



## IRWG – Meeting#1

16 October 2013

---

---

---

## Agenda

- |  |              |
|--|--------------|
| <b>1. Introduction and Gas Act context</b>   | <b>11:00</b> |
| <b>2. Terms of reference</b>                 | <b>11:30</b> |
| <b>3. Issues raised in consultations</b>     | <b>11:45</b> |
| <b>4. Framework for backstop regulations</b> | <b>12:15</b> |
| <b>5. Wrap-up and next steps</b>             | <b>13:00</b> |

---

# 1 INTRODUCTION

**Overview of the IRWG in the context of Gas Industry Co's overall work programme and the Gas Act**

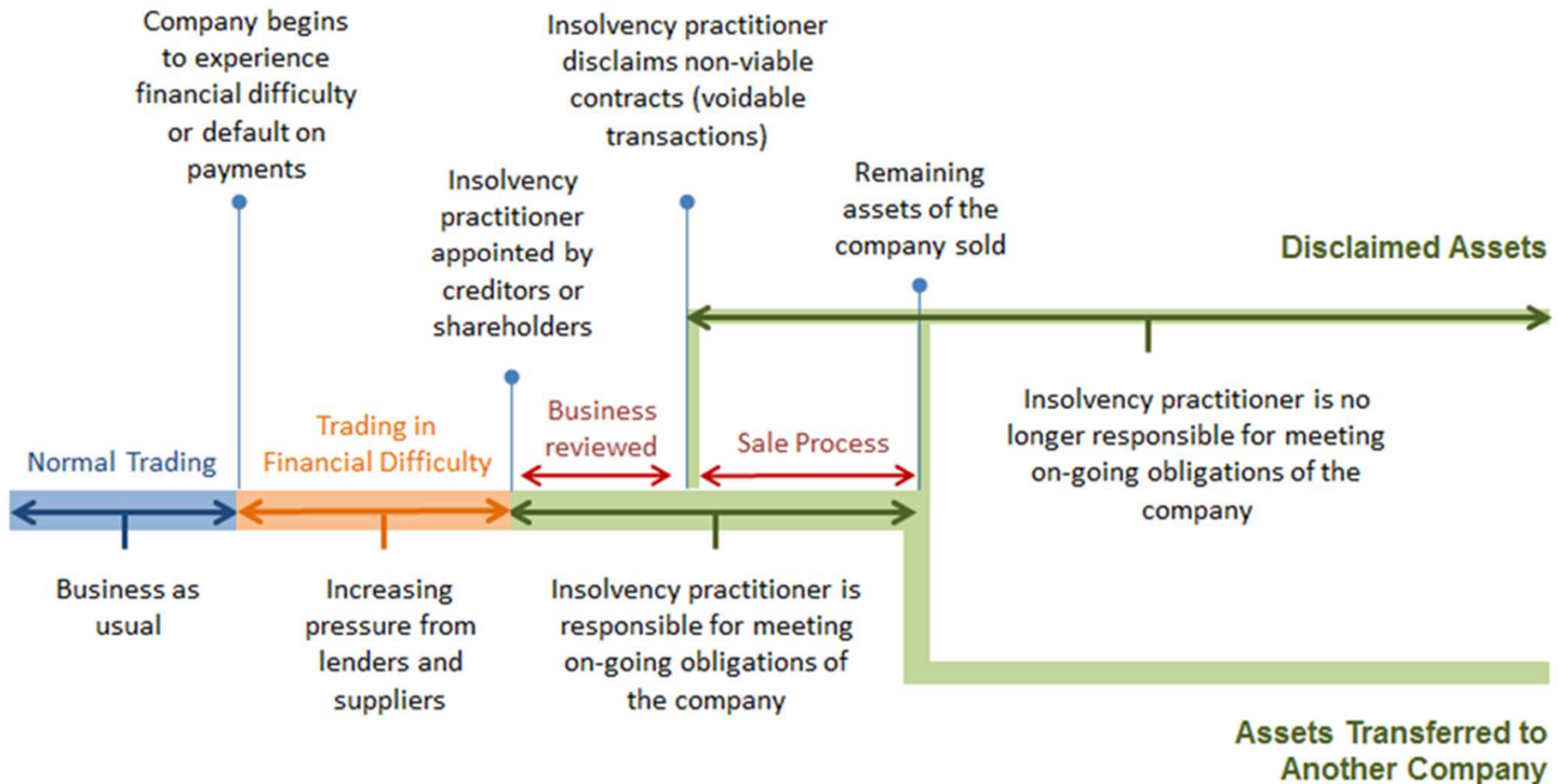
# Background

Date	Publication	Content
Mar 2011	Statement of Proposal	Consulted on whether the regulations passed under urgency on 16 <sup>th</sup> Nov 2010 should be revoked, amended or replaced.
May 2011	Recommendation	Regulations should be allowed to expire six months after they came into force. Gas Industry Co to consider a generic regulatory solution required to address retailer insolvency.
Jun 2012	Discussion Paper	Presents Castalia's advice on whether normal insolvency process can be relied upon to provide acceptable outcomes when a gas retailer becomes insolvent.

## Background (cont.)

Date	Publication	Content
Dec 2012	Options Paper	Presents options for managing market failure risks posed by orphaned customers' gas consumption. Preferred option: development of urgent backstop regulations. The draft regulations will be 'shelved' and can be used as required in the future.
Apr 2013	Letter to the Minister	Permanent backstop regulation is not necessary, Gas Industry Co should develop with the industry drafting instructions for backstop regulations which can be implemented under urgency when needed. Approved by the Minister on 17 <sup>th</sup> September 2013.

# Timeline of standard insolvency



---

## Regulatory provisions (1)

**The empowering provision in the Gas Act (s. 43(G)) provides that the purposes for which regulations may be made are:**

*Transition arrangements for insolvent gas retailers providing a system of transition arrangements for consumers in the event of a gas retailer becoming insolvent, and requiring industry participants to comply with that system, with the objective of protecting consumers or managing the liabilities of other gas retailers (emphasis added).*

---

## Regulatory provisions (2)

- **Any regulations must have the objective of either protecting consumers or managing the liabilities of other gas retailers**
- **Any regulations must be consistent with (i.e. not interfere with) the Companies Act 1993, the Receiverships Act 1993, and the Corporations (Investigation and Management) Act 1989**
- **Regulations will be drafted by PCO, Gas Industry Co will provide drafting instructions**



---

# 2 TERMS OF REFERENCE

---

## IRWG's role

Date	Agenda items	Key deliverables
16 Oct	<ul style="list-style-type: none"><li>Gas Act context <input checked="" type="checkbox"/></li><li>Issues raised in previous consultations</li><li>Introduction to framework for backstop regulations</li></ul>	Familiarise with context Begin discussing the framework for drafting instructions
27 Nov	Discuss parameters for the drafting instructions	Agree on parameters for drafting instructions

---

# 3 ISSUES RAISED IN CONSULTATION

---

## Issues raised by submissions on Options Paper (2012)

- **Methods for identifying and managing orphan customers**
  - Audits
  - Disconnections
- **Managing dual fuel customers**
- **Other relevant issues**

---

# 4 FRAMEWORK FOR BACKSTOP REGULATIONS

**Consider changes to the transfer scheme in the 2010 regulations**

# System for transferring customer contracts

Clause	Brief content
5	Transfer by industry body of insolvent retailer's customer contracts The industry body may transfer the insolvent retailer's customers to any other retailer.
6	Notice to retailers of proposed transfer Industry body must notify the insolvent retailer and all other retailers of the proposal and the proposed transfer time. Insolvent retailer must provide the industry body with information required by the industry body.
7	Industry participants to co-operate with industry body After the notification date every industry participant must co-operate with the industry body.

## System for transferring customer contracts (cont.)

Clause	Brief content
8 Process for transferring customers	<ul style="list-style-type: none"><li>(1) Load groups or subcategories, aggregated by transmission pipeline as at the notification day</li><li>(2) Identifying recipient retailers, 10% rule</li><li>(3) Pro rata allocation of customers of each category, status in registry: 'active-contracted'</li><li>(4) Random allocation</li><li>(5) Industry body must publish a description of the customer allocation methodology and notify recipient retailers of the customer transfer</li></ul>

## System for transferring customer contracts (cont.)

Clause		Brief content
9	Transfer contracts	At the transfer time the insolvent retailer's customers are transferred to the recipient retailers allocated by the industry body. Customer contract applies until the end of transition period/customer's switching. Transition period was specified as 30 days.
10	What happens if liquidator disclaims customer contracts	If the liquidator disclaims a customer contract, industry body gives a notice referred to in reg. 6 (Notice to retailers of proposed transfer)



## Effect of transfer on customers

Clause		Brief content
11	Recipient retailers to supply gas and give notice to transferred customers	The recipient retailer supply gas to the transferred customer, on the terms and conditions set out in the transferred customer contract, during the transition period and give notice to the customer as soon as possible after transfer time.
12	Right of customer to switch without penalty	The recipient retailer must not charge the customer any fee or penalty relating to the cancellation or switch
13	Transitional issues relating to customers	Dispute between former customer and insolvent retailer Review process
14	Switches sought before transfer time	After the notification date, no switch request to or from the insolvent retailer may be entered on the registry by any retailer, including the insolvent retailer

## Information to be provided after transfer time

Clause		Brief content
15	Meter reading information to be provided by insolvent retailer	As soon as practicable after the transfer time, the insolvent retailer must provide to the industry body a meter reading history covering the last 12 billing cycles for each transferred customer
16	Consumption information to be provided by insolvent retailer	Insolvent retailer must provide to the Allocation Agent consumption information in accordance with rule 29-40 of the Reconciliation Rules, billing information in accordance with rule 52 of those rules.

# Transmission capacity, enforcement, revocation

Clause	Brief content
17 Transmission capacity of insolvent retailer	Proportion of transmission capacity for each recipient retailer: $\frac{r}{\sum r_n} \times t$ <p>t – total transmission capacity r – recipient retailer’s gas volumes sold over the past 12 billing cycles <math>\sum r_n</math> – sum of gas volumes sold over the past 12 billing cycles under customer contracts transferred to all (n) recipient retailers that requested transmission capacity within 14 days after the transfer time</p>
18 Enforcement of regulations	Regulations are enforceable under the Gas Governance (Compliance) Regulations 2008 as if they were listed in the definition of rules in regulation 4(1) of those regulations.
19 Regulations revoked	6 months after the date on which they come into force

---

## Additions to consider

- **Post-insolvency audit of inactive and vacant sites**
- **Managing orphaned customers**

---

## 5 Wrap-up and next steps

- **Minutes will be emailed to IRWG members for comments**
- **Final minutes to be published on the website**
- **Next meeting: Wednesday, 27 Nov**