

Principles for Arrangements on Gas Distribution Systems

Purpose of the principles

The Principles are not a model contract for gas distribution services. They are designed simply to guide the content of distribution service arrangements.

While similar to Gas Industry Co's Retail Gas Contract Benchmarks (Retail Benchmarks), the key difference is that the parties to distribution service arrangements are industry participants who are better able to negotiate mutually acceptable terms.

These Principles are intended to provide a high-level context for these negotiations. Where possible, the Principles are aligned with the Retail Benchmarks.

Definitions

Consumer – a person who is supplied, or who applies to be supplied, with gas and associated services by a Retailer.

Distributor - has the same meaning as 'Gas Distributor' as set out in s 2(1) of the Gas Act 1992.

Distribution services – includes line function services but may also include ancillary services.

Distribution service arrangement – includes all documents relevant to the agreed relationship between a Distributor and a Retailer for the provision of distribution services (or line functions services) over a distribution system.

Line function services – has the same meaning as set out in s 2(1) of the Gas Act 1992

Line charges – refers to charges (fixed, variable, or a combination of these) imposed by a Distributor for the provision of line function services.

Retailer – any person who supplies gas and associated services to a Consumer or Consumers.

General principles

1. All retailers should receive access to a distribution system on substantially similar terms.

Note: As far as possible, and without inhibiting innovation and the need to reflect special circumstances, distribution terms of access should be standardised across all distribution systems and Retailers.

2. The distribution service arrangement should fairly represent the interests of the Retailer and the Distributor.

3. The distribution service arrangement should be current and comprehensive; this can be achieved by regular reviews of the arrangement.

Obligations and rights of the parties

4. The obligations and rights of the parties should be clearly and comprehensively set out in the distribution service arrangement.
 - a. The distribution service arrangement should be consistent with, and the parties should act in accordance with, the requirements of all relevant legislation, regulations, and rules.
 - b. Where a Retailer is legally responsible (through any relevant legislation, regulations, or rules) for matters that are physically or practically under the control of the Distributor, or one of the Distributor's service providers, the distribution service arrangement should acknowledge those matters and describe how the Distributor will assist the Retailer to meet the relevant legal responsibilities.

Note: An example of this is under the NZS 5442: 2008 Specification for reticulated natural gas, where the Retailer is legally responsible but not physically in control of that matter. In this case the distribution service arrangement should include a 'description' of this responsibility. It may be as simple as noting that the distributor has an agreement with the TSO that manages the quality of gas entering the distribution system, or something similar.

- c. The process for amending or varying the distribution service arrangement should be described.
 - d. The procedures for dispute resolution regarding the distribution service arrangement, including the levels of escalation for discussion of issues arising out of the contractual relationship, should be clearly set out.

Distribution Services provided

5. The distribution service arrangement should describe the distribution services to be provided by the Distributor and the quality standards for those services.
6. The distribution services and service standards should include all those aspects that are under the reasonable control of the Distributor, or a service provider to the Distributor.

Pricing including price changes

Note: Gas Industry Co recognises that overall pricing levels for Vector and Powerco are controlled by authorisations issued by the Commerce Commission. These authorisations also set out pricing principles. The Electricity Authority has proposed similar principles have been proposed for electricity distribution. As such, these Principles look only at the reasonable notification of price changes to Retailers and Consumers.

7. Changes to pricing structures and methodologies should be transparent and subject to reasonable notice being given to Retailers.
8. A Distributor's notification of price changes to a Retailer should be accompanied by all of the information required to enable the effective implementation of the price changes by the Retailer.
9. The notice period given by a Distributor for changes in pricing structures or levels should take into account the notice period that Retailers must provide to Consumers for consequential changes in retail prices and the time for preparation of that notice.

Commencement and cessation of line charges

10. The distribution service arrangement should clearly describe the Distributor's policy with respect to the commencement and cessation of line charges once the supply of gas commences or ceases to be taken by the Consumer.

Disconnection/Reconnection

11. The distribution service arrangement should clearly describe the Distributor's policy with respect to the disconnection and reconnection of a supply point on its system.

Note: The Distributor may refer to established industry practice as described in policies such as the Gas Association of New Zealand (GANZ) Protocol on Disconnection/Reconnection of gas supply.

Information exchange and use

12. The distribution service arrangement should set out the amount, type and format of information required to be exchanged between the parties. Formats should be, as far as possible, standardised and in line with any industry-agreed standard information exchange protocols.
13. Information will only be requested under the distribution service arrangement for the purposes of enabling efficient and effective gas distribution.
14. Information will only be used for the purpose for which it is provided.

Service interruptions

15. The distribution service arrangement should explain, or refer the Retailer to, the Distributor's policy for planned interruptions to distribution services. It is expected that the policy would take account of the costs of notification for the retailer and whether other lower-cost alternatives can be adopted.
16. The distribution service arrangement should describe how the Distributor will provide the Retailer with timely information when an unplanned service interruption occurs .The

information to the Retailer is expected to include the cause(s) of the interruption and progress towards reinstatement of line function services.

Managing critical contingencies

17. Contracts should provide for the management of the regional effects of critical contingencies in accordance with the Gas Governance (Critical Contingency Management) Regulations 2008 so the risks for all of parties are minimised and appropriately managed.

Review of the distribution service arrangement

18. The distribution system arrangement should be reviewed and updated at intervals that enable those agreements to reflect current best practice and the current industry and regulatory environment.