



---

## Final decision paper - frequency of consumer notifications of the CCM Regulations

April 2016

## Purpose

Under the Gas Governance (Critical Contingency Management) Regulations 2008 (CCM Regulations), retailers are required to notify their non-domestic consumers of the CCM Regulations (including their obligations under these regulations) at intervals specified by Gas Industry Co, which must be between 1-3 years (r44(2)(ii)). The purpose of this paper is to set the frequency of this notification.

## Decision

1. Taking into account the feedback contained in the submissions, Gas Industry Co has decided that the notification interval should be set at two years.
2. In addition, and based on a suggestion by one of the submitters, Gas Industry Co encourages retailers to notify 'newly gained' customers of the matters in regulation 44(1) of the CCM Regulations (including their obligations under these regulations) at the time of acquisition.

## Background

Gas Industry Co consulted on this frequency of notification issue in 2012 as part of the wider process that led to amendments to the CCM Regulations. Gas Industry Co initially proposed that retailers should notify their customers of the regulations and their obligations on an annual basis.

Consultation on this proposal revealed a range of perspectives on the matter:

1. Retailers considered that annual notifications were too frequent and suggested a two-yearly notification cycle;
2. Pipeline and network owners considered that an annual cycle was important so that consumers were prepared to respond to an event;
3. The Market Administrator noted that an annual notification cycle would assist with customer education.

The range in responses highlighted the fact that trade-offs were required in setting any particular notification frequency. Accordingly, it was recommended that the regulation should be amended to allow flexibility and that a 1-3 year notification 'window' should be adopted. This recommendation was included in the 2013 amendments to the CCM Regulations (r44(2)(ii)).

## Current consultation

Gas Industry Co consulted on this matter again in November/December 2015, asking retailers for their views on a proposed two-year interval between successive notifications.

We noted in the consultation paper that an important consideration in setting the frequency is to avoid the possibility that consumers who switch retailers miss being notified of the regulations (and their obligations) for an extended period. For instance, if the notification period was set at three years, a consumer on a three year contract could conceivably switch retailer after the term of the contract and not receive any notification regarding the CCM Regulations. Potentially, that consumer may not receive any notification over a five or six year period. This issue is exacerbated by the fact that retailers are not required to coordinate their notifications.

To avoid this situation, Gas Industry Co proposed in the paper that consumer notification under regulation 44(1) should be done at **two-yearly** intervals.

We asked parties the following questions in the consultation:

1. Do you agree that notifications at two-yearly intervals balances the need to ensure consumers are educated with keeping costs down for retailers and not unduly alarming consumers about the reliability of the gas system? If not, please provide your reasons.
-

2. Do you perceive any problems or risks with a two-yearly notification frequency?

### Submissions and Gas Industry Co comments

Four submissions were received on the consultation paper.

#### Feedback from Vector Limited, Greymouth Petroleum and Genesis Energy

Vector Limited, Greymouth Petroleum and Genesis Energy agreed with the two year notification interval proposal.

Genesis noted that an addition that could be considered is that when a retailer gains a customer, that retailer should be required to send the customer a notification at the time and then two yearly thereafter. This would ensure that customers would not fall through 'the gaps' through switching retailers.

Gas Industry Co considers that there is merit in the approach that Genesis has suggested. However, the CCM Regulations do not enable this activity to be mandated across retailers. Nevertheless, we encourage retailers to communicate the CCM Regulations to newly gained customers.

#### Feedback from Contact Energy

Contact Energy did not agree with the two year notification proposal and instead suggested a three year CCM notification interval.

Contact's rationale and Gas Industry Co's responses are tabled below.

Contact Energy's rationale	Gas Industry Co response
Two years is relatively short	
The consumers who benefit from [special] designations – critical care, essential services, critical processing, electricity supply – rarely switch retailer or change their type of business which made them eligible for a designation in the first place, and because they have already been through the process of applying for and been granted a designation they are very familiar with the arrangements.	Regulation 44(1) requires that retailers provide notifications of the CCM regulations to <u>all</u> consumers not just those with special designations.
Consumers who are eligible for designations are typically much more aware of the criticality of energy supply, as a consequence they are more likely to have their own contingency arrangements for loss of energy supply and be aware of the gas critical contingency arrangements.	See above – the notifications apply to all consumers.
The information that retailers must provide is relatively technical and extensive, as a consequence most consumers will quickly forget the content if they read it at all.	This point does not address the issue under consultation which is the matter of notification frequency, not content.

**Contact Energy's rationale**

The time when most consumers will become aware of their obligations and respond accordingly will be when an event occurs, and customers are advised at the time of their obligations. In Contact's case our template for communicating demand curtailment instructions includes advising consumers that failure to comply is an offence under the regulations and liable for a fine of up to \$20,000.

**Gas Industry Co response**

It is generally considered good practice to be aware of critical event procedures before an event occurs, rather than learn about the procedures while the event is occurring. In the 2012 consultation, the Market Administrator and pipeline and network owners all stressed the need for consumer education prior to a critical event occurring.

# ABOUT GAS INDUSTRY CO.

---

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

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

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

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

---