industry Co monthly and will be invoiced by Gas Industry Co (or a third party e.g. the Registry Operator on behalf of Gas Industry Co).

Q8: *Do submitters agree with the funding options for the Proposal? If not, please state your reasons.*

Q9: *Do submitters agree with the allocation of costs for the Proposal? If not, please state your reasons.*

9 Next Steps

9.1 The table below sets out the indicative timelines and milestones for the delivery of the Proposal as defined within the GPS and Gas Industry Co's Strategic Plan.

Task	Indicative Date completed
Submissions on Proposal Consultation Paper close (6 weeks)	9 October 2006
Evaluate industry feedback received	10 November 2006

10 Submission Requirements

10.1 Gas Industry Co invites submissions on the Proposal and any answers to the specific questions contained in Appendix 3 by **5:00 pm on Monday 9th October 2006**. Please note that submissions received after this date may not be able to be considered.

10.2 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 the Proposal for Switching Arrangements for the New Zealand Gas Industry" in the subject header to submissions@gasindustry.co.nz and one hard copy of the submission should be posted to the address below:

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10.3 Gas Industry Co will acknowledge receipt of all submissions electronically. Please contact Paul Mitchell if you do not receive electronic acknowledgement of your submission within two business days.

10.4 Submissions on the specific questions should be provided in the format shown in Appendix 3. Submissions on the draft Rules should be provided separately in mark-up in the form of redrafted rules with any comments.

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

11 Appendices

Appendix 1: Analysis of the options against the objectives

11.1 Each of the options identified in the Options Paper was also analysed against the Regulatory Objective, being timely and accurate switching of customers between retailers and distributors, and analysed against the other objectives set out in the Gas Act and the GPS of promoting retail competition, minimising barriers to entry, using resources efficiently and ensuring:

"that gas is delivered to existing and new customers in a safe, efficient, fair, reliable, and environmentally sustainable manner"

11.2 A detailed analysis of one of these options, a Gas Registry, has already been provided under section 7 of this Proposal.

11.3 Analysis was also undertaken for each of the remaining three options and the results of that analysis are set out in the following tables:

Table 7 – Analysis of Status Quo option

Objective	Objective requirement	Meets objective requirement?	How objective met/not met
Benefit to end-user.	Supports customer choice of retailer.	No	Makes switching retailer difficult.
Benefit to end-user.	Enables correct billing setup for the production of accurate invoices to customers.	No	Does not support accurate or timely billing of customers.
Benefit to end-user.	Allows timely and accurate switching.	No	Makes switching retailer difficult.
Benefit to end-user.	Improves customer satisfaction.	No	Currently leads to customer dissatisfaction.
Efficiency.	New retailers can easily identify the customer's existing distributor if ICP known.	Yes	Provided address at regional level is known.

Objective	Objective requirement	Meets objective requirement?	How objective met/not met
Efficiency.	New retailers can easily identify whether the ICP is 'switchable' (on an open access network).	No	There is no central repository of this information.
Efficiency.	New retailers can easily identify the customer's existing retailer.	No	Current arrangements make this difficult.
Efficiency.	New retailers can easily identify a customer's ICP where they are a move-in switch.	No	Evidence suggests current arrangements make this difficult.
Efficiency.	Provides an efficient switching process.	No	Up to 10 file transfers required to complete a switch and notify all affected parties.
Efficiency.	Switching progress can be tracked by all affected parties.	No	No central tracking of switch progress as switching done via email by different parties.
Efficiency.	Switch transactions are sent to all affected parties efficiently.	No	Up to 10 file transfers in total to notify all parties of a switch and obtain data.
Reliability.	Is secure.	No	Exchange is via standard unsecured email. Emails can get lost.
Reliability.	Supports effective discrepancy management to ensure ICP data integrity across all systems where the ICP is recorded.	No	There are no discrepancy resolution processes in the code.
Reliability.	Is performance managed?	No	No rules on performance for each distributor, retailer and meter owner.
Reliability.	Is auditable.	No	10 emails amongst 5 parties is difficult to audit.
Reliability.	Supports effective compliance monitoring.	No	No central tracking of switch makes data gathering for compliance monitoring difficult.
Reliability.	Supports effective complaints resolution.	No	No central tracking of switch makes data gathering for complaint resolution monitoring difficult.

Objective	Objective requirement	Meets objective requirement?	How objective met/not met
Reliability. Benefit to end-user.	Supports effective discrepancy management to enable accurate reconciliation.	No	There are no discrepancy resolution processes and there is no direct linkage to allocation and reconciliation processes.
Barrier to competition minimised.	Provides a switching process which is standard for all parties.	Partly	There is a defined process but not all industry participants comply.
Barrier to competition minimised. Fairness.	Provides a switching process, which does not create barriers to new entrant distributors and current small distributors. (i.e. not too costly to set-up and operate).	No	Any new entrant would be faced with a variety of practices for completing a switch.
Barrier to competition minimised.	Provides a switching process which does not create barriers to new entrant meter owners (i.e. not too costly to set-up and operate).	No	Any new entrant would be faced with a variety of practices for completing a switch.
Barrier to competition minimised.	Provides a switching process which does not create barriers to new entrant Allocation Agents (i.e. not too costly to set-up and operate).	No	Any new entrant would be faced with a variety of practices for completing a switch.
Barrier to competition minimised.	Provides a switching process which does not create barriers to new entrant retailers (i.e. not too costly to set-up and operate).	No	Any new entrant would be faced with a variety of practices for completing a switch.
Barrier to competition minimised. Efficiency.	Switching process allows for high volume switching.	No	Issues with current arrangements will be magnified with higher volume of switching.

Analysis of the Status Quo Option

11.4 A detailed analysis of the current switching arrangements, the processes involved and the outcomes for industry participants have previously been discussed in section 4 of this Proposal.

Conclusion

11.5 It is clear, from both the previous analysis and the process that has been adopted by Gas Industry Co in preparing this Proposal, that the current switching arrangements do not meet the objectives. These have resulted in a number of inefficiencies across the industry and dissatisfaction amongst customers. For these reasons, it has therefore been concluded that the Status Quo is not a reasonably practicable option.

Table 8 – Analysis of Reconciliation Code Part B Enhancement option

Objective	Objective requirement	Meets objective requirement?	How objective met/not met
Benefit to end-user.	Supports customer choice of retailer.	Yes	Facilitates switching.
Benefit to end-user.	Enables correct billing setup for the production of accurate invoices to customers.	Partly	Rules require data transfer but no database of record for sourcing of data.
Benefit to end-user.	Allows timely and accurate switching.	Partly	Rules require timely and accurate data transfers, but no data validation processes of databases of record for discrepancy resolution will detract from timeliness and accuracy.
Benefit to end-user.	Improves customer satisfaction.	Partly	Switch process still inefficient, but more likelihood of improved outcomes.
Efficiency.	New retailers can easily identify the customer's existing distributor if ICP known.	Yes	Provided address at regional level is known.
Efficiency.	New retailers can easily identify whether the ICP is 'switchable' (on an open access network).	Yes	Provided distributor maintains ICP status information in their systems.
Efficiency.	New retailers can easily identify the customer's existing retailer.	Yes	Provided ICP and regional address is known – which is most likely.
Efficiency.	New retailers can easily identify a customer's ICP where they are a move-in switch.	Yes	Provided ICP and regional address is known – which is most likely.
Efficiency.	Provides an efficient switching process.	No	Up to 10 file transfers required to complete a switch and notify all affected parties.

Objective	Objective requirement	Meets objective requirement?	How objective met/not met
Efficiency.	Switching progress can be tracked by all affected parties.	No	No central tracking of switch progress as switching done via email by different parties.
Efficiency.	Switch transactions are sent to all affected parties efficiently.	No	Up to 10 file transfers in total to notify all parties of a switch and obtain data.
Reliability.	Is secure.	No	Exchange is via standard unsecured email. Emails can get lost.
Reliability.	Supports effective discrepancy management to ensure ICP data integrity across all systems where the ICP is recorded.	No	There are no discrepancy resolution processes in the Code.
Reliability.	Is performance managed?	No	No rules on performance for each distributor.
Reliability.	Is auditable.	No	10 emails amongst 5 parties is difficult to audit.
Reliability.	Supports effective compliance monitoring.	No	No central tracking of switch makes data gathering for compliance monitoring difficult.
Reliability.	Supports effective complaints resolution.	No	No central tracking of switch makes data gathering for complaint resolution monitoring difficult.
Reliability. Benefit to end-user.	Supports effective discrepancy management to enable accurate reconciliation.	No	There are no discrepancy resolution processes and there is no direct linkage to allocation and reconciliation processes.
Barrier to competition minimised.	Provides a switching process which is standard for all parties.	Yes	There is a defined process.
Barrier to competition minimised. Fairness.	Provides a switching process, which does not create barriers to new entrant distributors and current small distributors (i.e. not too costly to set-up and operate).	Partly	Mandatory participation is more onerous than current arrangements but common to all distributors. Smaller distributors‘ costs of providing website will be relatively high compared to larger distributors.

Objective	Objective requirement	Meets objective requirement?	How objective met/not met
Barrier to competition minimised.	Provides a switching process which does not create barriers to new entrant meter owners (i.e. not too costly to set-up and operate).	Yes	Email is available to all.
Barrier to competition minimised.	Provides a switching process which does not create barriers to new entrant Allocation Agents (i.e. not too costly to set-up and operate).	Yes	Email is available to all.
Barrier to competition minimised.	Provides a switching process which does not create barriers to new entrant retailers (i.e. not too costly to set-up and operate).	Partly	Email is available to all however high transaction costs remain.
Barrier to competition minimised. Efficiency.	Switching process allows for high volume switching.	Partly	Multiple transactions can be provided in one csv file. However, the switch process still requires up to 10 different emails to be sent to notify all affected parties of a switch. Automation costs would be relatively high.

Analysis of Reconciliation Code Part B Enhancement option

11.6 This option would require:

- participants to still send switch transactions to other parties via email. The advantage of standard csv files would be that the information is transferred in the same format to all parties facilitating multiple updating and the possibility of developing some form of automation. However, there would still be a requirement to send up to 10 emails for a switch to be completed. There are, therefore, only marginal improvements in efficiency over the current process; and

- distributors to upgrade their systems to add additional fields and to develop web-based interfaces that would allow users to interrogate their databases for ICP information. This would require significant investment for some distributors.

11.7 The Reconciliation Code Part B Enhancement option has the following additional deficiencies:

- no sufficient control over data and events recorded on distributors' databases to enable allocation and reconciliation purposes;
- there are no discrepancy resolution requirements between participants;
- there is no method to ensure accuracy of ICP data across all participants systems; and
- switch transactions are not passed through distributors' systems and, therefore, there is no ability for tracking the progress of a switch making compliance monitoring and complaint resolution difficult.

Conclusion

11.8 This option would solve only a few of the issues with the current arrangements and does not meet the objectives set out in the Gas Act and the GPS. In addition, there would be costs involved for distributors in providing view access and ICP search facilities to retailers. In relative cost terms, smaller distributors and new entrants would be adversely affected through implementing this option. For these reasons, it has therefore been concluded that the Reconciliation Code Part B enhancement is not a reasonably practicable option.

Table 9 – Analysis of Gas Registry with Integrated Allocation & Reconciliation Mechanism option

Objectives	Objective requirement	Meets objective requirement	How objective met/not met
Benefit to end-user.	Supports customer choice of retailer.	Yes	Retailers more active in retail competition. Facilitates switch complaints resolution.
Benefit to end-user.	Enables correct billing setup for the production of accurate invoices to customers.	Yes	Registry assists integrity of data transferred and is the database of record. Systems include a discrepancy resolution process and automated allocation and reconciliation systems.

Objectives	Objective requirement	Meets objective requirement	How objective met/not met
Benefit to end-user.	Allows timely and accurate switching.	Yes	Simpler switching process against a database of record. Rules governing timely and accurate participants' actions and responses.
Benefit to end-user.	Improves customer satisfaction.	Yes	Switching process is more efficient, auditable, traceable and transparent.
Efficiency.	New retailers can easily identify the customer's existing distributor if the ICP number is known.	Yes	Single point of reference for more accurate and timely information.
Efficiency.	New retailers can easily identify whether the ICP is 'switchable' (on an open access network).	Yes	Single point of reference to more accurate status information.
Efficiency.	New retailers can easily identify the customer's existing retailer.	Yes	Single point of reference to more accurate and timely information.
Efficiency.	New retailers can easily identify a customer's ICP where they are a move-in switch.	Yes	Using an address search facility.
Efficiency.	Provides an efficient switching process.	Yes	Single point of reference to more accurate information with all transactions recorded centrally.
Efficiency.	Switching progress can be tracked by all affected parties.	Yes	All switch, allocation & reconciliation transactions processed through the Gas Registry with a full transaction history.
Efficiency.	Switch transactions are sent to all affected parties efficiently.	Yes	Gas Registry notifies all affected parties automatically.
Reliability.	Is secure.	Yes	Gas Registry & energy consumption data is protected via standard web security functions with user access restrictions and passwords.

Objectives	Objective requirement	Meets objective requirement	How objective met/not met
Reliability.	Supports effective discrepancy management to ensure ICP data integrity across all systems where the ICP is recorded.	Yes	Discrepancy process defined in the rules.
Reliability.	Is performance managed?	Yes	Performance criteria will form part of the contract with a service provider.
Reliability.	Is auditable.	Yes	Automatic audit trail and recording of all transaction history.
Reliability.	Supports effective compliance monitoring.	Yes	Single point of reference to more accurate information with an audit trail that is transparent to all participants and compliance personnel. Reporting by Registry Operator (service provider).
Reliability.	Supports effective complaints resolution.	Yes	Single point of reference to more accurate information with an audit trail that is transparent to all participants and complaints resolution personnel.
Reliability. Benefit to end-user.	Supports effective discrepancy management to enable accurate reconciliation.	Yes	Rules require monthly reports to be generated for all participants for discrepancy resolution purposes and for reconciliation. An integrated function would automatically perform these tasks.
Barrier to competition minimised.	Provides a switching process, which is standard for all parties.	Yes	Single standard system including database of record for ICPs & energy consumption data.
Barrier to competition minimised. Fairness.	Provides a switching process, which does not create barriers to new entrant distributors AND to current small distributors (i.e. not too costly to set-up and operate).	Partly	Mandatory participation is more onerous than current arrangements but common to all distributors. An integrated allocation & reconciliation function is more complex to implement and may jeopardise agreed timelines.

Objectives	Objective requirement	Meets objective requirement	How objective met/not met
Barrier to competition minimised.	Provides a switching process which does not create barriers to new entrant meter owners (i.e. not too costly to set-up and operate).	Partly	Mandatory participation is more onerous than current arrangements but common to all distributors. An integrated allocation & reconciliation function is more complex to implement and may jeopardise agreed timelines.
Barrier to competition minimised.	Provides a switching process which does not create barriers to new entrant Allocation Agents (i.e. not too costly to set-up and operate).	Yes	Mandatory participation is more onerous than current arrangements but common to all distributors. An integrated allocation & reconciliation function is more complex to implement and may jeopardise agreed timelines. However, would provide optimal use for allocation purposes.
Barrier to competition minimised.	Provides a switching process which does not create barriers to new entrant retailers (i.e. not too costly to set-up and operate).	Partly	Mandatory participation is more onerous than current arrangements but common to all distributors. An integrated allocation & reconciliation function is more complex to implement and may jeopardise agreed timelines.
Barrier to competition minimised. Efficiency.	Switching process allows for high volume switching.	Yes	FTP (or similar) facility allows for multiple transactions.

Analysis of Gas Registry with Integrated Allocation & Reconciliation Mechanism option

11.9 This option would deliver all of the benefits that can be attributed to the Proposal which have previously been defined in section 7 of this Proposal. In addition, it is likely that this option will provide the optimal solution for many industry stakeholders. Implementing this option may offer other substantial opportunities for further gains across the gas industry including:

- greater efficiency for all industry participants in performing allocation and reconciliation functions using a single, central automated allocation and reconciliation system;
- improved accuracy and transparency of industry transactions that will enable industry participants to better manage their commercial risks; and

- standardisation of practices and methodologies for estimating and reconciling quantities of gas.

11.10 The Gas Registry with Integrated Allocation & Reconciliation Mechanism option has the following additional deficiencies:

- given the commercial risk associated with accurately allocating and reconciling quantities of gas, the implementation of systems required to perform this additional functionality are likely to be complex; and

- this additional complexity will result in the need for a more detailed set of rules/regulations to ensure compliance than that of the Proposal.

Conclusion

11.11 This option would solve all of the issues with the current arrangements and provide many opportunities for further inefficiencies to be removed across other industry workstreams, enabling industry participants to better manage their commercial risks. At the same time, this option would also deliver the same qualitative benefits to consumers as the Proposal in meeting the objectives set out in the Gas Act and the GPS. However, this option will require substantially more resources to develop and implement over a longer period of time than the Proposal. This is likely to be incompatible with the time restraints for delivering new switching arrangements as discussed in paragraph 2.7. For these reasons, this option is not considered as being reasonably practicable at this moment in time.

Appendix 2: Assessment of quantitative benefits and costs of the Proposal

11.12 As set out in paragraph 5.17, several submissions on the Cost Benefit Paper noted that it would be useful to quantify the dynamic efficiency benefits of increased retail competition that would result from improved customer switching arrangements. This Appendix sets out a quantitative assessment of the benefits and costs of the Proposal, including the dynamic efficiency benefits identified in submissions.

11.13 The cost benefit analysis undertaken as part of the Cost Benefit Paper examined the immediate and easily quantifiable industry benefits and costs for the various switching options identified. These were the static efficiency benefits that would result from the Proposal if the industry did not evolve in response to the changing needs of customers and the industry as a whole.

11.14 It was noted that the dynamic efficiency gains (the gains that benefit the industry in response to such change), are likely to be extensive but difficult to quantify. Several submitters suggested that, although these benefits may be difficult to accurately quantify, they should be included in the analysis of any future proposal as they are likely to be significant.

11.15 Other submitters suggested that the lack of a database of record is currently leading to the need for extensive and costly audits between retailers and distributors.

Assessment of Benefits and Costs

What if the Proposal did not proceed?

11.16 In assessing the benefits and costs of any proposal, it is necessary to consider what the situation might be if no change to the switching arrangements occurred. Gas Industry Co has considered what would happen if the Proposal did not proceed and considers that a degree of competitive activity would still result. For example:

- retail competition would still proceed at the larger customer level. For larger customers the cost of switching is small relative to the total value of a customer, so the lack of an efficient customer switching system is not a significant barrier;

- wholesale competition would still proceed. The changes in the supply side, due to the decline of the Maui field, is likely to provide strong drivers for improved wholesale gas contract trading. These drivers are largely independent of the degree of retail competition at the domestic customer level; and

- retailers would still innovate even at the domestic customer level. The changes in the nature of supply will lead to higher capacity type costs to retailers. Retailers will need to offer products to all customers that better reflect these costs if they are to be competitive.

11.17 Given these characteristics, the benefits attributable to the Proposal are only those which:

- are directly attributable to having a Gas Registry in place;
- should only include domestic level (mass market) customers;
- should be limited to the benefits of competition at retail level only (excluding wholesale, distribution and transmission);
- should be limited to retailer efficiency gains in servicing domestic level customers; and
- exclude any efficiency gains to customers or retailers through the development of more innovative retail products.

11.18 As noted below, this approach may be conservative. However, it is considered appropriate by Gas Industry Co to adopt a robust approach to cost benefit analysis by being intentionally conservative in assessing future benefits.

Benefits

Static benefits

11.19 Static benefits are those benefits that arise immediately from the proposed change. In the case of this Proposal, the easily identifiable static benefits are the reduced costs of performing a switch from one retailer to another.

11.20 The static benefits of the Proposal have been previously assessed as being in the range $272,000 to $282,000 per annum.

11.21 It is noted that this estimate is slightly conservative as it is based on the current level of switching. Experience from the electricity industry, and other jurisdictions with full retail competition in gas, suggests that the rate of switching (or churn) is likely to increase once barriers to competition are lowered. In this case the annual benefits of lower costs per switch would be higher.

Audit Savings

11.22 One retailer noted that the previous cost benefit analysis did not recognise that the current arrangements, in lacking a central database of record, require extensive and frequent audits of the reconciliation of supply side costs. This retailer estimates that this is currently costing them in the order of $60,000 to $120,000 per annum.

11.23 If other retailers are experiencing similar costs, then Gas Industry Co considers that these audits could easily be costing the industry as a whole between $120,000 to $240,000 per annum. These costs would be avoided, or at worst, substantially reduced if a Gas Registry were available as a central database of record.

11.24 Including these audit cost savings suggests the total annual static benefits could be in the range $392,000 to $522,000.

Dynamic efficiency benefits

11.25 Dynamic efficiency benefits are those long-term efficiency gains to the industry as a whole that arise from increased competition. Dynamic efficiency can be contrasted with static efficiency, in that, static efficiency gains arise from doing something better today. For example, lowering the costs of retail switching will reduce the costs to retailers and distributors of customer switching. Lowering these costs are also likely to lower barriers to competition in the retail gas market.

11.26 By lowering barriers to retail competition, the Proposal will increase competitive pressure in the gas retail market. Increased competitive pressure will provide incentives for retailers to become more innovative in the products and pricing they offer to customers. Such innovation will result in products that have higher value and lower costs to customers and lower costs to producers. These long term gains to customers and producers from innovation are dynamic efficiency gains.

11.27 As dynamic efficiency benefits are difficult to accurately quantify, a range of likely benefits have been identified. The Proposal is then assessed against this range of benefits to determine the net benefit against the lowest likely range of benefits to the industry as a whole.

11.28 The lack of switching rules and a database of record for retail customers is serving as a potential barrier to competition in gas retailing as it can make it difficult to switch a customer from an incumbent retailer.

11.29 The lack of a central database of record also increases retailer costs by making it difficult to accurately reconcile wholesale gas contracts against customers supplied. Anecdotal evidence suggests that, in some cases, retailers have amounts of up to $3.5 million in dispute over allocated wholesale gas costs.

11.30 The absence of a central database of record makes it more difficult to resolve these disputes. It would be economically rational, but inefficient, for parties to spend up to the disputed amount in any resolution process. These dispute costs

would be inefficient because they do not add to profitability or increase customer benefit. Avoiding such disputes is only one example of an area where the Proposal might increase the dynamic efficiency of the retail gas market. Lowering barriers to entry to the retail market would also increase competitive pressure, encourage retailers to innovate and ensure these benefits are passed on to end customers.

Retail Margins as an indicator of potential dynamic efficiency gains

11.31 In reviewing the effectiveness of retail competition in Victoria, Australia, the Essential Services Commission (ESC) used retail margins as a measure of the extent to which competition had restrained market power and delivered price and non-price benefits to end customers[6]. The same approach has been adopted in this paper by attempting to quantify the potential dynamic efficiency benefits of retail competition in the New Zealand gas industry.

11.32 The above report is also useful as a general reference to the benefits that retail competition brings and the role of a Gas Registry (or B2B systems as referred to in that report) in facilitating retail competition to smaller customers. It concludes that retail competition is dependent on an effective central registry, that retail competition has restrained market power, delivered price and non-price benefits to customers in Victoria and that as retail competition increases and evolves, it will be possible to roll back the price regulation safety net currently operating in Victoria.

11.33 To achieve an overall measure of potential dynamic efficiency gains from increased competition, the relative retail margins between the New Zealand gas industry and electricity industry were also compared to provide an indicator of the potential for efficiency gains in the retail gas market.

11.34 At the retail level, these industries are very similar and many participants are active in both markets. The key difference is that the electricity retail market has had switching rules and a registry function for some time. It is not held as being a perfectly competitive market. However, it provides a reasonable indicator of a likely level of increased competition that might arise from the introduction of switching rules and a Gas Registry.

[6] "Review of Effectiveness of Retail Competition and Customer Safety Net in Gas and Electricity" 22 June 2004. http://www.esc.vic.gov.au/NR/rdonlyres/44938D36-F469-463A-B26C-55F7B2DFCE57/0/FinalReportBackgroundFRC_June2004.pdf Refer Appendix E of the Background Report.

Approach to establishing dynamic efficiency gain

11.35 The approach adopted by Gas Industry Co is conservative in that it assumes that retail competition will not affect wholesale market efficiency. The wholesale price is taken as fixed and it is assumed that increased retail competition can only result through increased efficiency in the retail gas market. This is probably a conservative assumption as increased retail competition is likely to also drive retailers to look at how they could cut costs on the supply side, which in turn will lead to increased pressure for efficiency gains in the wholesale market.

11.36 An example of the type of efficiency gains on the wholesale side that could result from increased retail competition, is that retailers could start to better match overall retail consumption with the cost structures of wholesale contracts through retail tariffs that better match the costs of production.

11.37 The approach adopted is also conservative in that it ignores the potential for retailers to develop products that are of more value to end customers. Such products result in increased benefit to customers without necessarily increased cost, if costs are subject to downward pressure from competition.

11.38 Our approach also ignores the gains to customers from increased consumption at the lower price. That is, if increased competition drives retail prices down customers would be expected to consume slightly more gas relative to what they would have at the higher (less competitive) prices. Customers gain a benefit from this increased consumption. The approach we have adopted does not attempt to estimate the level of increased consumption from lower prices and thus does not include these gains.

Other Measures to Increase Retail Competition

11.39 It is also noted that the introduction of switching rules and a Gas Registry is only part of a process for increasing competition in the retail gas market. Therefore, only part of the potential gains of moving to a more competitive market have been claimed for this particular Proposal.

Increased efficiency versus decreased profit

11.40 Finally, it is noted that reduction in retail margin is not an absolute measure of economic efficiency gains, as increased competitive pressure may simply lead to decreased profit rather than increased efficiency.

11.41 All these factors need to be taken into account in assessing the extent to which this Proposal will lead to dynamic efficiency gains in the gas retail market. As there is a high degree of uncertainty in some of these measurements, a sensitivity analysis over the likely range of measurements has also been undertaken. This is to test if the conclusions are robust over a wide range of input assumptions.

Assessing dynamic efficiency benefits

11.42 As noted previously, the approach taken to assessing the potential dynamic efficiency benefits of the Proposal is based on assessing the relative retail margins of gas and electricity retail markets.

11.43 The methodology for assessing the dynamic efficiency gains is as follows:

- assess relative retail margins of electricity and gas markets;
- cross check retail margin calculations against other data;
- assess the level of reductions in retail margin that might arise from this Proposal;
- assess the level of retail margin reduction that might be due to efficiency gains rather than reduced profit; and
- apply sensitivity analysis to key parameters to test robustness of conclusions.

Assessing relative retail margins

11.44 A calculation of the relative retail margins in electricity and gas is provided at the end of this Appendix. This includes a list of assumptions and key data sources. Some of these assumptions and key data sources are explained further below.

11.45 The initial approach has been to take a spot check of relative retail margins for one supplier, operating in both gas and electricity, in the central Auckland market. This is later validated against broader industry wide data at a higher level.

11.46 Auckland was chosen as it is the largest of the regions for both electricity and gas, and has the highest number of retailers competing for customers.

11.47 The electricity average hedge price for Q3 2006 to Q2 2007 was chosen as the wholesale electricity price as:

- hedge prices reflect the price a new entrant retailer, not vertically integrated with a generator, would face;
- the period is far enough ahead to isolate any concerns about current hydro storage level, but close enough to reflect expectations of supplying current retail customers; and
- seasonal variations are averaged out over a 12 month period.

11.48 It is noted that electricity retailers also receive rebates of the loss and constraint rentals and are charged for a share of ancillary services and Electricity Commission levies via their distributor. These incomes and costs have not been directly included in the electricity retail margin calculations. A quick check of these additional costs and incomes over the last 12 months suggest they would net out to near zero.

11.49 Comparison of retail margins is made per customer rather than as a percentage of the cost of servicing a retail customer. The following tables show the assumptions and data sources used in calculating the retail margins and the actual retail margins calculated:

Calculation of Gas and Electricity Retail Margins

Table 10 - Data for the calculation of gas & electricity retail margins

Assumptions	Data
GST	excluded
Gas	
Number of ICPs	240,000
Average annual residential consumption level (kWh/customer) [1]	8,000
Distribution daily charges per ICP ($/day)[3]	0.22
Distribution variable charges per ICP ($/kWh) [3]	0.02
GMS charges ($/day) [1]	0.16
Wholesale price ($/kWh) [1]	0.02
Transmission charges ($/day) [1]	0.18
Retail fixed charge component to consumers ($/day/customer) [4]	0.71
Retail variable charge component to consumers ($/kWh) [4]	0.05
Electricity	
Number of ICPs[2]	1,562,064
Average annual residential consumption level (kWh/customer) [2]	8,150
Distribution daily fixed charges per ICP[5]	0.15
Distribution variable charges per ICP ($/kWh) [5]	0.06
Wholesale price ($/kWh) [6]	0.07
Transmission charges ($/day) – included in distribution charges	0
Retail fixed charge component to consumers ($/day/customer) [7]	0.59
Retail variable charge component to consumers ($/kWh) [7]	0.12

1 “Recommendation to the Minister of Energy by the Gas Industry Co on Fixed Charges for Small Users and Other Consumer Issues” Gas Industry Co (16 June 2006)

2 “Energy Data File” MED (January 2006)

3 “Network Services Pricing Schedule” Vector Networks (1 October 2005)

4 Genesis Energy “Lifestyle Plan” as quoted on www.powerswitch.co.nz on 25 May 2006

5 United Networks Pricing Schedules effective 1 May 2005 (includes transmission charges)

6 Average forward hedge price for Q3 2006 – Q2 2007 as quoted on www.energyhedge.co.nz as at 25 May 2006

7 Genesis Energy Household Composite Plan for central Auckland inclusive of prompt payment discount as quoted on www.powerswitch.co.nz on 25 May 2006

Table 11 - Calculation of retail gas margin

Component	Total
Gas	
Retail income variable component	$96,000,000
Retail income fixed component	$62,196,000
Total retail income	$158,196,000
Wholesale gas costs	$38,400,000
Distribution charges	$57,672,000
GMS charges	$14,016,000
Transmission charges	$15,768,000
Total retail margin	$32,340,000
Total retail margin (%)	20
Retail margin per customer	$134.75
Electricity	
Retail income variable component	$1,527,698,592
Retail income fixed component	$336,390,482
Total retail income	$1,864,089,074
Wholesale electricity costs	$891,157,512
Distribution charges	$849,372,300
Transmission charges	$0
Total retail margin	$123,559,262
Total retail margin (%)	7
Retail margin per customer	$79.09

Validating retail margin calculations

11.50 The previous retail margin calculations are only a spot check for one particular retailer in one location at one point in time. It is, therefore, prudent to cross-check this calculation against other data sources.

Electricity retail margins

11.51 The UniServices report "Investment in the New Zealand Electricity Industry" of October 2004, provides a useful summary of the component costs of retail electricity charges in various areas over a period of 6 years. These findings are interesting as they show the reduction in retail margin following the introduction of retail competition, including an electricity central registry, in late 1999. It is also noted how retail competition led to a relative isolation of domestic customers from the wholesale price increases post 2001. These graphs also support the calculation of electricity retail margin of approximately 6% of the retail price. Thus overall, this check of retail margins over a wider time range and from an independent source tends to confirm both the calculated margins and the assumption that increased retail competition will reduce retail margins and bring further benefits to customers.

11.52 Gas Industry Co believes it to be unlikely that such reductions in retail margin will occur across the gas industry purely as a direct result of this Proposal and that other initiative, such as better information to inform consumer choices, are also important aspects of promoting future competition across the retail sector. However, Gas Industry Co believes that such a measure is useful in assisting with the determination of dynamic efficiency in relation to this Proposal.

Check Impact of Retail Competition on Gas Retail Margins

11.53 Various Australian markets have full competition in gas supply. Victoria is useful as a comparison, as full retail competition in gas has been operating since October 2002. It also has a wholesale gas market, where the wholesale price of gas is transparent and it is relatively easy to calculate gas retail margins.

11.54 As noted previously, the ESC reviewed retail gas and electricity margins in Victoria after 2 years of full retail competition as part of their review of the effectiveness of retail competition. They noted that, for metropolitan and regional residential customers, the retail margin in gas was below that in electricity and was of the order of NZ$125 to NZ$150 pa equivalent[7].

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[7] Refer Box E1 and Table E1 in the background report referenced in footnote 6. Note the above numbers include costs of servicing retail customers, as calculated in Box E1 and

Cross Check Correlation of Electricity and Gas Retail Margins

11.55 Again the Victorian experience mentioned above provides a useful crosscheck. The Victorian experience is that, under similar levels of retail competition, the gas retail margin for residential customers actually fell below that for electricity (refer table E.1 of Appendix E of the background section of the ESC competition review report referenced above).

11.56 Thus the Victorian experience reinforces the prediction that if barriers to retail competition, such as the lack of efficient customer switching arrangements, are removed then gas retail margins are likely to fall.

Conclusion – Calculations Valid

11.57 Overall, the above cross-checks suggest the relative retail margin calculations are reasonable and that there is room for greater efficiencies, and reduced retail margin in the gas industry.

Reductions in retail margins from the Proposal

11.58 The Proposal may not, in isolation, reduce all barriers to entry or substantially increase retail competition. Other initiatives, such as a revised allocation process, will also contribute to greater competition and benefits to end customers. However, it is considered that the implementation of a Gas Registry is an essential driver for developing competition in the New Zealand gas industry.

11.59 Also, as noted in our previous discussions, some efficiency gains are likely to occur regardless of whether the Proposal proceeds or not.

11.60 It is difficult to accurately estimate an exact figure for the proportion of the potential reduction in retail margin that should be attributed to this Proposal. Therefore, a range of likely percentages has been estimated and the robustness of the cost benefit tested against this range in the sensitivity analysis.

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profit margins as calculated in Table E1. An Exchange rate of NZ$1=$A0.80 has been assumed.

11.61 It therefore seems reasonable that a proportion of the total reduction in retail margin that may be achieved, due to increased retail competition resulting from the creation of a Gas Registry, be allocated to this Proposal. An initial value of 30% of the total reduction is assumed. This is then tested for sensitivity by allocating a range of 20% to 40%.

Efficiency Gains versus Profit Reductions / Wealth Transfers

11.62 As noted above, decreased retail margin due to increased retail competition, may result in decreased profit as well as increased efficiency. This is a net wealth transfer between the retailer and the end customer. Therefore, it is necessary to estimate the extent to which decreased margin actually leads to increased efficiency rather than decreased profit for the retailer.

11.63 As a cross-check, the annual reports of the five major electricity retailers were reviewed for their profitability after retail competition was introduced in New Zealand. All five showed continuing increases in profitability post retail competition being introduced. It therefore appears that the decreases in retail margin were mostly due to increased efficiency rather than decreased profit.

11.64 However, some of these drivers for increased efficiency and profit would have existed regardless of any increased retail competition. Also, continued efficiency gains may not be possible indefinitely.

11.65 Therefore, it appears appropriate to adopt a conservative approach in estimating the proportion of the reduction in retail margin that might be due to increased efficiency rather than decreased profit or wealth transfer.

11.66 A conservative value of 10% of the current retail margin difference would seem appropriate as a starting point. However, in recognition that these levels of gains are not sustainable indefinitely, the gain is limited to the first 4 years after the introduction of full retail competition.

11.67 This initial value of 10% is then tested for sensitivity by varying between 5% and 15%.

Sensitivity analysis

11.68 The tables below summarise the likely range of maximum and minimum dynamic efficiency gains attributable to this Proposal.

11.69 It assumes:

- relative retail margins as described at the end of this Appendix; and
- gas retail margin may reduce in theory to the level, in dollars per customer, of the electricity retail margin as a maximum reduction (although other initiatives in addition to a Gas Registry are likely to be required); and

- a maximum national customer benefit of approximately $21 million.

11.70 Applying the minimum values to this Proposal and efficiency gains as above (20% and 5% respectively) gives a minimum dynamic efficiency benefit of approximately $205,655 pa, or 86 cents per customer per year.

11.71 Applying the maximum efficiency gain figures (40% and 15% respectively) gives a maximum dynamic efficiency gain of $1.23 million pa, or $5.14 per customer per year.

Table 12a - Maximum efficiency gains attributable to the Proposal

Component	Total
Potential reductions from increased retail competition	$20,565,480
Savings attributable to this proposal (%)	40
Savings attributable to efficiency gains (%)	15
Total efficiency gains for this proposal	$1,233,929
Total efficiency gains for this proposal per customer	$5.14

Table 12b - Minimum efficiency gains attributable to Proposal

Component	Total
Potential reductions from increased retail competition	$20,565,480
Savings attributable to this proposal (%)	20
Savings attributable to efficiency gains (%)	5
Total efficiency gains for this proposal	$205,655
Total efficiency gains for this proposal per customer	$0.86

Costs

11.72 The costs of implementing a Gas Registry, data cleansing, data migration costs, software development cost and software ongoing costs for the Proposal have been estimated in the previous cost benefit analysis. Several submitters suggested that the data cleansing and migration costs may have been underestimated in this previous study. For the purposes of this analysis these costs have been doubled and are illustrated in the following tables:

Table 13 - Development and operating costs for the Proposal

Data Cleansing and Migration	Software Development	Software Ongoing Costs
$44,000 - $120,000	$29,000 - $375,000	$36,840 - $ 200,000

Table 14a - Summary of benefits and costs for the purposes of calculating NPV of the Proposal

Summary of Benefits and Costs	Low	High
Benefits		
Static Benefits	$392,000	$522,000
Dynamic Benefits	$205,655	$1,233,929
Costs		
Set-Up		
Software Development	$29,000	$375,000
Data Cleansing & Migration	$44,000	$120,000
Ongoing		
Software (per annum)	$36,840	$200,000

Table 14b - Scenario of benefits and costs for the purposes of calculating NPV of the Proposal (on following page)

Scenario of Benefits & Costs	NPV	Year 1	Year 2	Year 3	Year 4	Year 5
Low Benefits, Low Costs						
Costs		$109,840	$ 36,840	$ 36,840	$ 36,840	$ 36,840
Benefits		$597,655	$597,655	$597,655	$597,655	$392,000
Net Benefits	**$1,980,741**	$487,815	$560,815	$560,815	$560,815	$355,160
Low Benefits, High Costs						
Costs		$695,000	$200,000	$200,000	$200,000	$200,000
Benefits		$597,655	$597,655	$597,655	$597,655	$392,000
Net Benefits	**$958,949**	-$97,345	$397,655	$397,655	$397,655	$192,000
High Benefits, Low Costs						
Costs		$109,840	$ 36,840	$ 36,840	$ 36,840	$ 36,840
Benefits		$1,755,929	$1,755,929	$1,755,929	$1,755,929	$522,000
Net Benefits	**$7,288,516**	$1,646,089	$1,719,089	$1,719,089	$1,719,089	$485,160
High Benefits, High Costs						
Costs		$695,000	$200,000	$200,000	$200,000	$200,000
Benefits		$1,755,929	$1,755,929	$1,755,929	$1,755,929	$522,000
Net Benefits	**$4,795,924**	$1,060,929	$1,555,929	$1,555,929	$1,555,929	$322,000

Summary of benefits and costs

11.73 Using the cost of development, the static and dynamic efficiency benefits at a discount rate of 9% over a period of 5 years, gives an NPV range for the net benefits of $958,949 to $7,288,516.

Conclusion

11.74 The Proposal has a high net benefit and has a clear positive net benefit in the worst case scenario of lowest likely benefits and maximum likely costs.

11.75 As an extreme test, it was noted that the discount rate has to reach approximately 345% for even the highest cost, lowest benefit scenario to have a negative NPV.

11.76 As previously stated in this Proposal, although it is difficult to quantify in financial terms the qualitative benefits to consumers that will result from improvements in customer satisfaction, Gas Industry Co believes there is a strong positive net benefit under a wide range of input assumptions for the Proposal. This justifies a recommendation to the Minister of Energy for the approval of the proposed draft rules for switching arrangements.

11.77 In reaching this conclusion, Gas Industry Co believes that there will also be substantial qualitative benefits to consumers resulting from this Proposal in addition to those that are quantified in this appendix.

Appendix 3: Recommended format for submissions

To assist Gas Industry Co in the orderly and efficient consideration of stakeholders' responses, a suggested format for submissions has been prepared an electronic copy of which is available on our website. This is drawn from the questions posed throughout this Proposal.
Respondents are also invited to include any other comments in their responses to this Proposal.

Submission from: (company name and contact person)

QUESTION	COMMENT
Q1: Do submitters agree with this Regulatory Objective? If not, what do you think the regulatory objective should be?	
Q2: Do submitters agree with the analysis of the Proposal? If not, please state your reasons.	
Q3: Do submitters agree this Proposal complies with section 43N of the Gas Act? If not, please state your reasons.	
Q4: Do submitters have any other information that they consider is relevant to the assessment of the Proposal?	
Q5: Do submitters agree that the Proposal meets the Regulatory Objective? If not, please state your reasons.	
Q6: Do submitters agree with the benefits relative to the costs of the Proposal as set out in Appendix 2? If not, please state your reasons.	
Q7: Do submitters believe the Rules adequately reflect and govern the Proposal? If not, please provide all drafting amendments in mark-up.	
Q8: Do submitters agree with the funding options for the Proposal? If not, please state your reasons.	
Q9: Do submitters agree with the allocation of costs for the Proposal? If not, please state your reasons.	
Q10: Any other comments?	

Appendix 4: Proposed Rules for the new Switching Arrangements

GAS (SWITCHING ARRANGEMENTS) RULES

1. Purpose

The purpose of these rules is to establish a set of gas switching and registry arrangements that will enable consumers to choose, and alternate, between competing retailers.

2. Outline

These rules provide for –

2.1 The establishment of the registry; and

2.2 The management of information held by the registry; and

2.3 The appointment of a registry operator; and

2.4 A process for switching consumers between retailers.

3. Commencement

3.1 Rules 44 to 81 come into force on [**insert go-live date**].

3.2 The rest of these rules come into force 28 days after the date these rules are notified in the *Gazette*.

Part 1

General provisions

4. Interpretation

4.1 In these rules, unless the context otherwise requires, a word or expression defined in the Act has the same meaning as it has in the Act.

4.2 In these rules, unless the context otherwise requires,-

Act means the Gas Act 1992;

actual reading means a reading that has been physically viewed and recorded from the meter register or corrector register;

allocation agent means, for each gas gate, the person who allocates the daily and monthly gas purchase volumes to the retailers taking supply of gas at that gas gate;

business day means any day of the week except –

(a) Saturday and Sunday; and

(b) Any day that Good Friday, Easter Monday, ANZAC Day, Queen's Birthday, Labour Day, Christmas Day, Boxing Day, New Year's Day, the day after New Year's Day, and Waitangi Day are observed for statutory holiday purposes; and

(c) Any other day which the Co-regulatory body has determined not to be a business day as published by the Co-regulatory body;

connection status code means the code that identifies the physical status of the connection between the distribution system and the consumer installation, as set out in Schedule 2;

consumer means a person who purchases gas for consumption;

consumer installation means one or more gas installations that have a single point of connection to a gas distribution system and for which there is a single consumer;

co-regulatory body means the industry body approved by the Governor General, by Order of Council made on the recommendation of the Minister of Energy, to provide for co-regulation of the gas industry by the Government and that industry body;

corrector means a device that dynamically replaces any one or more of the fixed factors otherwise required to convert gas volume measured at actual conditions to gas volume measured at standard conditions;

day means a calendar day;

distributor means a person who owns or controls a gas distribution system;

estimated reading means a reading that has been quantified by an estimation process;

existing retailer means the retailer who, prior to a switch being effected, is the retailer supplying gas at the relevant ICP;

financial year means the twelve-month period beginning on the date determined by the Co-regulatory body;

gas distribution system means a system of fittings used to convey gas from a gas gate outlet supplying gas for distribution to -

(a) The point at which gas is supplied to a consumer; or

(b) A downstream gas gate;

gas gate means the point of connection between –

(a) A transmission system and a gas distribution system; or

(b) Two gas distribution systems;

ICP or **Installation Control Point** means the point at which a consumer installation is deemed to have gas supplied from a gas distribution system, and which represents the consumer installation on the registry;

ICP identifier means the unique 15-character identifier assigned to each ICP, having the format, yyyyyyyyyyxxccc, where:

yyyyyyyyyy	is the gas connection number specified by the distributor and unique to that connection in the distributor's records;
xx	is an alphabetic combination, determined by the Co-regulatory body, for use by the distributor when creating the ICP identifier;
ccc	is an alphanumeric checksum generated by an algorithm specified by the Co-regulatory body;

ICP parameter means –

(a) One of the defined set of components of an ICP as set out in Schedule 1; and

(b) The ICP status codes and connection status codes as set out in Schedule 3;

ICP parameter value means a numerical value or an alphanumeric code or some free text, as included in the registry specification for each ICP parameter;

ICP status code means the code that identifies the accessibility of the ICP for switching and how the ICP is treated within the allocation and reconciliation processes, as set out in Schedule 2;

loss factor means the factor by which a measured or estimated volume of gas for an ICP or gas gate must be multiplied in order to allocate a share of the expected gas losses on the distribution system concerned to the ICP or gas gate;

meter means an instrument designed to measure the volume of gas passed through it;

meter owner means the person who owns or controls a meter used to measure the volume of gas (as used in the allocation process) for a consumer installation;

metering equipment means any one or a combination of a meter, corrector, datalogger and the telemetry used to measure or convey volume information related to an ICP;

month means a calendar month;

move switch means a situation where a consumer moves to a consumer installation and elects to have gas supplied at that consumer installation by a retailer different from the retailer that supplied the previous consumer at that consumer installation;

new retailer means the retailer who, as a result of a switch, will be the supplier of gas to the consumer installation concerned and the retailer for the ICP on and from the switch date;

notice means any notice, acknowledgement, application, request, approval, response or other communication to be given in accordance with these rules**;**

parent gas gate means, for an ICP or gas gate, the gas gate immediately upstream of the ICP or gas gate, where upstream means in the direction towards a transmission system;

publish means –

(a) In respect of information to be published by the Co-regulatory body or the registry operator, to make such information available to the intended recipient through the registry system; and

(b) In respect of all other information, means to make available to the intended recipient in such manner as may be determined by the Co-regulatory body from time to time;

register reading means the number displayed by, or estimate for, a meter register or corrector register at a particular date and time, and that represents the volume of gas that has flowed through the register over a certain period;

registry means the database facility (including all relevant hardware and software) that meets the requirements set out in rule 36;

registry operator means the service provider appointed by the Co-regulatory body to establish, maintain, and operate the registry;

registry operator service provider agreement means the agreement between the Co-regulatory body and a person, where that person is appointed as the registry operator;

registry participant means a retailer, distributor, meter owner or allocation agent;

registry specification means the specification for the registry set out in the registry operator service provider agreement;

responsible distributor means, for a particular ICP, the distributor whose distributor code is shown on the registry as the responsible distributor and who is thereby responsible for maintaining the values of the ICP parameters listed in Part A of Schedule 1 and of the ICP parameters listed in Parts A and B of Schedule 2 (as applicable);

responsible retailer means, for a particular ICP, the retailer whose retailer code is shown on the registry as the responsible retailer and who is thereby responsible for maintaining the values of the ICP parameters listed in Part B of Schedule 1 and of the ICP parameters listed in Part C of Schedule 2 (as applicable);

responsible meter owner means, for a particular ICP, the meter owner whose meter owner code is shown on the registry as the responsible meter owner and is thereby responsible for the ICP parameters listed in Part D of Schedule 1;

retailer means a person who supplies gas to a consumer at a consumer installation;

rules means these Gas (Switching Arrangements) Rules 2006 as amended from time to time and includes every schedule to the rules, any code of practice and any technical code made pursuant to the rules, and every amendment to deletion of, or addition to, any of the rules;

standard switch means a switch where a consumer, being supplied gas at a particular consumer installation elects to have gas supplied at that consumer installation by another retailer;

switch means the process by which the retailer supplying gas to a consumer installation is changed, and by which the ICP's responsible retailer is changed;

switch date means the date on and from which a new retailer supplies gas to a consumer installation;

switch reading means the register reading that applies to the switch date;

view access means a person is authorised to view information accepted in the registry; and

write access means a person is authorised to view and maintain certain information in the registry.

4.3 Where in these rules the registry is required to abide by a rule, the meaning is that the registry is designed and established to perform according to the rule without the direct involvement of the registry operator.

4.4 A reference to a rule is a reference to a rule in these rules unless the reference specifically states otherwise.

Registry participants

5. Obligation to supply registration information

5.1 All registry participants must supply registration information to the registry operator.

5.2 Registration information consists of –

5.2.1 The name of the registry participant; and

5.2.2 The registry participant's telephone number, physical address, facsimile number, email address, and postal address; and

5.2.3 Identification as to which class, or classes, of registry participant (retailer, distributor, meter owner or allocation agent) that the registry participant belongs; and

5.2.4 In the case of an allocation agent, the identity of the gas gates and gas distribution systems in relation to which the allocation agent operates.

5.3 Registration information must be given in the form and manner required by the registry operator as approved by the Co-regulatory body.

6. When registration information must be supplied

6.1 Every person that is a registry participant at the date these rules come into force must supply the registration information before **[insert date]**.

6.2 Every person that becomes a registry participant after the date that these rules come into force must supply the registration information within **[20 business days]** of becoming a registry participant.

7. Registry operator must keep registry participant register

7.1 The registry operator must keep a register of registry participants.

7.2 The register must state –

7.2.1 The registration information in respect of the registry participant; and

7.2.2 The date on which the registry participant was registered; and

7.2.3 The date on which the person ceases to be a registry participant.

8. Changes to particulars

8.1 Every registry participant must notify the registry operator as soon as practicable –

8.1.1 Of any change in the registry participant's registration information; and

8.1.2 If the person ceases to be a registry participant.

8.2 The registry operator must record the change, and the date of change, in the register on receipt of the notice.

8.3 The registry operator must publish the change as soon as possible after recording that change.

9. Effect of registration

9.1 A registry participant is bound by these rules regardless of whether or not the registry participant is registered.

10. Effect of ceasing to be registry participant

10.1 A person continues to be liable for all acts and omissions in respect of these rules, despite the fact that the person ceases to be a registry participant, and the person will be deemed to be a registry participant for that purpose.

Registry operator

11. Appointment of registry operator

11.1 The Co-regulatory body may, from time to time, by agreement with a person appoint that person to act as the registry operator.

11.2 The registry operator has the functions, rights, powers, and obligations set out in these rules.

11.3 The term of appointment of a person as the registry operator, and the date on which the term begins, will be as set out in the registry operator service provider agreement.

11.4 The Co-regulatory body may at any time terminate, re-appoint, or change the appointment of any person as the registry operator subject to the terms of the registry operator service provider agreement.

11.5 The remuneration of the registry operator will be as agreed between the Co-regulatory body and the registry operator in the registry operator service provider agreement.

11.6 The Co-regulatory body and the registry operator may agree on any other terms and conditions, not inconsistent with the functions, rights, powers, and obligations of the registry operator under these rules.

12. Other terms of registry operator service provider agreement

12.1 In addition to any other terms and conditions required by these rules, the registry operator service provider agreement must provide for–

12.1.1 The availability levels of the registry; and

12.1.2 Service response times; and

12.1.3 Registry system upgrades; and

12.1.4 Registry system maintenance; and

12.1.5 Data integrity and recovery of data; and

12.1.6 The handling of faults.

12.2 The registry operator service provider agreement must specify that the registry operator must maintain close contact with distributors, retailers, and meter owners, and provide additional services and support to ensure

that the registry remains responsive to and consistent with the needs of the registry participants.

12.3 The registry operator service provider agreement must specify that the registry must be open and operational between 7:30 am and 7:30 pm every business day.

13. Publication of registry operator service provider agreement

The Co-regulatory body must publish the registry operator service provider agreement.

14. Insurance cover

The registry operator must at all times maintain any insurance cover that is required by the registry operator service provider agreement, on terms and in respect of risks approved by the Co-regulatory body, with an insurer approved by the Co-regulatory body.

15. Performance standards to be agreed

The Co-regulatory body and the registry operator must, at the beginning of the term of the appointment and at the beginning of each financial year, seek to agree on a set of performance standards against which the registry operator's actual performance must be reported and measured at the end of the financial year.

16. Self-review must be carried out by registry operator

16.1 The registry operator must conduct, on a monthly basis, a self-review of its performance.

16.2 The review must concentrate on the registry operator's compliance with –

16.2.1 Its obligations under these rules; and

16.2.2 The operation of these rules; and

16.2.3 Any performance standards agreed between the registry operator and the Co-regulatory body; and

16.2.4 The provisions of the registry operator service provider's agreement.

17. Registry operator must report to Co-regulatory body

17.1 The registry operator must, within 10 business days of the end of each month, provide a written report to the Co-regulatory body on the results of the review carried out under rule 16.

17.2 The report must contain details of –

17.2.1 Any circumstances identified by the registry operator where it has failed, or may have failed, to comply with its obligations under these rules; and

17.2.2 Any area that, in the opinion of the registry operator, a change to a rule may need to be considered; and

17.2.3 Any other matters that the Co-regulatory body, in its reasonable discretion, considers appropriate and asks the registry operator, in writing within a reasonable time before the report is provided, to report on.

17.3 As soon as practicable after receiving a report under rule 17.1, the Co-regulatory body must publish that report.

18. Review of registry operator performance by Co-regulatory body

18.1 At the end of each financial year, the Co-regulatory body may review the manner in which the registry operator has performed its duties and obligations under these rules.

18.2 The review must concentrate on the registry operator's compliance with –

18.2.1 Its obligations under these rules; and

18.2.2 The operation of these rules; and

18.2.3 Any performance standards agreed between the registry operator and the Co-regulatory body; and

18.2.4 The provisions of the registry operator service provider's agreement.

19. Audits of the registry

19.1 In addition to the review specified in rule 18, the Co-regulatory body may carry out audits of the records and procedures of the registry within normal working hours on reasonable notice.

19.2 In respect of any audit, the registry operator must –

19.2.1 Provide any auditor appointed by the Co-regulatory body with reasonable access to all relevant facilities, personnel, records, and manuals; and

19.2.2 Provide the auditor with any additional information that the auditor reasonably considers necessary to enable an assessment of whether the registry continues to meet the requirements of these rules.

19.3 In accordance with any provisions in the service provider agreement between the Co-regulatory body and the registry operator, the registry operator must implement any changes necessary to give effect to any reasonable recommendations made by the auditor, with the objective of constantly improving services.

Funding of the registry

20. Development Fee

20.1 The development fee is a one-off fee to meet the costs of developing and establishing the registry ("registry development costs").

20.2 As soon as practicable after the commencement date, the Co-regulatory body must determine the registry development costs. The registry development costs will include –

20.2.1 The capital costs associated with the development of the registry; and

20.2.2 The costs associated with the appointment of the registry operator; and

20.2.3 The administrative costs of the Co-regulatory body in connection with the development and establishment of the registry; and

20.2.4 Any other costs that are determined by the Co-regulatory body to form part of the registry development costs (whether or not such costs have been incurred at the time that the registry development costs are determined).

20.3 Once it has determined the registry development costs, the Co-regulatory body will publish those costs (including a breakdown of the costs) on the Co-regulatory body's website.

20.4 Every person who is a distributor or retailer on the commencement date is liable to pay a development fee in accordance with these rules.

20.5 The development fee payable by each distributor is calculated as follows:

$$A = (B \times 0.5) \times (C/D)$$

Where:

A = the development fee payable by a distributor A; and

B = the registry development costs; and

C = the number of ICPs as at the commencement date for which distributor A is a responsible distributor; and

D = the total number of ICPs as at the commencement date.

20.6 The development fee payable by each retailer is calculated as follows:

$$A = (B \times 0.5) \times (C/D)$$

Where:

A = the development fee payable by retailer A; and

B = the registry development costs; and

C = the number of ICPs as at the commencement date for which retailer A is a responsible retailer; and

D = the total number of ICPs as at the commencement date.

21. How and when development fee must be paid

21.1 The development fee is payable to the Co-regulatory body.

21.2 The Co-regulatory body must invoice every registry participant liable to pay a development fee as soon as practicable after the Co-regulatory body has determined the development fee.

21.3 The due date for the payment of the development fee is the tenth business day after the registry participant receives an invoice for the development fee.

22. Ongoing fees

22.1 The ongoing fees are monthly fees to meet the costs of operating and maintaining the registry ("ongoing costs").

22.2 As soon as practicable after the end of each month (starting with the month in which the [***go-live date***] occurs), the Co-regulatory body must determine the ongoing costs for that month. The ongoing costs will include –

22.2.1 The costs payable to the registry operator in respect of that month; and

22.2.2 The administrative costs of the Co-regulatory body associated with the registry and its role under these rules during that month; and

22.2.3 Any other costs that are determined by the Co-regulatory body to form part of the ongoing costs for that month.

22.3 Once it has determined the ongoing costs for a month, the Co-regulatory body will publish those costs (including a breakdown of the costs) on the Co-regulatory body's website.

22.4 Every person who, on the first business day of a month, is a distributor or retailer or meter owner is liable to pay an ongoing fee for that month in accordance with these rules.

22.5 The ongoing fees payable by each distributor is calculated as follows:

$$A = (B \times 0.45) \times (C/D)$$

Where:

A = the ongoing fee payable by distributor A; and

B = the ongoing costs for month B; and

C = the number of ICPs as at the first business day of month B for which distributor A is a responsible distributor; and

D = the total number of ICPs as at the first business day of month B.

22.6 The ongoing fees payable by each retailer is calculated as follows:

A = (B x 0.45) x (C/D)

Where:

A = the ongoing fee payable by retailer A; and

B = the ongoing costs for month B; and

C = the number of ICPs as at the first business day of month B for which retailer A is a responsible retailer; and

D = the total number of ICPs as at the first business day of month B.

22.7 The ongoing fees payable by each meter owner is calculated as follows:

A = (B x 0.10) x (C/D)

Where:

A = the ongoing fee payable by meter owner A; and

B = the ongoing costs for month B; and

C = the number of ICPs as at the first business day of month B for which meter owner A is a responsible meter owner; and

D = the total number of ICPs as at the first business day of month B.

23. How and when ongoing fees payable

23.1 The on-going fees are payable to the Co-regulatory body.

23.2 The Co-regulatory body must invoice every person who, on the first business day of a month, is a distributor or retailer or meter owner, for the ongoing fees for that month as soon as practicable after the start of the following month.

23.3 The due date for the payment of the on-going fees is the later of –

23.3.1 The tenth business day after the distributor or retailer or meter owner receives an invoice for that payment; or

23.3.2 The 20th day of the month following the month to which an invoice relates.

24. General provisions regarding fees

24.1 Any person who is liable to pay any fee under rules 20 to 24 inclusive, who fails to make payment of such fee on or before the date on which it

falls due is liable to pay an additional fee of 10% of the amount of the fee that is unpaid.

24.2 The additional fee becomes payable and due on the 10th business day after the date that the Co-regulatory body notifies the person that an additional fee is payable.

24.3 The fees payable under rules 20 to 24 inclusive are exclusive of any goods and services tax payable under the Goods and Services Tax Act 1985.

Compliance

25. Compliance

The Gas (Compliance) Regulations 2006 apply to these rules.

Notices and receipt of information

26. Giving of notices

26.1 If these rules require any notice to be given, the notice must be in writing and be –

26.1.1 Delivered by hand to the nominated office of the addressee; or

26.1.2 Sent by post to the nominated postal address of the addressee; or

26.1.3 Sent by facsimile to the nominated facsimile number of the addressee; or

26.1.4 Sent by electronic transmission or any other similar method of electronic communication to the appropriate nominated electronic address of the addressee.

26.2 In the case of an emergency, a person may give notice other than in accordance with rule 23.1, but the person must as soon as practicable, confirm the notice in writing and by a method set out in rule 23.1.

27. When notices taken to be given

In the absence of proof to the contrary, notices are taken to be given,-

27.1 In the case of notices delivered by hand to a person, when actually received at that person's address:

27.2 In the case of notices sent by post, at the time when the letter would in the ordinary course of post be delivered; and in proving the delivery, it is sufficient to prove that the letter was properly addressed and posted:

27.3 In the case of notices sent by fax, at the time indicated on a record of its transmission:

27.4 In the case of notices sent by electronic transmission or any other similar method of electronic communication, -

27.4.1 At the time the computer system used to transit the notice –

(a) Has received an acknowledgment or receipt to the electronic mail address of the person transmitting the notice; or

(b) Has not generated a record that the notice has failed to be transmitted; or

27.4.2 The person who gave the notice proves the notice was transmitted by computer system to the electronic address provided by the addressee.

28. Entering information in the registry

For the purposes of these rules, any reference to entering information in the registry means an attempt by the responsible distributor, responsible retailer, or responsible meter owner to enter information in the registry by electronic transmission or any other similar method of electronic communication (for example and without limitation, using a web browser or file batch transfer).

29. Registry acceptance or rejection of information and notices

29.1 For the purposes of these rules,-

29.1.1 Any reference to the acceptance of information in the registry or the giving of notices to the registry means that the attempt to enter information in the registry or to give a notice to the registry has been successful and the information or the notice is recorded in the registry; and

29.1.2 Any reference to the rejection of information by the registry or the rejection of a notice by the registry means that the attempt to enter information in the registry or to give the notice to the registry has been unsuccessful and that the information or the notice is not recorded in the registry.

29.2 If these rules require the registry to give a notice to a distributor, retailer, or meter owner stating that any information or notice provided by the party concerned has been rejected by the registry, the notice must be dated and include the reason for the rejection.

30. Registry notification of a changes to ICP parameter values

30.1 For the purposes of these rules, if the registry is required to give a notice to a distributor, retailer or meter owner because a change to an ICP parameter value has been accepted in the registry, the notice must identify the ICP and ICP parameter concerned and state the new ICP parameter value.

30.2 If during the course of a business day, there has been more than one change to a particular ICP parameter value, any notice given by the registry must state the all the changes accepted by the registry on that day.

Access to the registry

31. Registry access

31.1 Subject to rule 29, the following persons have view access to any of the information accepted in the registry in relation to any individual ICP:

31.1.1 Every registry participant; and

31.1.2 Any other person authorised by the Co-regulatory body to have view access to the registry.

31.2 The following persons have write access to ICP parameter values in the registry in relation to any individual ICP:

31.2.1 Every distributor, retailer, and meter owner in relation to the initial population of the registry as set out in rules 37 and 38; and

31.2.2 Every distributor, retailer, and responsible meter owner in relation to the creation and readying of new ICPs as set out in rules 44 to 50; and

31.2.3 Every responsible distributor, responsible retailer, and responsible meter owner in relation to maintaining the values of the ICP parameter each ICP for which they are responsible as set out in rule 51.

31.3 The Co-regulatory body, in consultation with distributors, retailers, and meter owners, must determine any access restrictions in respect of distributors, retailers, and owners in relation to reports, and response times for those reports, from the registry.

31.4 Subject to rule 28.3, registry participants may request the registry operator to provide customised reports on any or multiple ICPs.

32. View access security for certain information

32.1 A distributor or meter owner for an ICP may restrict view access to the following code or value of the ICP parameters for that ICP by entering a data security flag as "ON" for that ICP:

32.1.1 Maximum hourly quantity;

32.1.2 Network price category code; and/or

32.1.3 Measuring price code.

32.2 Other than the ICP parameters included in rules 32.1, the codes or values given to the data security flags must not restrict view access to any other information on the registry.

32.3 If a data security flag has been entered "ON" in the registry in accordance with rule 32.1, the code or value of that ICP parameter is not subject to view access.

32.4 If a distributor for an ICP enters a data security flag as "ON" for that ICP, the registry must provide view access only to the distributor, retailer and meter owner for that ICP, for the following ICP parameters:

32.4.1 Maximum hourly quantity; and

32.4.2 Network price category code.

32.5 If a meter owner for an ICP enters a data security flag as "ON" for that ICP, the registry must provide view access only to the distributor, retailer and meter owner for that ICP, for the metering price code ICP parameter.

32.6 Despite rules 32.3 to 32.5 (inclusive), if a registry participant, or any other person authorised by the Co-regulatory body under rule 31.1.2, wishes to view the codes or values of any ICP parameter to which a data security flag with a value of “ON” relates, the registry participant or other authorised person (as the case may be) must give a secured information request to the registry.

32.7 A secured information request must state the ICP identifier of the ICP for which the secured information is requested, and must contain no more than one ICP identifier for each secured information request.

32.8 Within one business day of receiving a secured information request, the registry must –

32.8.1 Give a notice to the registry participant or other authorised person (as the case may be) who gave the request, containing the codes or values of all the ICP parameters that are subject to secured information access restrictions ; and

32.8.2 Give a notice to the distributor and meter owner for the relevant ICP, advising that the information has been provided to the registry participant or other authorised person (as the case may be) who gave the request.

Other provisions relating to the registry and registry participants

33. Obligation of registry participants to act reasonably

33.1 In light of the purpose of the registry as set out in rule 35, every registry participant must act reasonably in relation to its dealings with the registry and, in doing so, must use its reasonable endeavours to co-operate with other registry participants.

33.2 In relation to use of the data security flags as set out in rule 29, distributors and meter owners must act responsibly in terms of their selection of which ICPs should have “ON” security flags, so as to not subject other registry participants to unnecessary secure information requests.

33.3 Rules 30.1 and 30.2 do not limit any other obligations a registry participant may have under these rules.

34. Other obligations of registry participants

34.1 Each registry participant must ensure that any software for the registry is used in a proper manner by competent employees or by persons under the supervision of those employees.

34.2 No registry participant may request, permit, or authorise anyone other than the registry operator to provide support services in respect of any software for the registry.

34.3 Each registry participant must appoint a nominated manager to be responsible for all of that registry participant's communications with the registry.

35. Use of ICP identifier on invoices

35.1 Every retailer must ensure that the relevant ICP identifier is printed on any invoice or associated documentation relating to the sale of gas by the retailer to a consumer.

35.2 The ICP identifier must be clearly labelled “ICP” on the invoice.

36. Consumer queries

Every retailer and distributor must advise any consumer (or any person authorised by the consumer) of the consumer's ICP identifier within three business days of receiving a request for that information.

Part 2

Gas Registry

Establishing the registry

37. Establishment of registry

37.1 The registry operator must establish, operate and maintain the registry so as to meet the requirements of these rules.

37.2 The registry must be established by [**insert date prior to go-live date**].

37.3 The registry must be available for operation by [**insert go-live date**].

38. Purpose of registry

The purpose of the registry is –

38.1 To facilitate efficient and accurate switching of retailers by consumers; and

38.2 To provide an authoritative database of current and historical information on all ICP parameters, to facilitate accurate billing of consumers and allocation of charges to retailers; and

38.3 To provide a mechanism by which the accuracy and timeliness of information provided in relation to an ICP is controlled and recorded

39. Requirements of registry

The registry must –

39.1 Comply with, and perform in accordance with, the registry specification; and

39.2 Fulfil the purpose of the registry as set out in rule 38; and

39.3 Subject to the validation requirements set out in these rules, accept the information and notices referred to in these rules; and

39.4 Maintain a complete audit trail for all information and notices accepted in accordance with these rules; and

39.5 Maintain records that enable allocation and reconciliation of energy charges, line charges and metering charges between retailers; and

39.6 Facilitate switches in accordance with these rules; and

39.7 Otherwise perform in accordance with the requirements of these rules.

40. Initial population of registry

40.1 By [**insert date, prior to go-live date**] –

40.1.1 Each distributor must enter in the registry values for the ICP parameters listed in Part A of Schedule 1 and the relevant ICP parameters listed in Parts A and B of Schedule 2 (as applicable) for each ICP on its distribution system; and

40.1.2 Each retailer must enter in the registry values for the ICP parameters listed in Part B of Schedule 1 and the relevant ICP parameters listed in Part C of Schedule 2 (as applicable) for each ICP to which it supplies gas; and

40.1.3 Each meter owner must enter in the registry values for the ICP parameters listed in Part C of Schedule 1 in relation to each ICP for which it owns the meter.

40.2 When entering information in the registry under rule 37.1, –

40.2.1 Each distributor, retailer, and meter owner, as the case may be, may only assign a value to an ICP parameter in accordance with the rules set out in column 2 of each part of Schedule 1, and as set out in columns 1 and 3 of Parts A and B of Schedule 2.

40.3 Each distributor, retailer, and meter owner must use its reasonable endeavours to co-operate with each other to enter information in the registry under rule 37.1 having regard to the fact that for each ICP there will be a distributor, retailer, and a meter owner required to enter information in the registry before [**insert go-live date**].

41. Accuracy of initial information

41.1 Between [**insert date, prior to go-live date**] and [**insert go-live date**], each responsible distributor, responsible retailer, and responsible meter owner must check the accuracy of any information entered in the registry in relation to the ICPs for which they are, as the case may be, responsible.

41.2 If, a responsible distributor, responsible retailer, or responsible meter owner, as the case may be, becomes aware that any information in the registry is incorrect, the responsible distributor, responsible retailer, or responsible meter owner must, before [**insert go-live date**], enter the correction in the registry.

Assignment of ICPs to consumer Installations

42. Assignment of ICPs

42.1 Each distributor must assign an ICP for each consumer installation that is connected to its distribution system.

42.2 An ICP must represent a single consumer installation that –

42.2.1 May be isolated from the gas distribution system without affecting any other consumer installation; and

42.2.2 Has a single loss factor and a single network price category; and

42.2.3 Has its gas volume measured directly by a single set of metering equipment complying with NZS5259:1997 (or any subsequent replacement standard) or measured indirectly by a method approved by the Co-regulatory body, producing the equivalent of the measurement from a single set of metering equipment.

Determination of certain ICP parameter codes

43. Co-regulatory body to determine applicable ICP parameter codes

43.1 The Co-regulatory body must determine and publish the codes for the following ICP parameters:

43.1.1 The codes for every distributor, retailer, meter owner, corrector owner, datalogger owner and telemetry owner that is, or likely to be, required as a value for any ICP parameter on the registry:

43.1.2 The gas gate codes:

43.1.3 The ICP type codes:

43.1.4 The load shedding category codes:

43.1.5 The allocation group codes:

43.1.6 The profile codes:

43.2 The Co-regulatory body may from time to time amend or revoke any code determined under rule 40.1 and the Co-regulatory body must publish any amendment or revocation of a code.

44. Distributors to determine network price category codes

44.1 Each distributor must determine and publish a schedule of all its network price category codes and their associated charges.

44.2 The schedule must enable the accurate identification of the network pricing applicable to an ICP at any point in time.

45. Distributors to determine loss factor codes

45.1 Each distributor must determine and publish a schedule of all its loss factor codes and their associated loss factors.

45.2 The loss factor codes must enable the accurate identification of the applicable loss factor for an ICP at any point in time.

46. Meter owners to determine metering price codes

46.1 Each meter owner must determine and publish a schedule of all its metering price codes and all their associated prices.

46.2 Subject to rule 46.3, the schedule must enable accurate identification of the metering pricing applicable to an ICP at any point in time.

46.3 In the event that the meter owner has received prior written notice from the Co-regulatory body that it has reasonable cause not to publish the metering pricing associated with a particular metering price code, the meter owner may publish that the pricing disclosure is available on application to the meter owner.

Creation of new ICPs

47. Creation of new ICPs

47.1 A retailer may request a distributor to assign an ICP for a new consumer installation on the gas distribution system.

47.2 If the distributor receives a request under rule 47.1, the distributor must, within three business days of receiving that request, assign an ICP to the new consumer installation or advise the retailer of the reason why it is unable to assign an ICP.

47.3 Once a distributor receives confirmation that a new consumer installation is first connected to its gas distribution system, the distributor must within two business days of receiving that confirmation enter in the registry the following minimum information from Part A of Schedule 1:

47.3.1 The ICP identifier:

47.3.2 The ICP creation date:

47.3.3 The responsible distributor code:

47.3.4 The physical address.

48. Registry validation of ICP creation

48.1 As soon as possible after the ICP and the minimum information has been entered in the registry under rule 47.3, the registry must –

48.1.1 Validate the information entered by confirming –

(a) That the ICP identifier is a valid code and does not otherwise exist in the registry; and

(b) That the distributor code is an available and valid code for the sender; and

(c) That the ICP creation date is not a future date.

48.1.2 Based on the validation result, accept or reject the ICP and the minimum information and give a notice to the distributor stating that the ICP has been accepted or rejected.

48.2 If the ICP is accepted in the registry, on acceptance, the registry must Show the ICP status code as NEW and the connection status code as PRE.

48.3 Within one business day of having accepted the ICP and the minimum information in the registry, give a notice to the distributor stating the ICP parameters accepted in the registry for that ICP.

49. Readying of new ICP and registry validation

49.1 Once a distributor has identified the values or codes of the remaining ICP parameters listed in Part A of Schedule 1 (i.e. not the minimum information required under rule 47.3) with respect to a new consumer installation, the distributor must, within two business days of identifying those remaining ICP parameters, enter them in the registry.

49.2 As soon as possible after the remaining ICP parameters have been entered in the registry, the registry must –

49.2.1 Validate the ICP parameter values entered by confirming that they are available and valid values for the distributor; and

49.2.2 Based on the validation result, accept or reject any or all the ICP parameter values and give a notice to the distributor stating the values have been accepted or rejected.

49.3 Once the full set of values for the ICP parameters listed in Part A of Schedule 1 are accepted in the registry, on acceptance the registry must show the ICP status code as READY, and the connection status code as PRE.

49.4 Within one business day of having accepted any the remaining ICP parameters in the registry, the registry must give notice to the distributor and the retailer stating those ICP parameters that have been accepted in the registry for the ICP.

50. Retailer for READY ICP

50.1 Subject to rule 50.2, within two business days of a retailer entering into a contract to supply gas to a consumer at a consumer installation for which its ICP has an ICP Status value of READY, the retailer must –

50.1.1 Enter in the registry values for all of the ICP parameters listed in Part B of Schedule 1; and

50.1.2 Change the value of the ICP status code in the registry to ACTC or INACT (as the case may be), and enter in the registry the applicable valid value of the connection status code.

50.2 A retailer must not record any information in the registry for an ICP before the ICP status code is READY.

50.3 To avoid any doubt, the retailer that enters information under rule 50.1 is may or may not be the retailer referred to in rule 49.4.

51. Registry validation of first retailer information

51.1 As soon as possible after all the ICP parameter values referred to in rule 50.1 has been entered in the registry, the registry must –

51.1.1 Validate the information entered by confirming that they are available and valid values for the entering retailer; and

51.1.2 Based on the validation result, accept or reject any or all the ICP parameter values and give a notice to the entering retailer stating the values have been accepted or rejected.

51.2 Within one business day of having accepted the information in the registry, the registry must give notice to the distributor, retailer, and meter owner stating the ICP parameter values accepted in the registry for that ICP.

52. Meter owner information for new ICP

52.1 Within the timeframe specified in rule 52.2, the meter owner for an ICP must enter in the registry values for all the ICP parameters listed in Part C of Schedule 1.

52.2 The timeframe is within two business days after that meter owner –

52.2.1 Has confirmed that the metering equipment has been installed at the new consumer installation; and

52.2.2 Has been notified of the information under rule 51.2 in relation to the ICP.

53. Registry validation of first meter owner information

53.1 As soon as possible after the ICP parameters referred to in rule 52.1 have been entered in the registry, the registry must –

53.1.1 Validate the information entered by confirming that they are available and valid values for the entering meter owner; and

53.1.2 Based on the validation result, accept or reject any or all the ICP parameter values and give a notice to the entering meter owner stating the values have been accepted or rejected.

53.2 Within one business day of having accepted the ICP parameters in the registry, the registry must give notice to the distributor, retailer and meter owner for that ICP stating the ICP parameters that have been accepted in the registry for that ICP.

Maintenance of ICP information

54. ICP information to be maintained

54.1 Each distributor, retailer, and meter owner must use its reasonable endeavours to maintain current and accurate information in the registry

in relation to the ICPs and the ICP parameters for which, as the case may be, it has responsibility as set out in Schedules 1 and 2.

54.2 If it is necessary to change an ICP status code or a connection status code, the responsible distributor or responsible retailer must, as the case may be, comply with the rules set out in Schedule 3.

55. Correction of ICP information in registry and registry validation

55.1 If, in relation to any information in the registry a responsible distributor, responsible retailer, or responsible meter owner, as the case may be, becomes aware that such information is incorrect or requires updating, the responsible distributor, responsible retailer, or responsible meter owner must, as soon as practicable, enter the correct or updated information in the registry.

55.2 As soon as possible after the information referred to in rule 55.1 has been entered in the registry, the registry must –

55.2.1 Validate the information entered by confirming that they are available and valid values for the party that entered the information; and

55.2.2 Based on the validation result, accept or reject the information in the registry by giving a notice to the party that entered the information, that the information has been accepted or rejected.

55.3 Within one business day of having accepted the information in the registry, the registry must give notice to the distributor, retailer, and meter owner in accordance with rule 30.

55.4 If the registry is required to give a notice under rule 55.3 and a gas switching notice has been given in respect of the ICP but the switch is not yet complete, in giving notice under rule 55.3 to a retailer, the registry must give notice to both the retailer and the new retailer.

56. Distributors, retailers, and meter owners to resolve discrepancies

56.1 In relation to any information for an ICP in the registry, the distributor, retailer, and meter owner must, to the best of their abilities, resolve any discrepancies between the information held in the registry and the information held elsewhere by that distributor, retailer and meter owner for billing, allocation and reconciliation purposes.

56.2 In order to resolve any discrepancies for an ICP, each distributor, retailer, and meter owner, as the case may be, must, by 4pm on the fifteenth business day of each month, review the following relevant reports and enter any corrections in the registry using the procedure under rule 55 to correct any information:

56.2.1 The retailer report under rule 81; and

56.2.2 The distributor report under rule 82; and

56.2.3 The meter owner report under rule 83.

56.3 Each distributor, retailer, and meter owner must retain records of the reviews and subsequent changes under rule 56.2 for any subsequent audit that may be conducted by, or on behalf of, the Co-regulatory body.

57. Loss factors

57.1 For the purposes of maintaining loss factor codes in the registry, a loss factor code may have a maximum of two loss factors per month.

57.2 If a distributor intends to add or delete any loss factor codes or change the value or applicable time period of any loss factor, the distributor must, at least two months before any such changes takes effect, give notice of the impending changes to –

57.2.1 The registry operator; and

57.2.2 All registry participants that will be affected by the changes.

58. Distributors to give notices in relation to gas gates

58.1 If a distributor intends to create or decommission a gas gate, the distributor must, at least 20 business days before the creation or decommissioning takes effect, give notice of that gas gate creation or decommissioning to –

58.1.1 The registry operator, and

58.1.2 All allocation agents and retailers that will be affected by the gas gate creation or decommissioning.

58.2 When a distributor gives notice of the creation of a new gas gate or decommissioning of a gas gate, the notice must include –

58.2.1 the gas gate code assigned by the Company to the new gas gate; and

58.2.2 the date of creation of the new gas gate and from which any impacts on billing and allocation take effect; and

58.2.3 the gas gate code of the new gas gate's parent gas gate; and

58.2.4 the ICP identifier of all ICPs created or decommissioned or transferred between gas gates in association with the creation of the new gas gate.

Switching

59. Switching retailers

59.1 Rules 60 to 76 apply to standard switches and move switches.

60. Codes relevant to switching

60.1 The Company must determine and publish codes for the following:

60.1.1 The codes used in the switch notice to denote whether the switch is a standard switch or a move switch; and

60.1.2 Registry content codes associated with switch readings in transfer notices; and

60.1.3 Acceptance codes for gas acceptance notices; and

60.1.4 Reason codes for gas switching withdrawal notices.

60.2 The Company may from time to time amend or revoke any code determined under rule 60.1 and the Company must publish any amendment or revocation of a code.

61. Initiation of switch

61.1 The switching of retailers is initiated by the new retailer under the authority of the consumer electing the change.

61.2 Before the new retailer may initiate a switch, the new retailer must –

61.2.1 Have entered into a contract with the consumer for the supply of gas to the relevant consumer installation; and

61.2.2 Have obtained the consumer's agreement to –

(a) Effecting the switch; and

(b) Establishing the date for commencement of supply through communication with the existing retailer; and

(c) Using an estimated reading from the existing retailer to define the split of variable charges between the existing retailer and the new retailer at the switch date; and

(d) Collecting information relating to the consumer and the consumer installation from the existing retailer and elsewhere in order to complete the switch and commence gas supply; and

61.2.3 Be a party to a valid and subsisting agreement with the distributor to whose distribution system the relevant consumer installation is connected, allowing the retailer to transport and/or sell gas across that distribution system; and

61.2.4 Be a part to a valid and subsisting gas sale and purchase agreement providing access to a supply of wholesale gas for distribution; and

61.2.5 Be a party to a valid and subsisting agreement with the owner(s) of the metering equipment at the relevant consumer installation, for use of that equipment to measure gas consumption for the ICP; and

61.2.6 Be a party to a valid and subsisting agreements with an allocation agent authorised to allocate gas at that gas gate from which gas is supplied to the ICP.

62. Gas switching notice

62.1 Within two business days after entering into a contract with a consumer for the supply of gas to relevant consumer installation, the new retailer must initiate the switch by giving a gas switching notice to the registry.

62.2 The effect of giving of the gas switching notice is that the new retailer –

62.2.1 Warrants that it has complied with rule 61; and

62.2.2 Is then the agent of the consumer and has authority to obtain from the existing retailer the information specified in these rules for the gas acceptance notice and the gas transfer notice.

63. What gas switching notice must contain

63.1 The gas switching notice must state –

63.1.1 The ICP identifier; and

63.1.2 Whether or not it is a standard switch using the codes defined by the Company; and

63.1.3 In the case of a move switch,-

(a) The requested switch date; and

(b) The physical address of the ICP.

63.2 The gas switching notice may state –

63.2.1 The name of the consumer requesting the switch; and

63.2.2 Subject to rule 63.4, a request for the last twelve months of readings from the meter at the consumer installation; and

63.2.3 In the case of a standard switch, –

(a) Subject to rule 63.3, the requested switch date; and

(b) The physical address of the ICP.

63.3 If the new retailer includes a requested switch date for a standard switch, that date must be not less than seven days after the date the gas switching notice is given to the registry.

63.4 If the new retailer requests the last twelve months of readings from the meter at the consumer installation –

63.4.1 The new retailer and the existing retailer must agree as to how the readings shall be provided; and

63.4.2 The registry must not provide any facility to communicate the readings from the existing retailer to the new retailer.

64. Registry validation of gas switching notice

64.1 As soon as possible after having received the gas switching notice, the registry must –

64.1.1 Validate the information contained in the gas switching notice by confirming–

(a) That the ICP status code for the ICP is –

(i) ACTC (Active - Contracted): or

(ii) ACTV (Active – Vacant); or

(iii) INACT (Inactive – Transitional); or

(iv) INACP (Inactive – Permanent).

(b) That any codes that are used in the notice are available codes; and

(c) That, in the case of a move switch, there is a requested switch date; and

64.1.2 Based on the validation result, accept or reject the gas switching notice by giving a notice to the new retailer stating that the gas switching notice has been accepted or rejected.

64.2 Within one business day of having accepted the gas switching notice, the registry must give the gas switching notice to the retailer.

65. Response to an accepted gas switching notice

65.1 Within two business days after accepting a gas switching notice from the registry, the retailer must give to the registry–

65.1.1 A gas acceptance notice that states that the retailer intends the switch to take place on an expected switch date; or

65.1.2 A gas transfer notice that includes all the information required to complete the switch; or

65.1.3 A gas switching withdrawal notice that states that the retailer believes that the gas switching notice should be withdrawn.

65.2 If the retailer gives a gas acceptance notice, it must give a gas transfer notice to the registry within 23 business days after receiving the gas switching notice from the registry.

65.3 Except where a gas switching withdrawal request has been given, the retailer must give a gas transfer notice within two business days of the switch date included in the gas transfer notice.

66. What gas acceptance notice must contain

A gas acceptance notice must state –

66.1 The ICP identifier; and

66.2 An expected switch date which –

66.2.1 Is not limited to any requested switch date in the gas switching notice; but

66.2.2 Must be no later than 23 business days after the date the responsible retailer received the gas switching notice from the registry; and

66.3 An acceptance code, as defined by the Company, to communicate certain information that might be useful to the new retailer in deciding whether to proceed with or withdrawal the switch.

67. Registry validation of gas acceptance notice

67.1 As soon as possible after having received the gas acceptance notice, the registry must –

67.1.1 Validate the gas acceptance notice by confirming that any codes that are used in the notice are available codes; and

67.1.2 Based on the result of that validation, accept or reject the gas acceptance notice by giving a notice to the responsible retailer that the gas acceptance notice has been accepted or rejected.

67.2 Within one business day of having accepted the gas acceptance notice, the registry must give the gas acceptance notice to the new retailer.

67.3 To avoid any doubt, if a gas acceptance notice is rejected by the registry, the responsible retailer must still comply with rule 65.

68. What gas transfer notice must contain

68.1 A gas transfer notice must state –

68.1.1 The ICP identifier; and

68.1.2 Subject to rule 68.2, the switch date; and

68.1.3 An annualised consumption (in gigajoules) estimate for the ICP; and

68.1.4 The meter location code; and

68.1.5 The date of the last actual reading recorded for the ICP; and

68.1.6 The meter identifier; and

68.1.7 The meter pressure; and

68.1.8 For each reading for which information is being conveyed –

(a) The multiplier; and

(b) The number of dials on the meter; and

(c) The switch reading; and

(d) Whether the meter reading is an actual reading or an estimated reading; and

(e) The registry content code for the meter reading; and

68.1.9 Any additional information that can be reasonably expected to be important to the accuracy of the switch and subsequent consumer billing and allocation processes.

68.2 If the gas switching notice included a requested switch date, the retailer must –

68.2.1 Use the requested switch date as the switch date and provide switch readings applicable to that date; or

68.2.2 If the retailer has billed a consumer for the ICP up to a date after the requested switch date, use the day after the billed-to-date as the switch date and the billed readings as the switch readings.

68.3 If, due to a transitional exemption provided by the Co-regulatory body, an ICP has more than one meter, the meter identifiers of the meters not identified as set out in rule 68.1.6 must be included in the gas transfer notice as additional information as provided for under 68.1.9.

69. Registry validation of gas transfer notice

69.1 As soon as possible after having received the gas transfer notice, the registry must –

69.1.1 Validate the information in the gas transfer notice by confirming–

(a) That any codes that are used in the notice are available codes; and

(b) That the number of digits provided for each register reading is equal to the number of dials specified for the relevant register; and

69.1.2 Based on the validation result, accept or reject the notice by giving an acknowledgement to the old retailer that the notice has been accepted or rejected.

69.2 Within one business day of having accepted the gas transfer notice, the registry must –

69.2.1 Give the gas transfer notice to the new retailer; and

69.2.2 Give a notice to the old retailer, the new retailer, the distributor, and the meter owner, confirming the identify of the new of retailer and the switch date.

69.3 Once the registry has accepted a gas transfer notice, the registry must show the new retailer as the retailer on and from the switch date.

70. Accuracy of switch readings

70.1 In the gas transfer notice, the responsible retailer must provide switch readings (whether actual readings or estimated readings) that are as accurate as feasible for the particular method used to collect or derive the readings (as the case may be).

70.2 In order to facilitate the accuracy of switch readings for move switches,-

70.2.1 The existing retailer must continue to take actual meter readings from the metering equipment for all ICPs where the ICP status code is ACTC (Active - Contracted); and

70.2.2 All relevant actual readings must be included in the existing retailer's processes to determine the (actual or estimated) switch readings for the gas transfer notice.

70.3 In relation to an ICP that is switched while its ICP status code is INACT (Inactive - Transitional) and the existing retailer uses estimated readings for the switch readings, the existing retailer will comply with rule 70.1 if the existing retailer –

70.3.1 Continued to collect actual readings from the metering equipment (in accordance with the existing retailer's normal reading schedule) until the physical disconnection of the ICP's consumer installation; and

70.3.2 Used those actual readings in the derivation of the estimated readings for the ICP.

70.4 If the metering equipment for any ICP resets to zero after each actual reading, the gas transfer notice may specify that the switch reading is zero.

70.5 If the consumer installation is un-metered, and the volume of gas supplied is determined by the difference between register readings at other consumer installations and gas gates, the gas transfer notice must specify that the switch reading is zero.

71. Withdrawal of switching

71.1 A switch may only be withdrawn if –

71.1.1 There has been an error in the switch process such that the switch is not giving effect to or has not given effect to the actual situation desired by the consumer; or

71.1.2 The consumer, exercising his or her contractual or statutory rights, has requested the switch to be withdrawn.

71.2 A switch withdrawal may only be initiated by –

71.2.1 In the case of a switch that is in-progress (where a new retailer has given a gas switching notice to the registry but has not received a gas transfer notice), either the retailer or the new retailer; or

71.2.2 In the case where a switch has been completed, by the retailer or the former retailer.

71.3 A switch withdrawal must be initiated by means of a gas switch withdrawal notice being given to the registry and, for any particular switch, a gas switch withdrawal notice may be issued only in the period between –

71.3.1 The date that the gas switch notice is sent to the registry by the new retailer; and

71.3.2 The date that a subsequent (different) gas switch notice is received by the same retailer who is now in the position of retailer for that ICP.

72. What gas switching withdrawal notice must contain

The gas switch withdrawal notice must state –

72.1 The ICP identifier; and

72.2 The reason code for the switching withdrawal.

73. Registry validation of gas switch withdrawal notice

73.1 As soon as possible after having received the gas switch withdrawal notice, the registry must –

73.1.1 Validate the information in the gas switch withdrawal notice by confirming –

(a) That any codes that are used in the notice are available codes; and

(b) That the notice has been given by a retailer authorised to give the notice under rule 71.2; and

73.1.2 Based on the validation result, accept or reject the notice by giving a notice to the retailer that gave the gas switch withdrawal notice that the gas switch withdrawal notice has been accepted or rejected.

73.2 Within one business day of having accepted the gas switch withdrawal notice, the registry must give the gas switching withdrawal notice to the other retailer involved in the switch as set out in rule 71.2 as the case may be.

74. Retailer response to a gas switch withdrawal notice

74.1 Within two business days after receiving a gas switch withdrawal notice, the recipient retailer must give to the registry a gas switch withdrawal response notice.

74.2 The gas switch withdrawal response notice must state whether or not the gas switch withdrawal notice is accepted or rejected. A retailer must accept a gas switch withdrawal notice if –

74.2.1 There has been an error in the switch process such that the switch is not giving effect to the actual situation or has not given effect to the actual situation desired by the consumer; or

74.2.2 The consumer is legally entitled to have the switch withdrawn.

74.3 If the gas switch withdrawal response notice accepts the gas switch withdrawal notice, then –

74.3.1 Within one business day of having received the gas switch withdrawal response notice, the registry must –

(a) Give the gas switching withdrawal response notice to the other retailer involved in the switch as set out in rule 71.2 as the case may be; and

(b) If there has been a change in retailer as a result of the acceptance of the switch withdrawal, give notice to both retailers involved in the switch withdrawal, the distributor, and the meter owner of the change in retailer; and

74.3.2 In the case where rule 71.2.1 applies, the switch in-progress is terminated prior to completion and does not result in a change of retailer for the ICP; and

74.3.3 In the case rule 71.2.2 applies, the completed switch is reversed and there is a change in retailer for the ICP, to the retailer who was the former retailer.

74.4 If the gas switching withdrawal response notice rejects the gas switch withdrawal notice, then –

74.4.1 Within one business day of having received the gas switch withdrawal response notice, the registry must give the gas switching withdrawal response notice to the other retailer involved in the switch as set out in rule 72.2 as the case may be; and

74.4.2 That particular switch withdrawal process is at an end; and

74.4.3 To avoid any doubt, if the gas switch withdrawal notice was given by a retailer as a response to a gas switching notice, the retailer must still comply with rule 65 but may not give another gas switching withdrawal notice for the same gas switching notice.

75. Renegotiation of switch readings

75.1 This rule applies if, in the case where a switch has been completed so that the new retailer is now the retailer in relation to the ICP, the new retailer disputes the accuracy of a switch reading provided by the former retailer to the new retailer, in a gas transfer notice.

75.2 The new retailer may request an adjustment to a switch reading by giving a switch reading renegotiation request notice to the registry.

75.3 For a particular ICP, a switch reading renegotiation request notice may only be given in relation to –

75.3.1 The most recent switch; and

75.3.2 One switch reading.

75.4 The switch reading renegotiation request notice must state –

75.4.1 The ICP identifier; and

75.4.2 The switch date; and

75.4.3 The meter identifier; and

75.4.4 The content code for the switch reading concerned; and

75.4.5 The proposed replacement switch reading.

76. Registry validation of switch reading renegotiation request

76.1 As soon as possible after having received the switch reading renegotiation request, the registry must –

76.1.1 Validate the information in the switch reading renegotiation request notice by confirming that the request has been given by the retailer as authorised by rule 75.1; and

76.1.2 On the basis of that validation, accept or reject the request by giving a notice to the retailer that the request has been accepted or rejected.

76.2 Within one business day of having accepted the switch reading renegotiation request notice, the registry must give the switch reading renegotiation request notice to the former retailer as referred to in rule 75.1.

77. Retailer response to switch reading renegotiation request

77.1 Within two business days after receiving the switch reading renegotiation request notice, the former retailer must give to the registry a switch reading renegotiation response notice stating whether or not the switch reading renegotiation request is accepted or rejected.

77.2 Within one business day of having received the switch reading renegotiation response notice, the registry must give the switch reading renegotiation response notice to the retailer.

77.3 If the switch reading renegotiation request notice is rejected by the former retailer, the two retailers concerned must endeavour to resolve the matter by other negotiation.

78. Bypass switches

78.1 These rules define a bypass switch as having occurred when there has been the simultaneous replacement of both the retailer and the distributor providing their respective services to a consumer installation,

78.2 The registry participants directly involved in effecting a bypass switch must process the bypass switch as the creation of a new ICP or the re-commissioning of an ICP, in accordance with these rules.

78.3 Not less than 14 days before a retailer intends to participate in a bypass switch, the retailer must give notice to the retailer and the distributor that there is going to be a bypass switch in relation to the consumer installation concerned.

Reports from the registry

79. Reports from the registry

The registry operator must provide to registry participants or publish, as the case may be, the following reports –

79.1 The general reports under rule 80; and

79.2 The retailer report under rule 81; and

79.3 The distributor report under rule 82; and

79.4 The meter owner report under rule 83; and

79.5 The allocation agent reports under rule 84; and

79.6 Any other report as may be agreed from time to time between the registry operator and the Co-regulatory body.

80. General reports

80.1 By 9.00 am on the sixth business day of each month, the registry operator must publish a report which states –

80.1.1 The number of ICPs (categorised by each ICP status and distributor) contained on the registry as at the last day of the previous month; and

80.1.2 The number of valid gas switching notices received by the registry operator during the previous month.

80.2 By 4.00 pm on the fifteenth business day of each month, the registry operator must publish a report which states the number of times that during the previous month, each registry participant did not comply with the timeframes specified in these rules.

81. Retailer reports

81.1 By 9.00 am on the first business day of each month, the registry operator must give each retailer a report that shows –

81.1.1 All the ICPs for which that retailer is shown in the registry as the retailer as at the last day of the previous month; and

81.1.2 For each of those ICPs, the values of all ICP parameters on that date.

81.2 By 4.00 pm on the first business day of each month, the registry operator must give each retailer a report of all the ICPs for which that retailer is shown in the registry as the retailer for any period during the previous three months.

81.3 The report under rule 81.2 must also include in respect of each ICP –

81.3.1 The start date and end date for which the retailer was responsible for the ICP, and if the retailer was responsible for the ICP more than once during the previous three months, the start dates and end dates for which the retailer was responsible for the ICP; and

81.3.2 During the period of each start date and end date pair, the codes and values for the following ICP parameters:

(a) distributor code; and

(b) Gas gate code; and

(c) Network price category code; and

(d) Loss factor code; and

(e) Meter owner code; and

(f) The ICP parameters set out in Part C of Schedule 1; and

(g) All ICP status codes and all connection status codes.

82. Distributor reports

82.1 By 9.00 am on the first business day of each month, the registry operator must give each distributor a report of showing –

82.1.1 All the ICPs for which that distributor is shown in the registry as the distributor as at the last day of the previous month; and

82.1.2 For each of those ICPs, the values of all ICP parameters on that date.

82.2 By 4.00 pm on the first business day of each month, the registry operator must give each distributor a report of all the ICPs for which that

distributor is shown in the registry as the distributor for any period during the previous three months.

82.3 The report under rule 82.2 must also include in respect of each ICP –

82.3.1 The start date and end date for which the distributor was responsible for the ICP; and

82.3.2 During the period of each start date and end date pair, the codes and the values for the following ICP parameters:

(a) Retailer code; and

(b) Gas gate code; and

(c) Network price category code; and

(d) Loss factor code; and

(e) All ICP status codes and all connection status codes.

83. Meter owner reports

83.1 By 9.00 am on the first business day of each month, the registry operator must give each meter owner a report of showing –

83.1.1 All the ICPs for which that meter owner is shown in the registry as the meter owner as at the last day of the previous month; and

83.1.2 For each of those ICPs, the codes and values of all ICP parameters on that date; and

83.2 By 4.00 pm on the first business day of each month, the registry operator must give each meter owner a report of all the ICPs for which that meter owner is shown in the registry as the meter owner for some period during the previous three months.

83.3 The report under rule 83.2 must also include in respect of each ICP –

83.3.1 The start date and end date for which the meter owner was responsible for the ICP; and

83.3.2 During the period of each start date and end date pair, the values for the following ICP parameters:

(a) Retailer code;

(b) The ICP parameters set out in Part C of Schedule 1; and

(c) All ICP status codes and all connection status codes.

84. Allocation agent reports

84.1 By 4.00 pm on the first business day of each month, the registry operator must give each allocation agent conducting allocations on a particular distribution system, a report for each gas gate code in relation to the retailers responsible for ICPs with that gas gate code during the previous month.

84.2 The report under rule 84.1 must include in respect of each ICP for which the retailer is responsible and had an active ICP status for some period during that month –

84.2.1 The start date and end date for which the retailer was responsible for the active ICP; and

84.2.2 The loss factor code of the ICP.

Part 3

Transitional provisions

85. Treatment of switches initiated before commencement of rules

Where a switch between retailers has been initiated but not yet completed before [**insert go-live date**], the switching must be completed in accordance with the arrangements that existed on the date the switching was initiated.

86. Transitional exemption

86.1 A registry participant may apply in writing to the Co-regulatory body for a transitional exemption from complying with one or more of these rules.

86.2 A transitional exemption applies for a period set out in the exemption and must set out alternative arrangements for complying with one or more rules.

86.3 In the application, the registry participant must set out in detail the reasons for the exemption, the period for which the exemption should be in effect and what alternative arrangements should apply.

86.4 If, after considering the reasons, the Co-regulatory body is satisfied that a transitional exemption should be granted, the Co-regulatory body may by notice in writing grant the transitional exemption to the registry participant which, in addition to stating the alternative arrangements that will apply, may be subject to such other conditions as the Co-regulatory body thinks fit.

87. Transitional provision for reports

Where the registry operator is required to give reports under rules 77 to 81 and the time periods to which the reports relate have not yet elapsed since those rules came into force, the registry operator must give the reports in accordance with those rules as if the applicable time periods had elapsed.

Schedule 1

ICP Parameters maintained by one participant class

Part A

ICP parameters maintained by Distributors

ICP Parameter	Rules governing values assigned
ICP Identifier	A unique 15-character identifier and with the format 'yyyyyyyyyyxxccc' assigned to the ICP by the distributor.
ICP Creation date	The date that the distributor deems the ICP to be created, which must be not later than the date that the gas service pipe to the ICP's consumer installation is first livened. It is the earliest date for any event relating to the ICP on the registry.
Responsible Distributor code	The applicable code of the distributor that created the ICP. Distributor codes are determined and published by the Company from time to time.
Network Pressure	The value of the nominal operating pressure, expressed numerically in kilopascals, of the gas distribution system to which the ICP's consumer installation is connected.
ICP Altitude	The altitude, expressed in metres above mean level, of the meter measuring gas consumption for the ICP's consumer installation, and for use in any required (non-dynamic) correction of the metered gas volume to standard volume.
Gas Gate Code	The code of the gas gate from which the distributor deems gas is delivered to the ICP's consumer installation. Gas gate codes are determined and published by the Company from time to time.
ICP Type Code	The code that identifies the locational relationship between the ICP and the gas gate immediately upstream of the ICP. ICP type codes are determined and published by the Company from time to time.
Load Shedding Category Code	The code that identifies the position of the ICP's consumer installation in the hierarchy for emergency shedding of gas load. Load shedding category codes are determined and published by the Company from time to time.
Maximum Hourly Quantity (MHQ)	The value of the maximum quantity of gas, in cubic metres, that the gas-consuming equipment at the consumer installation is capable of drawing per hour. The value is distinct from the capacity of the gas service pipe or metering equipment serving the consumer installation.
Retailer Code of expected retailer	The code, assigned by the distributor, of the retailer that the distributor expects to be first retailer to have responsibility for the ICP. Responsible retailer codes are determined and published by the Company from time to time.
Network Price Category Code	The code that identifies the distributor's network price category to which the ICP's consumer installation belongs.
Network Data	A value of 'ON' or 'OFF' that determines whether or not (respectively) the

Security Flag	network price category code and the Maximum Hourly Quantity are subject to view access.
Loss Factor Code	The code that enables identification of the loss factor applicable to the ICP's consumer installation for calculation of losses on the gas distribution system to which it is directly attached. .
Network Price Details	A free-text parameter to allow the distributor to provide other information relevant to the network pricing of the ICP's consumer installation.
Physical Address	The physical address assigned by the distributor to the ICP's consumer installation, so that the ICP can be unambiguously identified with the consumer installation, in the registry.

Part B

ICP parameters maintained by Retailers

ICP Parameter	Rules governing values assigned
Responsible Retailer Code	The code of the retailer with current responsibility for the ICP. Responsible retailer codes are determined and published by the Company from time to time.
Allocation Group Code	The code that identifies the allocation group to which the ICP's consumer installation belongs. An allocation group identifies the method used to generate an ICP's profile consumption volume information submitted to an allocation agent. Allocation group codes are determined and published by the Company from time to time.
Profile Code	The code that identifies the profile used to generate the ICP's daily time-interval volume consumption information for allocation purposes. Profile codes are determined and published by the Company from time to time.
Responsible Meter Owner Code	The code, assigned by the retailer according to the authority of a service agreement between the retailer and the meter owner concerned, of the meter owner with current responsibility for the ICP. Responsible meter owner codes are determined and published by the Company from time to time.

Part C

ICP parameters maintained by Meter Owners

ICP Parameter	Rules governing values assigned
Meter Identifier	The serial number or other unique identifier of the meter that measures volume consumption for the ICP's consumer installation, as assigned by the meter owner. However, if the consumption information is being measured by difference, the meter identifier value must be "DIFFERENCE".
Meter Location Code	The code that advises the location of any meter in relation to a consumer installation.
Standard[1] Meter	A 'Y'es or 'N'o value to indicate the use or not of a standard meter (being one that is not a prepay meter) for measurement of consumption volume for the ICP's consumer installation.
Prepay[3] Meter	A 'Y'es or 'N'o value to indicate the use or not of a prepay meter for measurement of consumption volume for the ICP's consumer installation.
Logger Owner Code	The code of the owner of any datalogger included in the metering equipment measuring consumption volume for the ICP's consumer installation metering - whether or not the datalogger is in use at the time. Logger owner codes are determined and published by the Company from time to time.
Corrector	The code of the owner of any corrector included in the metering equipment measuring consumption volume for the ICP's consumer installation metering

[1] There may not be more than one 'Y' value between the 'Standard meter' and 'Prepay meter' parameters, but there may be two 'N' values to signify that the Consumer Installation is unmetered.

Owner Code	- whether or not the corrector is in use at the time. Corrector owner codes are determined and published by the Company from time to time.
Telemetry Owner Code	The code of the owner of any telemetry included in the metering equipment measuring consumption volume for the ICP's consumer installation metering - whether or not the telemetry is in use at the time. Telemetry owner codes are determined and published by the Company from time to time.
Metering Price Code	The code that identifies the total metering equipment charges applicable to the full set of metering equipment currently used to measure and convey the consumption volume information for the ICP's consumer installation.
Metering Data Security Flag	A value of 'ON' or 'OFF' that determines whether or not (respectively) the metering price category code is subject to view access.

Schedule 2

ICP Status Codes and Connection Status Codes
(ICP Parameters maintained by Distributors and Retailers)

Part A

Codes used by the distributor prior to connection commissioning

ICP Status code	Description	Connection Status Code	Description
NEW	Assigned during the new connection process until the gas connection is certified and all ICP network parameter data are populated.	PRE	Pre-livening. Gas not able to flow to the Consumer Installation.
READY	Assigned once all the ICP network parameter data are populated, but the service is not physically livened and no retailer has taken responsibility.	PRE	Pre-livening. Gas not able to flow to the consumer installation.

Part B

Codes used by the distributor at connection de-commissioning

ICP Status code	Description	Connection Status Code	Description
DECR	Decommissioned – Removed. Applies when the service pipe of a permanently disconnected supply has been physically disconnected from the gas network - with the intention that supply will never be re-livened. This code is applicable to the obsolete connection(s) resulting from the physical amalgamation of two or more connections.	GDE	The distributor's follow up of the permanent disconnection authorised by the retailer. The gas connection has the meter removed and service disconnected from gas network and abandoned.
DECA	Decommissioned– Administrative. Applies to an ICP that has been retired for administrative reasons such as being created in error. There is no physical change to any gas connection.	GNA	Not applicable meaning that no physical connection exists.

Part C

ICP status codes and connection status codes maintained by retailer

ICP Status code	Description	Connection Status Code	Description
ACTC	Active – Contracted. Applies once the gas service is certified and a retailer has taken responsibility for supply and the ICP on the registry. Then either: • The gas connection is livened (service valve turned on) and a contracted customer is taking supply; or • The previously livened gas connection to a contracted customer has been 'de-livened' by turning the service valve off, for reason of a temporary disconnection that does not impact on service charges.	GAS	Gas is able to flow to the Consumer Installation.
		GCT	Gas credit disconnect – metering equipment remains, service valve turned off.
		GCC	Gas credit disconnect – metering equipment remains, supply capped.
		GCM	Gas credit disconnect – metering equipment removed, supply capped.
		GCL	Gas credits disconnect – metering equipment remains, supply turned off & locked.
ACTV	Active – Vacant. Applies when the consumer installation is certificated and livened (service valve turned on), but no contracted customer is taking supply.	GAS	Gas is able to flow to the consumer installation.
INACT	Inactive – Transitional. Applies when either a certified new gas connection has been uplifted by a retailer but not yet livened, or a previously livened supply is disconnected by some readily-reversible means and is likely to be re-livened in the future. Some examples of such transitional disconnections are: • Disconnection for significant modifications to the consumer installation; • Disconnection to suspend the gas service without removal of the metering equipment and/or service riser from the site; • Disconnection when a	GVT	Gas vacant disconnect – metering equipment remains, service valve turned off.
		GVC	Gas vacant disconnect – metering equipment remains, supply capped.
		GVL	Gases vacant disconnect – metering equipment remains, service valve turned off & locked.
		GVT	Gas currently not required disconnect – metering equipment remains, service valve turned off.
		GNC	Gas currently not required disconnect – metering

	property has become vacant; • Disconnection when there are concerns about the safety of the consumer installation.		equipment remains, supply capped.
		GST	Gas safety disconnect – metering equipment remains, service valve turned off.
		GSC	Gas safety disconnect – metering equipment remains, supply capped.
		GSL	Gas safety disconnect – metering equipment remains, service valve turned off & locked.
INACP	Inactive – Permanent. Applies when the gas supply has a permanent disconnection – meaning that there is isolation of the consumer installation from the gas distribution system by means of removal of the metering equipment and service riser from the site.	GMM	Gas maintenance disconnect – service disconnected at main.
		GSM	Gas safety disconnect – service disconnected at main.
		GPC	Gas permanent disconnect ready for GMS removal - metering equipment remains, supply capped.
		GPM	Gas permanent disconnect ready for decommissioning - metering equipment removed, supply capped.
INACR	Inactive – Replaced. Applies when the ICP has been replaced as the representative of a gas load – typically occurs when a consumer installation (consisting of multiple gas installations) is replaced by an embedded network.	GAS	Gas is able to flow to the consumer installation(s).

Schedule 3

Table of Gas ICP Status Rules

Transition	Available to	Use criteria and comments
To New	Distributor	At creation of the ICP before all ICP network parameter values are populated.
From New **to** Ready	Distributor	Changed when gas supply is certified and all ICP network parameter values are populated.
From Ready **to** New	Distributor	Can be reset to New if Distributor identifies an error in the data or that the gas service is not ready for livening.
From New or Ready **to** Decommissioned Administrative	Distributor	Used when an ICP identifier created in error.
From Decommissioned Administrative **to** New or Ready	Distributor	Used only to reverse the previous change. Not available if the ICP Status has been other than NEW, READY or DECA.
From Ready **to** Active Contracted (ACTC)	Retailer	Changed when first retailer takes responsibility for the ICP, gas is able to flow to the consumer installation and there is a contract with a consumer.
From Ready **to** Active Vacant (ACTV)	Retailer	Changed when first Retailer takes responsibility for the ICP, gas is able to flow to the consumer installation but there is no contract with a consumer.
From Ready **to** Inactive Transitional (INACT)	Retailer	May be used when the first retailer takes responsibility for the ICP, but gas is not able to flow to the consumer installation and there is no contract with a consumer.
From Active (ACTC or ACTV) or Inactive Transitional **to** Ready	Retailer	Used only to correct an error in the initial assignment of the ICP, and not once any subsequent event has been recorded for the ICP.
From Active (ACTC or ACTV) **to** Inactive Transitional (INACT)	Retailer	Used when a physical disconnection has been performed as a transitional action such as may occur when the consumer installation has no consumer.
From Active (ACTC or ACTV) **to** Inactive Permanent (INACP)	Retailer	Used when a physical disconnection has been performed a permanent change that makes the gas connection and ICP available for decommissioning.

Transition	Available to	Use criteria and comments
From Active (ACTC or ACTV) **to** Inactive Replaced (INACR)	Retailer	Used when an ICP has been replaced as the representative of a consumer installation in the allocation and reconciliation processes.
From Inactive Replaced **to** Active (ACTC or ACTV)	Retailer	Used as a reversal of a move to INACR, when the ICP resumes its role as representative of a consumer installation.
From Inactive (INACT or INACP) **to** Active (ACTC or ACTV)	Retailer	Used when a there is a physical reconnection of a consumer installation to the gas network such that the gas is able to flow to the installation.
From Inactive Transitional **to** Inactive Permanent	Retailer	Used to record the move from what was originally considered a short term disconnection to one that may lead to decommissioning.
From Inactive Permanent **to** Decommissioned Removed	Distributor	Used when the gas service decommissioning process for the ICP is complete.
From Decommissioned Removed **to** Inactive Permanent	Distributor	Used either to correct an error in the earlier change of status (where a reported decommissioning was not completed) or as the first stage of a re-commissioning where supply of gas is resumed through the same gas connection and to the same consumer installation that was previously decommissioned.
From Inactive Replaced **to** Decommissioned Administrative	Distributor	Used when it is considered that the ICP replaced by others in the allocation and reconciliation processes will never be used again.
From Decommissioned Administrative **to** Inactive Replaced or Inactive Permanent	Distributor	Used only for correcting an error in an earlier change of status.