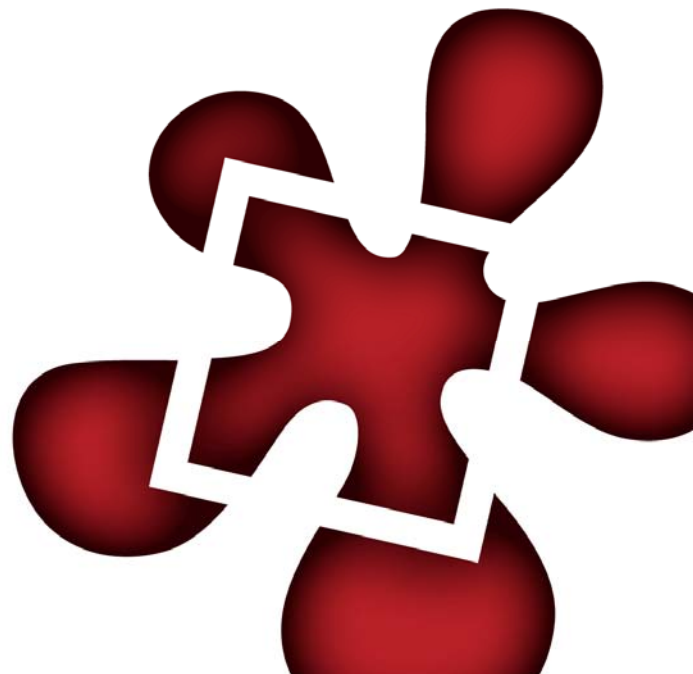


## Assessment Report

Assessment of Contracts against Gas Industry Co's  
Gas Distribution Contracts Oversight Scheme

29 May 2014



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## Executive Summary

Elwood Law was engaged to assess the alignment of standard published contracts for gas distribution services as at 1 March 2014, against Gas Industry Co’s Gas Distribution Contracts Oversight Scheme (the **Scheme**). The review was initially scheduled for 1 February 2014, but an extension was approved by Gas Industry Co to give Vector additional time to prepare its contractual arrangements.

At the assessment date, two of the distributors covered by the Scheme (PowerCo and GasNet) had developed and published on their websites their standard gas distribution contract (now known as a Gas Use of System Agreement or **GUoSA**). Vector provided a well-developed draft of its template agreement to us and retailers for the purpose of the assessment. This document was later published on their website in early April 2014.

Our overall assessment of each of the three contractual arrangements assessed as at 1 March 2014 against all of the Principles under the Scheme is “Substantial”<sup>1</sup>.

The alignment of each GUoSA against each Principle is summarised in the following table:

<b>Principle</b>	<b>GasNet</b>	<b>PowerCo</b>	<b>Vector</b>
1. Similar access terms	Full	Full	Full
2. Parties’ interests reasonably represented	Subst	Subst	Subst
3. Arrangements current	Full	Full	Full
4. Clear and comprehensive	Full	Subst	Subst
5. Services and service standards described	Full	Full	Full
6. Services include all aspects under distributor’s control	Full	Subst	Subst
7. Pricing changes subject to consultation and transparency	Full	Full	Full
8. Information to accompany price changes	Full	Full	Full
9. > 40 business days’ notice of price changes	Full	Full	Full
10. Line charges and cessation policy described <sup>2</sup>	Full	Full	Full
11. Clear disconnection and reconnection <sup>3</sup>	Full	Full	Full
12. Information exchange protocols	Subst	Subst	Subst
13. Information requests limited to distribution purposes	Subst	Subst	Subst
14. Information used only for	Subst	Subst	Subst

<sup>1</sup> Under the Scheme, “Substantial” means “Meets the intention of the Principle in most respects. Only minor changes are needed to meet the “full” ranking”.

<sup>2</sup> Despite assessing this as having full alignment, there are on-going industry issues regarding disconnection charging policies. Gas Industry Co may wish to consider these issues.

<sup>3</sup> Despite assessing this as having full alignment, there are on-going industry issues regarding disconnection policies. Gas Industry Co may wish to consider these issues.

<b>Principle</b>	<b>GasNet</b>	<b>PowerCo</b>	<b>Vector</b>
purpose provided			
15. Planned interruption policy	Full	Full	Full
16. Timely provision of interruption information	Full	Subst	Subst
17. Effective contingency management	Full	Full	Subst
18. Publicly available standard contract	Full	Full	Nil <sup>4</sup>
Overall	Subst	Subst	Subst

We consulted with retailers and distributors during our assessment. Their feedback included a number of other issues not directly assessed by the Principles. We have separately provided to Gas Industry Co a summary of these issues and have provided some examples in this report.

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<sup>4</sup> Vector’s draft GUoSA was subsequently published, such that at the publication date of this report Vector’s alignment with this Principle is “Full”.

## Introduction

### The Scheme

On 3 September 2012, the Minister of Energy and Resources endorsed Gas Industry Co's recommendation for a voluntary, industry-agreed, Gas Distribution Contracts Oversight Scheme (the **Recommendation**). The overall purpose of the Scheme is to ensure that the core terms and conditions in distribution contracts are clear and reasonable, promote market efficiency and ultimately enhance consumer outcomes.

The Scheme established a set of principles (the **Principles**) against which standard gas distribution service agreements would be measured. The Scheme does not assess negotiated agreements.

### Our assessment

Elwood Law was appointed by Gas Industry Co to perform an assessment of standard gas distribution service agreements as at 1 March 2014 against the Principles. Elwood Law also performed an initial assessment against the Principles in 2013.

### Our independence

Elwood Law has performed its assessment independently of Gas Industry Co, but consistently with the Scheme. This report does not bind Gas Industry Co.

## Methodology

### Distribution Principles

Our report is based on the Principles specified in the Recommendation. For ease of reference, these Principles are detailed in Attachment 1.

### Distributors covered by the Scheme

The distributors covered by the Scheme are GasNet, PowerCo and Vector<sup>5</sup>.

Nova Energy is a distributor under the Gas Act. However, Nova Energy confirmed to us that it only provides distribution services to its own retail arm and does not intend to publish a standard gas distribution contract. Gas Industry Co has advised that, as a result, Nova Energy is not covered by the Scheme and is outside the scope of our assessment.

### Distribution arrangements

The Scheme envisaged that we would assess standard gas distribution service agreements against the Principles. As at 1 March 2014, two of the three distributors had published a template gas distribution service agreement (i.e. GasNet and PowerCo). Vector provided us with a draft of its template agreement which was subsequently published on its website in

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<sup>5</sup> For the purpose of this report we have viewed a "group of related companies" as one distributor. For example, Vector has been viewed as one distributor although technically different legal entities own different parts of Vector's distribution network.

early April 2014.

Our assessment has focussed on these standard template agreements. We have not reviewed any individual pre-existing contracts which are currently in place between any individual retailer and distributor.

From our discussions with retailers and distributors, it appears that:

- Where distributors may have previously had contracts covering both distribution and metering services, all of the distributors are moving to separate metering agreements and use of system agreements. We understand this is consistent with the approach being taken in the electricity industry.
- Some distributors have previously had different distribution contracts for different pipelines or networks, but all of the distributors have confirmed their intent to align their GUoSA terms across all of their network(s) to the fullest extent possible.
- Each distributor has consulted with retailers during the development of its template GUoSA, often providing detailed information on why the distributor has opted for certain drafting.
- Each of the distributors has considered the model Use of System Agreement published by the Electricity Authority (the **MEUoSA**) in the development of its GUoSA.

### Assessment methodology

The Scheme requires that each published standard GUoSA be assessed as a whole against each Principle using the following qualitative scores.

Score	Description
Full	Meets the intention of the Principle in all respects.
Substantial	Meets the intention of the Principle in most respects. Only minor changes are needed to meet 'full' ranking.
Moderate	Meets the intention of the Principle in some respects. More substantive changes are needed to improve the ranking.
Low	Little alignment with the intention of the Principle and substantial changes are needed to improve the ranking.
Nil	No alignment with the intention of the Principle.

Prior to the 1 March 2014 assessment date, we agreed an assessment methodology with Gas Industry Co which was targeted at achieving a cost effective assessment. The agreed methodology recognised that it may be inappropriately time consuming to assess comprehensively every clause in each GUoSA for alignment with each of the Principles. Rather we were to focus our assessment on the clauses and issues of most commercial and industry importance, focus on any problematic clauses, focus on areas of misalignment identified by industry participants and, as time permitted, identify any other issues with the alignment of clauses against the Principles.

It is worth noting that "Full" and "Nil" are essentially absolute measures. Any failure to meet a Principle means that an arrangement won't be

assessed as having “Full” alignment and an arrangement won’t be assessed as “Nil” unless there is no alignment with the intention of the Principle at all.

In comparison, “Substantial”, “Moderate” and “Low” are more subjective and broad measures. For example, there may be a contract which we have identified requires only a minor drafting change to achieve full alignment, but we are aware a minor wording change may be commercially significant. There may be other contracts which include very little drafting about a particular topic and significant drafting changes would be required in order to have “Full” alignment, but the commercial arrangements and industry context has a high degree of alignment with the Principle. In each case, it is difficult to know how such arrangements should best be assessed against the Principle, and we have used our own judgement in this regard.

Broadly speaking, our approach was to assess an arrangement which is “almost there” or “roughly there” as “Substantial”, “half way there” as “Moderate”, “barely there” as “Low”, and “doesn’t align with the Principle at all” as “Nil”.

#### **Draft report and industry feedback**

A draft of this report was prepared and circulated to relevant industry participants on 31 March 2014. In addition, we discussed various drafts of this report with Gas Industry Co.

As the GUoSAs have been loosely based on the MEUoSA, we discussed at a high level the likely findings of our report with the Electricity Authority. We understand that Gas Industry Co will provide a copy of our assessment to the Electricity Authority.

We received feedback on our draft report from each distributor and the vast majority of gas retailers. Most of the feedback was provided in person or by phone, and one distributor provided a written submission. We have considered all the feedback received.

The industry was generally supportive of the assessment process. We believe retailers and distributors appreciated being able to provide us with non-attributed feedback. A number of participants discussed the huge compliance cost and burden in keeping abreast of regulatory projects and change. We received full and frank feedback from the people involved, which we greatly appreciated.

We have included in our report (and in Attachment 2) some observations on the feedback received.

## Context

#### **GUoSAs are based on electricity agreements**

As noted above, all of the distributors covered by the Scheme have chosen to base (to varying degrees) their GUoSA on the model Electricity Use of System Agreement published by the Electricity Authority in September 2012 (the MEUoSA).

The provisions in the MEUoSA went through substantial consultation and took many years to prepare and confirm. However, the Electricity Authority

has signalled that issues with the voluntary uptake of the current MEUoSA means that the MEUoSA has not delivered the expected benefits of improving efficiency and promotion of retail competition or resulted in the expected standardisation across the industry. The Electricity Authority published a preliminary conclusion in April 2014 proposing to amend the Electricity Industry Participation Code 2012 to establish the MEUoSA as a default set of terms that can be varied by mutual agreement between each distributor and retailers on that network.

As part of our 2013 assessment process we undertook a full comparison of the terms of the then draft GUoSAs with the MEUoSA. This was a useful process, but the comparison did not in and of itself determine whether a GUoSA met the Principles. The GUoSAs include fairly substantial amendments to the MEUoSA as a result of the change in fuel type and industry specific factors. There are a number of gas specific requirements (such as odourisation, pressure, quality and contingency arrangements).

Where a comparison to the MEUoSA wording has been relevant to our assessment is in relation to Principle 2. Principle 2 requires that each GUoSA “reasonably represent the interests of the Retailer and the Distributor”. We understand that a key driver in the Electricity Authority’s process was achieving “balance”, and we think it is logical to broadly equate “balance” with Principle 2’s aim of “reasonably represent the interests of”.

Accordingly, we have taken into account key provisions in the MEUoSA (e.g. prudentials and limitations on liability) in our assessment against Principle 2. The provisions in the MEUoSA are not the only consideration. For example, one distributor suggested to us that further analysis of the gas industry dynamics would be needed to determine whether the prudential provisions in the MEUoSA are balanced in respect of the gas industry. The collapse of E-Gas Limited and the financial ramifications of that collapse are still fresh in the industry’s mind.

### **Other documents and understandings**

There are a host of documents, policies and industry understandings (documented or otherwise) which are relevant to the obligations in distribution contracts. Some of these documents could be relevant to interpreting contractual obligations in a GUoSA.

For example, each distributor is required to publish an Asset Management Plan under the Commerce Act. These Asset Management Plans provide retailers with increased visibility of each distributor’s plans and targets for its network. The service targets described in the Asset Management Plans do not expressly form part of the contractual clauses in the GUoSAs. However, they do form part of the commercial context and may be relevant to the interpretation of GUoSA clauses.

We have not taken into account all of these other documents and understandings in this assessment process. As a result, it is possible that we have identified aspects of the GUoSA that don’t appear to align with a Principle where the practice may, on further analysis, align with a Principle if all contextually relevant material was considered. Gas Industry Co has confirmed the paper based nature of our review, and that a broader review of industry practices is beyond the scope of this assessment.



## Key findings

### Overall alignment

Each of GasNet’s and PowerCo’s standard GUoSA has “Substantial” alignment with the Principles.

As Vector’s GUoSA is still in draft form, its overall degree of alignment may technically be considered by some as “Nil”. This is because there was no standard GUoSA published as at the assessment date 1 March 2014. However, this approach would fail to acknowledge the work that Vector has undertaken to progress its GUoSA. The draft was significantly progressed. Accordingly, Gas Industry Co asked us to assess the document provided by Vector as if it was a finalised template offering. Accordingly, Vector’s draft GUoSA also has “Substantial” alignment with the Principles.

### Alignment has improved

The 2013 assessment identified that the technical alignment of all GUoSAs was “Nil” (as all of the arrangements assessed were drafts). But, if the drafts were finalised as is, our rough assessment of the overall alignment of the drafts as at 1 February 2013 against the Principles of the Scheme was “Moderate”.

The alignment of each of the GUoSAs has improved since the 2013 assessment. As noted above, the overall alignment of each of the distributor’s GUoSAs is assessed as “Substantial” as at 1 March 2014.

In considering the amendments made to arrangements between 1 February 2013 and 1 March 2014 it is possible for us to see numerous changes to those agreements made in response to feedback provided during the 2013 assessment. The willingness of the industry to respond to feedback provided by us during a voluntary, non-regulated assessment is to be commended.

### Alignment with each Principle

Our assessment of the alignment of each assessed GUoSA with each Principle can be summarised as follows:

Principle	GasNet	PowerCo	Vector
1. Similar access terms	Full	Full	Full
2. Parties’ interests reasonably represented	Subst	Subst	Subst
3. Arrangements current	Full	Full	Full
4. Clear and comprehensive	Full	Subst	Subst
5. Services and service standards described	Full	Full	Full
6. Services include all aspects under distributor’s control	Full	Subst	Subst
7. Pricing changes subject to consultation and transparency	Full	Full	Full
8. Information to accompany price changes	Full	Full	Full
9. > 40 business days’ notice of price	Full	Full	Full

Principle	GasNet	PowerCo	Vector
changes			
10. Line charges and cessation policy described <sup>6</sup>	Full	Full	Full
11. Clear disconnection and reconnection <sup>7</sup>	Full	Full	Full
12. Information exchange protocols	Subst	Subst	Subst
13. Information requests limited to distribution purposes	Subst	Subst	Subst
14. Information used only for purpose provided	Subst	Subst	Subst
15. Planned interruption policy	Full	Full	Full
16. Timely provision of interruption information	Full	Subst	Subst
17. Effective contingency management	Full	Full	Subst
18. Publicly available standard contract	Full	Full	Nil <sup>8</sup>
Overall	Subst	Subst	Subst

Our analysis to support this assessment is provided in Attachment 2.

**GasNet arrangement the most aligned**

Although each of the GUoSAs has been assessed as having the same overall alignment, the GasNet GUoSA raised the fewest alignment issues. Retailers also commented most favourably on this agreement, particularly noting that the GasNet GUoSA:

- included the most comprehensive set of service standards; and
- was the most aligned to the MEUoSA, with the amendments GasNet had made to that document tending to be directly related to gas industry factors (rather than changes in the underlying commercial position).

**Feedback on our assessment mixed**

Based on the feedback we received on a draft of this report, we are aware that some retailers will be surprised to see so many “Full” ratings in our assessment. For example, some retailers will consider our assessment of Principles 10 and 11 to be particularly generous. Our assessment of these Principles reflects the drafting of the Principles (i.e. the Principles only require the Distributor’s policy to be *described*). Retailers raised a number of concerns with those policies, but these concerns largely related to the reasonableness of the policies that were described, rather than the clarity of the description of those policies.

<sup>6</sup> Despite assessing this as having full alignment, there are on-going industry issues regarding disconnection charging policies. Gas Industry Co may wish to consider these issues.

<sup>7</sup> Despite assessing this as having full alignment, there are on-going industry issues regarding disconnection policies. Gas Industry Co may wish to consider these issues.

<sup>8</sup> Vector’s draft GUoSA was subsequently published, such that at the publication date of this report Vector’s alignment with this Principle is “Full”.

At the same time, the feedback from distributors on the same draft report indicates that they are likely to consider that more of the rows in the table above should be “Full”. Our analysis in Attachment 2 indicates some Principles where only minor amendments to a GUoSA would be required for a change in our assessment, and where a distributor’s practice appears to fully align with the Principle’s intent.

#### **Matters for Gas Industry Co to consider**

We have included a number of notes in Attachment 2 of Principles which Gas Industry Co may wish to further consider in light of the industry feedback and assessment results.

We have also indicated in Attachment 2 some areas where further clarification from Gas Industry Co would assist with future assessments. For example, in relation to Principle 2 (which requires that “the Distribution Service Arrangement should reasonably represent the interests of the Retailer and the Distributor”) we have noted a number of retailer concerns and suggested it would be helpful if Gas Industry Co released guidance on the terms and conditions that it considers would be reasonable. In particular, there are some long-running industry tensions and we do not consider that our assessment is the appropriate forum to consider such matters. For example:

- What prudential requirements (or range of prudential requirements) “reasonably represent the interests of the parties” for the purpose of Principle 2? We note that the Electricity Authority undertook substantial analysis to determine the model prudential requirements in the MEUoSA. Some gas industry participants suggested to us that the electricity prudential arrangements would not be balanced for the gas industry, due to the different regulation of the industries. Many participants queried whether Gas Industry Co would provide guidance on this matter.
- When should disconnection and reconnection occur at vacant premises and who should bear the cost of the line charges during the period the premises is vacant? When a property is vacant the retailer is unable to recover line charges from a consumer and has no certainty that a future consumer will use it to supply gas (i.e. the new consumer may switch to a different retailer). A number of retailers consider distributors should absorb the costs of long term vacant (but connected) premises. Concerns with the reasonableness of off-season line charges for seasonal gas consumers were also noted.
- There are differing views held by the industry regarding what limitations on liability are reasonable.

## Other observations

As noted above, we consulted with retailers and distributors during our assessment. Their feedback included a number of other issues not directly assessed by the Principles. We have separately provided to Gas Industry Co a summary of these issues and provide some examples below.

### Arrangements for metering services

The GUoSAs do not cover the provision of metering services. A few participants highlighted that when the Principles were designed by Gas Industry Co metering services were typically included within gas distribution contractual arrangements. While we are not aware of any particular issues with the contractual arrangements for metering services, this may be a gap which Gas Industry Co would like to consider.

A couple of retailers noted that the costs of reading gas meters are increasing. The increasing numbers of electricity smart meters are resulting in an increased cost per meter read for the reading of gas meters, and at some point this may need to result in changes to the metering arrangements for the gas industry (e.g. if the current scenario becomes commercially untenable).

### Gas Industry Co's role in approving codes and protocols

The GUoSAs include some clauses which refer to roles or actions of Gas Industry Co where it is not clear to us that Gas Industry Co currently performs such a role or action.

For example, a clause in a GUoSA allows the contract to be amended if the change is "required by law or any mandatory rules or protocols of any industry association or body". Gas Industry Co's role in approving a "mandatory" protocol is not clear, although it is different from the role of the Electricity Authority.

Also, Principle 12 refers to "industry-agreed standard information exchange protocols". It is not clear to us who in the industry needs to agree to protocols for them to be "industry-agreed". For example, the Gas Association of New Zealand's Disconnection and Reconnection Protocol (GIP001) is mentioned in all of the GUoSAs. We assume Gas Industry Co would consider that to be an industry-agreed protocol? It appears that further clarification from Gas Industry Co on "industry-agreed" codes and protocols may be helpful.

### Alignment with retail contracts

One retailer queried the enforceability of some of the terms which one or more GUoSA requires them to include in consumer contracts. For example, it queried the enforceability of terms which purport to give the distributor an ability to access the consumer's premises up to six months after the termination of the customer contract. The retailer noted that some of its customers have objected to clauses which give the distributor rights extending beyond termination of the customer's contract.

In general terms, retailers mentioned the difficulty they face drafting a uniform consumer contract to cover electricity and gas when each of the gas and electricity distribution contracts include slightly different requirements which the retailer is required to flow through to the consumer contract. By way of an example, one retailer commented that some distributors want the retailer to print on the customer's invoice the distributor's fault number, but others don't require this. This retailer suggested that there may be benefits in the Electricity Authority and Gas Industry Co standardising these aspects of the contracts.

## Attachment 1 – The Principles

Term	Meaning	Gas Industry Co's Explanation (where applicable)
Consumer	A person who uses gas supplied from a gas distribution system.	The definition includes Consumers who are a party to a Distribution Service Arrangement with a retailer.
Distributor	Has the same meaning as 'Gas Distributor' as set out in s 2(1) of the Gas Act 1992.	That is, any person that provides Line Function Services to another. At this time, in line with the decision of the Rulings Panel <sup>9</sup> , this definition does not include a participant that provides Line Function Services only to itself.
Distribution Services	Includes Line Function Services	Includes the distribution of gas quantities and may include other services the Distributor agrees to provide to the Retailer.
Distribution Service Arrangement	Includes all documents relevant to the agreed relationship between a Distributor and a Retailer for the provision of Distribution Services over a distribution system.	Contractual arrangements are often the sum of the main written agreement along with other documentation that is referred to in the main agreement. For example, policies and procedures, or other information. This term seeks to encompass all information relevant to the relationship.
Line Function Services	Has the same meaning as set out in s 2(1) of the Gas Act 1992: <b>line function services</b> means - (a) the provision and maintenance of pipelines for the conveyance of gas: (b) the operation of such pipelines, including the assumption of responsibility for losses of gas	
Line Charges	Refers to any charges 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.	

<sup>9</sup> Gas Industry Co's recommendation included the following Note: "Decision of the Rulings Panel in the matter of alleged breach notice 2009-104, 130, 138 etc. (Nova Bypass). See the Gas Industry Co website for more information: [http://www.gasindustry.co.nz/sites/default/files/u24/Nova\\_Bypass\\_Rulings\\_Panel\\_Decision\\_2.pdf](http://www.gasindustry.co.nz/sites/default/files/u24/Nova_Bypass_Rulings_Panel_Decision_2.pdf)." However, the definition of "gas distributor" in the Gas Act 1992 was replaced on 12 December 2012, such that Nova Energy is now a gas distributor. The new definition is "gas distributor means any person who supplies line function services to any gas retailer or other person by means of a distribution system and includes a gas distributor who is also a gas retailer providing line function services to itself".

**General principles**

<b>Principle 1</b>	<b>Gas Industry Co's Explanation</b>
<p>All Retailers should receive access to a distribution system on substantially similar terms.</p> <p><b>Note:</b> 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.</p>	<p>This principle recognises that the nature of the market means Distributors do have a degree of market power. As such, it requires that the terms offered to one Retailer should be substantially similar to those offered to other Retailers.</p> <p>However, Gas Industry Co recognises that some aspects of Distribution Service Arrangements may need to be negotiated between the Retailer and Distributor. To the extent possible, we would like to see standardised terms of access.</p>
<b>Principle 2</b>	<b>Gas Industry Co's Explanation</b>
<p>The Distribution Service Arrangement should reasonably represent the interests of the Retailer and the Distributor (as parties to the agreement).</p>	<p>This principle recognises the tendency towards imbalance in leverage between the parties. It seeks to prevent asymmetrical contractual arrangements.</p>
<b>Principle 3</b>	<b>Gas Industry Co's Explanation</b>
<p>The Distribution Service Arrangement should be current and comprehensive; this can be achieved by establishing a process for regular review of the arrangement.</p>	<p>As industry arrangements change, it is important that these changes are reflected in contractual arrangements to provide protection to both parties. Regularly reviewing contracts will help to ensure any necessary changes are identified and made.</p>

**Obligations and rights of the parties**

Principle 4	Gas Industry Co's Explanation
<p>The obligations and rights of the parties should be clearly and comprehensively set out in the Distribution Service Arrangement.</p> <p>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.</p> <p>Where a Retailer is legally responsible 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.</p> <p><b>Note:</b> An example of this is under <i>NZS 5442: 2008 Specification for reticulated natural gas</i>, where the Retailer is legally responsible – but not physically in control of – the gas specification. 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 regarding the management of the quality of gas entering the distribution system, or something similar.</p> <p>The process for amending or varying the Distribution Service Arrangement should be described. There should be not less than 30 days' notice of the changes.</p> <p>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.</p>	<p>Contracts should be clear, especially in relation to the obligations and rights of parties. We consider this is critical for ensuring that arrangements function as intended.</p> <p>Contracts should be up-to-date with respect to relevant legislation. Gas Industry Co considers that clear identification of legal responsibilities is very important because the consequences of non-compliance can extend beyond the distribution contract.</p> <p>If either party wishes to amend the Distribution Service Arrangements, the contract should specify a process for doing so. The notice period for any such changes should be of a reasonable length to allow both parties to fully consider the proposed changes. Where possible, any such changes should be mutually agreed.</p> <p>A process for resolving disputes is a necessary element of any contract. We consider this process should be clearly set out and accessible to both parties.</p>

**Distribution services provided**

<b>Principle 5</b>	<b>Gas Industry Co's Explanation</b>
<p>The Distribution Service Arrangement should describe the Distribution Services to be provided by the Distributor and the service standards for those services.</p>	<p>This principle does not name the specific Distribution Services that should be provided. However, it recognises the expectation that the Distributor will clearly identify all of the services it will provide to a Retailer.</p> <p>This principle also provides that the service standards for those services are identified in the contract.</p>

<b>Principle 6</b>	<b>Gas Industry Co's Explanation</b>
<p>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.</p>	<p>This principle ensures that the services and service standards required in principle 5 are under the control of the Distributor, or a service provider to the Distributor. For example, it would be unreasonable to set out services for which the TSO is responsible.</p>

**Pricing including pricing changes<sup>10</sup>**

<b>Principle 7</b>	<b>Gas Industry Co's Explanation</b>
<p>Changes to pricing structures and/or methodology should be subject to meaningful consultation and transparency such that the intention and impact of the proposed changes are easily understood, and responses to Retailers' written comments, including decisions on final structure are transparent and clear to all prior to notification of final prices.</p>	<p>We consider it fair that the Distributor consult with the Retailer on the proposed pricing change.</p>

<b>Principle 8</b>	<b>Gas Industry Co's Explanation</b>
<p>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.</p>	<p>To ensure the proposed pricing change is fully understood by the Retailer, all supporting documentation should be provided to the Retailer on notification.</p>

<sup>10</sup>Gas Industry Co's recommendation included the following 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 for electricity distribution. As such, these Principles look only at the reasonable notification of price changes to Retailers and Consumers." At the time of preparing this assessment, Vector, Powerco and GasNet are regulated by the Commerce Commission under Part 4 of the Commerce Act 1986.



Principle 9	Gas Industry Co's Explanation
<p>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. This period should be no less than 40 business days.</p>	<p>Changes should be notified within a reasonable timeframe. The timeframe is consistent with the Retail Benchmarks.</p>

**Commencement and cessation of line charges**

Principle 10	Gas Industry Co's Explanation
<p>The Distribution Service Arrangement should clearly describe the Distributor's policy with respect to the commencement and cessation of line charges for the supply of gas.</p>	<p>The contract should be transparent by providing clear indication of when the Distributor will begin charging line charges and end line charges.</p>

**Disconnection and reconnection**

Principle 11	Gas Industry Co's Explanation
<p>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.</p>	<p>Gas Industry Co is aware of previous issues in relation to disconnection and reconnection between Retailers and Distributors. We consider that the contract should be clear and set out what the expectations are in terms of a Distributor's policy on disconnection and reconnection.</p>

**Information exchange and use**

Principle 12	Gas Industry Co's Explanation
<p>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.</p>	<p>To ensure information is exchanged in the most efficient way, parties should have clearly defined arrangements.</p>

Principle 13	Gas Industry Co's Explanation
<p>Information will only be requested under the Distribution Service Arrangement for the purposes of enabling efficient and effective gas distribution.</p>	<p>Information requested must be reasonable and relate to promoting efficiency in the distribution of gas.</p>

Principle 14	Gas Industry Co's Explanation
Information will only be used for the purpose for which it is provided.	If information is provided to a party for a specific purpose it should not be used for another purpose. This includes confidential and non-confidential information.

**Service interruptions**

Principle 15	Gas Industry Co's Explanation
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. The minimum notice period of a planned shutdown should be no less than 10 business days unless agreed otherwise with the Retailer.	The Distribution Service Arrangement should clearly identify how and when it will interrupt a Retailer's service. This will help to minimise risks to the Retailer and Consumer.

Principle 16	Gas Industry Co's Explanation
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.	The Distribution Service Arrangement should clearly identify how and when it will interrupt a Retailer's service. This will help to minimise risks to the Retailer and Consumer.

**Managing critical contingencies**

Principle 17	Gas Industry Co's Explanation
Contracts should provide for the effective management of emergencies on the network in accordance with the Gas Governance (Critical Contingency Management) Regulations 2008 where load curtailment is instructed, and coordination of the isolation and restoration of supplies to consumers (and relighting of pilots) to ensure network security and consumer safety is not compromised.	To ensure parties understand their respective roles and responsibilities when a critical contingency event occurs, it is important that contracts align with the Gas Governance (Critical Contingency Management) Regulations 2008. Effective management of critical contingencies could include, where a Retailer contracts a Distributor to perform Consumer usage monitoring and/or disconnection services during a critical contingency, details of these services being specified.

**Publication of the standard distribution agreement**

<b>Principle 18</b>	<b>Gas Industry Co's Explanation</b>
<p>The Distributor's most recent standard Distribution Service Agreement should be publicly available on the Distributor's website.</p>	<p>Transparency is an important part of providing for efficient arrangements.</p>

## Attachment 2 – Further analysis

### General Principles

#### Principle 1

Principle 1	Gas Industry Co's Explanation
<p>All Retailers should receive access to a distribution system on substantially similar terms.</p> <p><b>Note:</b> 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.</p>	<p>This Principle recognises that the nature of the market means Distributors do have a degree of market power. As such, it requires that the terms offered to one Retailer should be substantially similar to those offered to other Retailers.</p> <p>However, Gas Industry Co recognises that some aspects of Distribution Service Arrangements may need to be negotiated between the Retailer and Distributor. To the extent possible, we would like to see standardised terms of access.</p>

#### Assessment findings

Commentary
<p>Our assessment has focussed on assessing whether the terms offered by each Distributor to all Retailers using its network are substantially similar. We have not been asked to assess whether the contractual terms of the various Distributors are substantially similar.</p> <p>Retailers stressed that this is a fundamental principle for them. It is important to compete on a level playing field. Retailers generally thought the services provided by Distributors were provided in an even handed manner.</p>

GasNet	PowerCo	Vector
<p>All GUoSAs include an obligation on the relevant Distributor to provide equal access to the Services and treat Retailers in an even-handed manner.</p> <p>All GUoSAs require the Distributor to notify Retailers if they have agreed different terms with another Retailer and offer those terms to the other Retailer (subject to various conditions).</p>	<p>PowerCo's GUOSA clarifies that its obligation to treat Retailers in an even-handed manner:</p> <ul style="list-style-type: none"> <li>• does not apply to the exercise of any discretion under clause 10 (Prudential requirements), 12 (Responsibility for Network and other assets), 16 (Force Majeure), 17 (Termination) or 18 (Confidentiality).</li> <li>• does not require PowerCo to offer even-handed terms in an Individual Site Agreement.</li> </ul>	<p>Even-handed approach does not apply to alteration of price for the supply of distribution services in respect of a particular ICP. This clarification of the even-handed requirement meets the requirement for "substantially similar terms".</p>

GasNet	PowerCo	Vector
	PowerCo also clarifies that pricing and pricing methodologies may vary according to factors such as network region, consumer type, connection type, term and/or volume commitments, such that in practice the overall impact of the price and pricing methodologies may vary between Retailers. These two clarifications of the even-handed requirement meet the requirement for “substantially similar terms”.	

	GasNet	PowerCo	Vector
<b>Overall alignment</b>	Full	Full	Full

## Principle 2

Principle 2	Gas Industry Co’s Explanation
The Distribution Service Arrangement should reasonably represent the interests of the Retailer and the Distributor (as parties to the agreement).	This Principle recognises the tendency towards imbalance in leverage between the parties. It seeks to prevent asymmetrical contractual arrangements.

## Assessment findings

Commentary
<p>We found this Principle difficult to assess. The following factors were relevant to our assessment:</p> <ul style="list-style-type: none"> <li>In numerous industries the contractual arrangements for access rights to a network are very one-sided. In our view, all of the GUoSAs are not as one-sided as the contractual terms which are common in other industries. The Retailers noted that the GUoSAs are not as one-sided as previous distribution contracts were.</li> <li>Some Retailers considered that they have little negotiating leverage. In their view the Distributors are more focused on protecting themselves from risk than describing the services to be provided and the applicable service standards. For example, it was highlighted that one of the GUoSAs contained far more detail in the limitations of liability clauses than it did in the description of relevant service standards. In comparison, Distributors felt very constrained in the drafting of their contracts and that Retailers had genuine negotiation leverage. Distributors highlighted that the Retailers are some of the biggest companies in New Zealand and have the wherewithal to negotiate terms and conditions that represent their interests.</li> </ul>

- The overlay of regulation is highly relevant to the drafting of the contractual arrangements. Distributors considered it important that any assessment of reasonableness also consider the regulatory provisions (particularly the Commerce Act oversight).
- Distributors suggested to us that “acceptance” of the terms by Retailers was a good indication that the terms were “reasonable”. However, different Retailers had different theories about the negotiation strategies used by Retailers when signing up to an agreement. Some Retailers suggested that there can be a large difference between a contract they can “live with” and a contract that reasonably represents their interests. These Retailers stressed that the business uncertainty of being off-contract or operating under an out-dated regime can be a significant driver encouraging execution of a contract even if it doesn’t (in their view) represent their interests to the extent that they would consider reasonable. Another Retailer noted that the even-handedness obligation (see Principle 1) meant that some Retailers are focusing their commercial efforts elsewhere. A Retailer might sign up to any agreement that was better than its existing agreement, rather than trying to negotiate a better agreement, with the comfort that if any other Retailer managed to negotiate a better agreement it would be able to decide whether to transition on to that agreement.
- A clause shouldn’t be taken out of context. Any particular clause may favour one party over the other, but it is the overall reasonableness that is to be assessed under Principle 2.
- There were differing views about the relevance of the MEUoSA as a benchmark for “reasonableness”. Some in the industry agreed it was relevant (given the significant effort which went into the development of its terms), but others suggested that factors specific to the gas industry mean that it may not be an appropriate benchmark. It was suggested further analysis is required (which is outside the scope of this assessment). Either way, the MEUoSA would not be the only consideration.
- There are some long running industry discussions regarding how certain risks should be allocated within the industry (e.g. whether the Distributor or the Retailer should reasonably bear the risk of line charges for vacant premises). We do not consider that this assessment is the correct forum to resolve these long-term industry discussions.
- Retailers also queried the reasonableness of specific clauses, such as:
  - Distributors essentially require Retailers to claim compensation for network outages from the Distributor, but Retailers queried whether these should be refunded automatically and without a specific claim as each Distributor will have better information on how long an outage occurred and the ICPs that were affected. In response, one Distributor noted it had aligned its approach to the MEUoSA.
  - One Retailer noted that the prudentials and auditing requirements in the GUoSAs will probably be more difficult for new entrants to meet than existing Retailers (as existing Retailers already have the requisite credit rating) and queried whether a potential stifling of competition is relevant to the assessment of reasonableness.
  - The reasonableness of the liability clauses were questioned (e.g. proportioning of liability based on the number of ICPs and the extent of the carve outs). One Retailer thought it would be reasonable if a Distributor’s liability to commercial customers for gas quality was at least equivalent to its liability to domestic customers (which have changed following recent Consumer Guarantees Act amendments).
  - Another Retailer suggested that any clause which purports to give a Distributor rights to terminate an ICP in the event of a genuine dispute between

the Distributor and the Retailer should be considered unreasonable, on the basis that the exercise of these clauses prior to the resolution of the dispute can unfairly distort the market.

- Some Retailers also provided feedback on amendments to the GUoSAs they thought would make the arrangements "more reasonable" (e.g. improvements to the drafting of the disconnection and refund policies).
- The reasonableness of the GUoSAs needs to be considered together with the matrix of other industry agreements. For example, it may be unreasonable from the Retailer's perspective if a contract excludes to the fullest extent permitted by law all of the Distributor's liability for aspects of gas quality where those quality aspects are completely beyond the Retailer's control, but such a clause may be reasonable from the Distributor's perspective if it reflects, in a back-to-back nature, upstream arrangements which affect the Distributor's ability to seek redress for quality issues which are beyond the Distributor's control.
- Distributors need an ability to evolve their networks over time to meet changing operations and customer and regulatory arrangements. There is some inevitable tension between the needs of Distributors to make such changes to their networks and the needs of Retailers to not have expensive or costly operational changes unreasonably imposed on them. The GUoSAs encourage the parties to first negotiate or consult on proposed amendments, but ultimately, allow the Distributor to change a number of clauses unilaterally. The nature of the provisions which can be unilaterally changed on notice by the Distributor if negotiations fail are illustrated in the table below. These clauses may ultimately be exercised to favour the Distributor's interests over the Retailer's interests, but there are protections built into the contract (e.g. a requirement to consult) and general protections (such as Commerce Act protections from misuse of market power).

**Provisions the Distributor can Change Unilaterally**

*Note: This table is a high level summary only*

Distributor can Unilaterally Change	Vector	PowerCo	GasNet
Prices	Yes – But not more than once every 12 months (with some exceptions).	Yes – But not more than once every 12 months (with some exceptions).	Yes – But not more than once every 12 months (with some exceptions).
Price Methodologies	Yes – Provided the Retailer has been consulted on material changes affecting Retailers or Consumers.	Yes – Provided the Retailer has been consulted on material changes affecting Consumers.	Yes – Provided the Retailer has been consulted on material changes affecting System Users or Consumers.
Gas Information Exchange Protocols	Yes – Provided the change is in accordance with Good Industry Practice and the Retailer has been consulted.	No	No
Metering		No	No
Additional Services		N/A	No
Service Standards		Yes – Provided the change is not inconsistent with Good Industry Practice and the Retailer has been consulted.	No
Service Interruption Communication Policies		No	

<b>Connection Policies</b>			<b>Yes</b> – Provided the change is in accordance with Good Industry Practice and the Retailer has been consulted.
<b>ISA Terms</b>	N/A		N/A
<b>Loss Factors (note this is relevant to price)</b>	<b>Yes</b> - in accordance with the Gas (Switching Arrangement) Rules 2008.	<b>Yes</b> – But only in accordance with Good Industry Practice, no more than once every 12 months, and in conjunction with a Price Change.	N/A
<b>Gas Gates</b>	N/A	N/A	<b>Yes</b> - Provided the Retailer has been consulted.
<b>Network Points of Supply and ICPs</b>	<b>Yes</b>	No	No
<b>Provisions required by law or industry body to be changed</b>	<b>Yes</b> - As long as not more than two Retailers who together supply at least 15% of ICPs at the commencement of the Year (expressed as a percentage of the total number of ICPs connected to the Network at the commencement of the Year) dissent to such change.	<b>Yes</b> - Provided substantially the same change or addition has been incorporated into contracts for supply of Line Function Services between the Distributor and one or more Retailers who at that time are the responsible Retailers at not less than 66% of the ICPs on the Network.	No
<b>Other Provisions</b>	No		No
<b>Provisions with De-mimimus Change</b>	No – as either party may dispute	No – as other party may object on reasonable grounds	No – as other party may dispute

<b>Assessment</b>
<p>All of the GUoSAs have clauses which appear in our view to reasonably represent the interests of both parties, e.g.:</p> <ul style="list-style-type: none"> <li>• an obligation that both parties will undertake their obligations in accordance with “Good Industry Practice”; and</li> <li>• inclusion of service performance standards.</li> </ul> <p>Although we haven’t specifically assessed this point, in our view, there has been a substantial improvement on the alignment of GUoSAs with this Principle, compared with the previous distribution arrangements which were in place in the industry prior to the introduction of Gas Industry Co’s Distribution Contracts Oversight Scheme.</p> <p>All of the GUoSAs have some clauses which ultimately favour the Distributor’s interests over the Retailers’ interests, e.g. all have:</p> <ul style="list-style-type: none"> <li>• higher prudential requirements than in the MEUoSA. (Although we note that Distributors queried whether the electricity prudential requirements are an appropriate measure for the gas industry as the electricity regulatory arrangements give Distributors additional regulatory protection from the losses associated with Retailer insolvency.)</li> </ul>



Assessment
<ul style="list-style-type: none"> <li>an ability for the Distributor to amend numerous clauses on notice (although the extent to which varies, see table above).</li> <li>no guaranteed redress for failure to meet service levels.</li> </ul> <p>We found it a bit more difficult to identify clauses which clearly favour Retailers’ interests. However, provisions which favour Retailers include:</p> <ul style="list-style-type: none"> <li>a commitment to offer Retailers any alternative contracts which are agreed and the commitment to equal access and even-handed treatment (see Principle 1); and</li> <li>some Distributor indemnities which favour Retailers.</li> </ul> <p>Ultimately, there appear to be some pan-industry commercial issues (e.g. charges for vacant premises) where Retailers and Distributors disagree on what commercial arrangements would reasonably represent their interests. Without any ability to escalate these pan-industry commercial disputes to an expert body, there is likely to continue to be ongoing disagreement regarding whether the commercial terms of access are reasonable. It would be helpful for the purpose of future assessments against the Principles, if Gas Industry Co released guidance on terms and conditions that it considers would be reasonable. In the absence of this, we do not feel able to assess any of the GUoSAs as having “Full” alignment with this Principle (i.e. as meeting the intention of this Principle in all respects).</p>

	GasNet	PowerCo	Vector
<b>Overall alignment</b>	Substantial	Substantial	Substantial

### Principle 3

Principle 3	Gas Industry Co’s Explanation
The Distribution Service Arrangement should be current and comprehensive; this can be achieved by establishing a process for regular review of the arrangement.	As industry arrangements change, it is important that these changes are reflected in contractual arrangements to provide protection to both parties. Regularly reviewing contracts will help to ensure any necessary changes are identified and made.

### Assessment findings

Commentary
<p>We have addressed “currency” primarily under this Principle 3 and “comprehensiveness” primarily under Principle 4.</p> <p>Given the significant work all of the Distributors have undertaken to prepare their GUoSAs, it is not surprising that the agreements all have a high degree of currency. Feedback provided by industry supported that the agreements are up-to-date. (Note: Retailers did comment on areas where the drafting could be improved or additional detail added, but were largely comfortable that the agreements were current.)</p> <p>Changes to the GUoSAs will likely be required over their term to retain their currency. The Principle suggests our assessment should also consider whether</p>

appropriate review mechanisms are in place to ensure currency will be maintained. Generally GUoSAs don't provide for a formal regular review of the arrangements during their terms, as envisaged by the drafting of this Principle. But, a regular review process may not be the most efficient process to achieve currency of contractual arrangements (e.g. if changes are only needed infrequently or are needed urgently). We would assess an arrangement that didn't have a regular review process as fully aligning with Principle 3 provided there was a suitable built-in contractual change control process which gave sufficient confidence that amendments will occur as and when required.

We are aware that previous industry experience suggests that a change control process which allows for either party to submit a change proposal and requires the parties to negotiate an amendment in good faith, will often fail to achieve currency. There are examples of the industry agreeing a variation to an agreement is required, but being unable to determine the commercial aspects of that variation. As a result, this isn't the standard approach in the GUoSAs.

Each of the GUoSAs allow for, in the absence of the agreement of the parties, a binding determination or binding arbitration on amendments required in response to a change in legal obligations. These clauses significantly reduce the likelihood of a commercial impasse on such matters and will help to ensure that the agreements remain current with the relevant legal obligations.

Also, the agreements allow a Retailer to adopt the terms of another Retailer's agreement. Where Distributors have entered into different contract terms with another Retailer (an "alternative contract"), the agreements require Distributors to notify the other Retailers of those terms, and the Retailer may opt to adopt that alternative contract. This will ensure that new (and more current) contractual drafting is progressively rolled out to the industry.

To ensure currency, all of the Distributors have included (to varying degrees) an ability to unilaterally vary certain terms of the agreements (see the discussion above under Principle 2) and there are varying restrictions on the exercise of such unilateral rights (depending on the clause being amended). There is a tension here as these clauses help to ensure currency under Principle 3, but may raise issues under Principle 2 (see above) and Principle 4 (see below). Although the extent to which the Distributor can amend terms on notice varies, we consider all of the arrangements give adequate provision for currency to be maintained.

We note that any issue of deadlock within the industry that results in a GUoSA losing its currency would be well known to the industry. This would be highlighted in further assessments against this Principle. Ultimately issues of deadlock could result in regulatory change and, as noted above, the contracts have mechanisms to ensure that they respond to changes in the law.

	<b>GasNet</b>	<b>PowerCo</b>	<b>Vector</b>
<b>Overall alignment</b>	Full	Full	Full

**Obligations and rights of the parties**

**Principle 4**

Principle 4	Gas Industry Co's Explanation
<p>The obligations and rights of the parties should be clearly and comprehensively set out in the Distribution Service Arrangement.</p> <p>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.</p> <p>Where a Retailer is legally responsible 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.</p> <p><b>Note:</b> An example of this is under <i>NZS 5442: 2008 Specification for reticulated natural gas</i>, where the Retailer is legally responsible – but not physically in control of – the gas specification. 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 regarding the management of the quality of gas entering the distribution system, or something similar.</p> <p>The process for amending or varying the Distribution Service Arrangement should be described. There should be not less than 30 days' notice of the changes.</p> <p>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.</p>	<p>Contracts should be clear, especially in relation to the obligations and rights of parties. We consider this is critical for ensuring that arrangements function as intended.</p> <p>Contracts should be up-to-date with respect to relevant legislation. Gas Industry Co considers that clear identification of legal responsibilities is very important because the consequences of non-compliance can extend beyond the distribution contract.</p> <p>If either party wishes to amend the Distribution Service Arrangements, the contract should specify a process for doing so. The notice period for any such changes should be of a reasonable length to allow both parties to fully consider the proposed changes. Where possible, any such changes should be mutually agreed.</p> <p>A process for resolving disputes is a necessary element of any contract. We consider this process should be clearly set out and accessible to both parties.</p>

## Assessment findings

### Commentary

#### *Approach*

Principle 4 addresses a number of different issues, which we have discussed separately below. When assessing the alignment of the GUoSAs with this Principle, we have considered the overall alignment of each issue below, and then, collectively the overall alignment with the Principle.

#### *Comprehensiveness*

All the agreements are sufficiently comprehensive. The agreements all sufficiently describe the key rights and obligations of each party.

#### *Legal responsibilities*

All the GUoSAs provide terms requiring the Distributors to operate the network in accordance with relevant legislative requirements.

None of the arrangements directly describe how the Distributor will assist the Retailer to meet its relevant legal responsibilities (e.g. Retailer obligations under NZS5442:2008). That said, each arrangement describes various technical details that are relevant to the legal responsibilities. This discussion is not in a separate section of “matters which the Retailer has legal responsibility for, but which the Distributor (or one or more of its service providers) has control over”.

Distributors noted that the “Note” in the Principle isn’t correct. In other words, “it isn’t as simple as noting” that the Distributor has an agreement with the TSO, as often there are not interconnection contracts in place.

There were slightly differing views on the extent to which the contract needed to describe all of the matters. There are other documents (such as Asset Management Plans, Safety Management Plans and service level reporting) which set out relevant factors. As those other documents may be updated from time to time, one Distributor expressed some concern about potential duplication that could arise if specific references were introduced into the contract. Conversely, it was stressed to us by some Retailers that it shouldn’t be sufficient for Distributors to be compliant due to material in other documents, as Retailers can’t enforce those documents and it should not be assumed that Retailers are aware of the content of all such documents. As Retailers have legal responsibilities they need access to information to be able to demonstrate how they are compliant. Potentially if the Asset Management Plans and Safety Management Plans and other such documents were expressly referenced and key sections incorporated into the GUoSA (even if there were no guarantees around performance against those documents) this may be sufficient – but this is not the current approach.

Two Retailers developed a draft Protocol detailing information which would assist them comply with the Gas (Safety and Measurement) Regulations 2010 and the Downstream Reconciliation Rules. It was suggested to us by those Retailers that the GUoSA should cover the scope of matters addressed by the Protocol in order for this aspect of Principle 4 to be met. We understand that aspects of this draft Protocol will be included in a Gas Quality Information Protocol that is being considered by Gas Industry Co.

We note that Distributors have a role to play in gas quality, but are also reliant on upstream participants. Back-to-back provisions effectively need to be in place throughout the upstream contractual chain to ensure that each party works to ensure it controls those quality aspects under its control, and the provisions in other contracts are beyond the scope of our current assessment. Indeed, as noted above, in some cases contractual arrangements do not in fact exist (e.g. interconnection

agreements between Distributor pipeline operators and transmission pipeline operators).

*Process for change*

All the GUoSAs appear to be in full alignment with this requirement. There are various ways in which the terms of the GUoSAs may be varied, including by agreement or (to varying degrees) unilaterally by the Distributor. All of the GUoSAs provide Retailers at least 30 working days’ notice of any change to the contract terms (other than de minimus changes).

GasNet and Vector allow de minimus changes to be made to the agreement without a 30 day notice period. In our opinion and based on discussions with Gas Industry Co, we understand that such changes are not the changes intended to be captured by this Principle. We note there remains the risk that either party may consider the proposed changes to be something other than de minimus in effect. In order to ensure the intent of the Principles are not undermined, the GUoSA must set out a process by which either party can challenge the proposed impact of the changes (i.e. claim they are not de minimus) in effect. They all do this.

*Where possible, changes should be mutually agreed*

As discussed above under Principle 2 and Principle 3, each of the GUoSAs includes variation procedures. We do not consider that the phrase “where possible” in this Principle means that all amendments to the GUoSAs must be negotiated. For example, given the Commerce Act backdrop, pricing is typically not “agreed” but is “notified” by the Distributor following a robust process. In general terms, we consider all of the GUoSAs include provisions which encourage negotiation and agreement on core terms and conditions. We note that the GasNet agreement encourages more changes to be made by agreement, as there is less ability for GasNet to unilaterally amend core terms.

*Dispute Resolution Procedures*

All GUoSAs have a process for resolving disputes and appear to fully align with this part of the Principle.

	<b>GasNet</b>	<b>PowerCo</b>	<b>Vector</b>
<b>Overall alignment</b>	<p>Full</p> <p>GasNet’s GUoSA includes more comprehensive service standards than the other two GUoSAs. GasNet’s service standards sufficiently describe how the Distributor will assist the Retailer to meet relevant legal obligations. For example, GasNet’s service standards include the following KPI:</p> <p><i>Distributor to provide the</i></p>	<p>Substantial</p> <p>We note that PowerCo showed to us an indicative draft of additional service standards it is working on. These would cover off additional service measures around safety management systems, odorant monitoring, notification of odorant outside specification, notification of non-specification gas, notification of over-pressure events and notification of serious harm or significant</p>	<p>Substantial</p>

	GasNet	PowerCo	Vector
	<i>information as outlined in the industry protocol intended to support the Retailer’s compliance with its obligations in the Gas (Safety &amp; Measurement) Regulations 2010 and Downstream Reconciliation Rules, as applicable to network operators and the safe supply of Gas to consumers (odourisation, Gas pressure) and accurate Gas measurement</i>	property damage. Our initial reaction was that the introduction of these additional service standards would address the current shortcomings with this Principle.	

**Distribution services provided**

**Principle 5**

Principle 5	Gas Industry Co’s Explanation
The Distribution Service Arrangement should describe the Distribution Services to be provided by the Distributor and the service standards for those services.	This Principle does not name the specific Distribution Services that should be provided. However, it recognises the expectation that the Distributor will clearly identify all of the services it will provide to a Retailer. This Principle also provides that the service standards for those services are identified in the contract.

**Assessment findings**

Commentary
<p>This Principle requires that services and service standards should be described. The Principle does not set a threshold or minimum standard for the services or service levels.</p> <p>There has been noticeable improvement in the alignment of all GUoSAs with this Principle since the 2013 assessment. All of the GUoSAs provide that the Distributor will provide the services in accordance with “Good Industry Standards”. All GUoSAs now also include a Service Standard Schedule, which describes the service standards the Distributor will meet.</p> <p>The 2013 assessment highlighted that a Distributor’s Asset Management Plan may potentially include further network details which will be relevant to the commercial context of the GUoSAs. The Asset Management Plans are produced under the Gas Distribution Information Disclosure Determination 2012 under Part 4 of the Commerce Act 1986. The purpose of the information disclosure requirements are to ensure that the services comply with Part 4 (Regulated Services) of the Commerce Act 1986. None of the GUoSAs expressly incorporate any service standards described in the Asset Management Plan as a term of the GUOSA, however the plans provide Retailers with additional information and visibility on the services provided by the Distributor.</p>

Most of the Retailer feedback we received on this Principle concerned the differences in the service standards between the GUoSAs. In general terms, Retailers considered the GasNet GUoSA included the most comprehensive set of service standards. Some Retailers did not think there was sufficient detail in the PowerCo or Vector GUoSA for them to be assessed as “full”. For example, the GasNet GUoSA was the only GUoSA to include a service standard in relation to the provision of gas quality information (although PowerCo has advised it is considering some additional service standards for the provision of this information – see Principle 4 and Principle 6).

While the service standards prescribed in the GUoSAs vary, Gas Industry Co has not specified specific standards that must be included. As all of the GUoSAs describe some service standards, we consider all of the GUoSAs align with the Principle. Gas Industry Co may wish to develop for future assessment a list of service standards that it would (at a minimum) expect to be included in each GUoSA.

	GasNet	PowerCo	Vector
<b>Overall alignment</b>	Full	Full	Full

### Principle 6

Principle 6	Gas Industry Co’s Explanation
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.	This Principle ensures that the services and service standards required in Principle 5 are under the control of the Distributor, or a service provider to the Distributor. For example, it would be unreasonable to set out services for which the TSO is responsible.

### Assessment findings

Commentary
<p>This Principle concerns the completeness of the scope of the services and service standards.</p> <p>There may be largely irrelevant matters which are under the control of the Distributor and are relevant to the provision of the services which no party considers need to be described in the contract (e.g. service standards around the billing platform used by Distributors to invoice Retailers). Accordingly, we have only assessed “all those aspects that are under the reasonable control of the Distributor and which one or more party considers is commercially relevant to distribution services”.</p> <p>Given this refined context, we are aware of few industry concerns with the scope of the services or service standards. However, Retailers have expressed concerns at the lack of provisions specifically addressing gas quality (in respect of the quality measures that are under the reasonable control of the Distributor’s service providers) particularly in respect of the PowerCo and Vector GUoSAs. As noted above, two Retailers have developed a draft Protocol progressing this issue and aspects of that Protocol are now being considered by Gas Industry Co.</p> <p>We do not consider this Principle requires us to assess the adequacy of the services and the service standards. In other words, any assessment under this Principle</p>

should not be inferred as a finding that some Retailers wouldn't wish for more favourable services and service standards.

Distributors already disclose information under various regimes, and different participants in the industry have differing views regarding what additional information should be disclosed under the GUoSAs. Our conversations with Retailers suggested they would welcome a common set of service standards across all GUoSAs (even if the particular levels differed across Distributors). This common set would usefully list the required service standards that need to be specified by Distributors (e.g. response time to emergencies) rather than the precise service levels that need to be met (e.g. 80% responded to within 60 minutes). This point is also made in Principle 5.

We note that Retailers did not raise any concerns with the scope of the GasNet service standards, but considered that Vector and PowerCo should provide more service standards (e.g. on matters such as fault resolution and the provision of gas quality information). It would appear that this additional information is necessary to meet the Principle (i.e. necessary to include all those aspects that are under the reasonable control of the Distributor or a service provider to the Distributor). As noted above, PowerCo showed us a draft of some additional service measures it is considering including (around safety management systems, odorant monitoring, notification of odorant outside specification, notification of non-specification gas, notification of over-pressure events and notification of serious harm or significant property damage) which appeared to address these Retailer concerns.

	<b>GasNet</b>	<b>PowerCo</b>	<b>Vector</b>
<b>Overall alignment</b>	Full	Substantial We note that PowerCo showed to us an indicative draft of additional service standards it is working on. These would cover off additional service measures around safety management systems, odorant monitoring, notification of odorant outside specification, notification of non-specification gas, notification of over-pressure events and notification of serious harm or significant property damage. Our initial reaction was that the introduction of these additional service standards would address the current shortcomings with this Principle.	Substantial



**Pricing including pricing changes<sup>11</sup>**

**Principle 7**

Principle 7	Gas Industry Co's Explanation
Changes to pricing structures and/or methodology should be subject to meaningful consultation and transparency such that the intention and impact of the proposed changes are easily understood, and responses to Retailers' written comments, including decisions on final structure are transparent and clear to all prior to notification of final prices.	We consider it fair that the Distributor consult with the Retailer on the proposed pricing change.

**Assessment findings**

Commentary
<p>Under this Principle we are considering changes in tariff structures and methodology, not the changes in the charges for a particular ICP that might result from the application of a tariff structure.</p> <p>All of the Distributors highlighted to us that there is already considerable oversight of pricing structures and pricing methodology by the Commerce Commission under the Commerce Act. The Commerce Commission process allows for consultation and disclosure of key information. While the Commerce Act processes are highly relevant to the contractual matrix, some Retailers thought the processes should be addressed in each GUoSA, as it is unrealistic to expect Retailers to stay across all of the regulatory process and disclosures. These Retailers considered it is important that the GUoSAs require separate consultation and notification with Retailers on pricing changes that will impact on them or their customers.</p> <p>In addition to the regulatory requirements under the Commerce Act, all of the GUoSAs include an obligation on the Distributor to consult with Retailers prior to any "material" changes to the price methodology or structure. Given the broader context, we consider consultation on "material" changes aligns with Gas Industry Co's requirement for "meaningful" consultation.</p> <p>After considering the mix of contractual and regulatory requirements, we consider all of the GUoSAs meet this Principle.</p>

	GasNet	PowerCo	Vector
<b>Overall alignment</b>	Full	Full	Full

<sup>11</sup> Gas Industry Co's recommendation included the following 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 for electricity distribution. As such, these Principles look only at the reasonable notification of price changes to Retailers and Consumers." At the time of preparing this assessment, Vector, Powerco and GasNet are regulated by the Commerce Commission under Part 4 of the Commerce Act 1986.

**Principle 8**

Principle 8	Gas Industry Co's Explanation
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.	To ensure the proposed pricing change is fully understood by the Retailer, all supporting documentation should be provided to the Retailer on notification.

**Assessment findings**

Commentary
All Distributors have processes to ensure that the Retailers have the required information to implement a price change. We are not aware of any significant concerns with the GUoSAs' alignment with the Principle.

	GasNet	PowerCo	Vector
<b>Overall alignment</b>	Full	<p>Full</p> <p>PowerCo's GUoSA does not include an explicit obligation on PowerCo to provide, together with the notice of a price increase, all of the information required to enable the effective implementation of the price change. However, all of PowerCo's pricing methodology is set out in its Price Book, which is publically available on its website. The Price Book appears to include all the information required for implementation of price changes. As a result, reading the contract as a whole, we are confident any notice of a change in prices will be provided together with the information required to enable the price change.</p>	Full

**Principle 9**

Principle 9	Gas Industry Co's Explanation
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. This period should be no less than 40 business days.	Changes should be notified within a reasonable timeframe. The timeframe is consistent with the Retail Benchmarks.

**Assessment findings**

Commentary
All GUoSAs provide for a 40 working day notice period, and are sufficiently aligned with this Principle.

	GasNet	PowerCo	Vector
<b>Overall alignment</b>	Full	Full	Full

**Commencement and cessation of line charges**

**Principle 10**

Principle 10	Gas Industry Co's Explanation
The Distribution Service Arrangement should clearly describe the Distributor's policy with respect to the commencement and cessation of line charges for the supply of gas.	The contract should be transparent by providing clear indication of when the Distributor will begin charging line charges and end line charges.

**Assessment findings**

Commentary
<p>This Principle only requires the Distributor's policy in respect to line changes to be "clear". It does not require us to make an assessment on whether we consider that policy is the most appropriate policy. Generally the charging arrangements are clearly described, although (as also discussed in our commentary on other Principles) there are differing views held by the industry about the reasonableness of the current policies.</p> <p>In particular, Retailers queried with us the appropriateness of the provisions enabling line charges to continue for vacant properties. We are aware that the continuation of line charges at vacant premises in the absence of a permanent disconnection is an industry issue, and have noted this in the main body of our report.</p>

Retailers do not have a consumer at these sites to invoice for the line charges and many Retailers consider the cost of such ICPs would be better allocated to the Distributor. Disconnection charges have been a contentious issue for a number of years, and we do not consider the assessment against this Principle is the appropriate forum to address such issues.

Gas Industry Co may wish to consider the ongoing industry issues in this space and consider whether changes to this Principle would be appropriate.

	GasNet	PowerCo	Vector
<b>Overall alignment</b>	Full	Full	Full

## Disconnection and Reconnection

### Principle 11

Principle 11	Gas Industry Co's Explanation
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.	Gas Industry Co is aware of previous issues in relation to disconnection and reconnection between Retailers and Distributors. We consider that the contract should be clear and set out what the expectations are in terms of a Distributor's policy on disconnection and reconnection.

### Assessment findings

Commentary
<p>All of the GUoSAs contain detailed connection and reconnection policies. We understand at least one Retailer has given feedback to Distributors on potential drafting improvements, but on the whole the current provisions are clear.</p> <p>The common feedback from Retailers under this Principle is that the current policies are not reasonable. This is also discussed under other Principles (e.g. Principle 2). Gas Industry Co's Explanation stated it is "aware of previous issues in relation to disconnection and reconnection". Retailers consider these issues are unresolved. Distributors consider their policies are reasonable given the commercial implications and health and safety implications associated with vacant premises.</p> <p>Ultimately we have assessed the GUoSAs as aligning with the Principle. Gas Industry Co may wish to consider the ongoing industry issues in this space, and consider whether changes to the Principle would be appropriate in light of the Retailers' feedback that the current policies continue to raise issues.</p>

	GasNet	PowerCo	Vector
<b>Overall alignment</b>	Full	Full	Full

**Information exchange and use**

**Principle 12**

Principle 12	Gas Industry Co's Explanation
<p>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.</p>	<p>To ensure information is exchanged in the most efficient way, parties should have clearly defined arrangements.</p>

**Assessment findings**

Commentary
<p>All of the GUoSAs require the parties to use and comply with information protocols to some extent and, as such, meet the core requirements of this Principle. More particularly, all of the GUoSAs refer to GIEPs or Gas Information Exchange Protocols. We understand from Gas Industry Co this is the main protocol to be considered in relation to this Principle. The GIEPs went through extensive consultation with industry participants and effectively align with the protocols in the electricity industry.</p> <p>While all of the GUoSAs include detailed provisions referring to the current GIEPs, ultimately the GUoSAs state that those protocols only need to be used “if agreed” by the parties or if “cost-effective” to do so. These provisions could effectively undermine the Principle’s goal of standardisation.</p> <p>Those Retailers that engaged on this point considered the contracts should include an absolute commitment to use GIEP 1 and GIEP 2. It was suggested the carve outs “e.g. cost effectiveness” would only ever be appropriate for the other GIEPs. Two Distributors noted that the current contractual wording had been based on the MEUoSA and updated for gas. However, in the electricity industry EIEP 1 and EIEP 2 are mandated, which changes the contractual interpretation. We understand that GIEP1 and GIEP2 are consistently used by all of the industry. As in practice GIEP 1 and GIEP 2 are being used, it appears only a minor drafting change (rather than a change in practice) is at issue and there is substantial alignment with this Principle across all GUoSAs.</p> <p>If new protocols are developed “by industry” it may be unclear whether they would need to be considered under this Principle. The wording of the Principle suggests “industry” can agree Protocols, but does not clarify who in the industry needs to agree the Protocols. Both the Vector and GasNet GUoSAs refer to any information exchange protocol “approved by Gas Industry Co”. However, it is not clear to us whether Gas Industry Co intends to formally “approve” protocols. Gas Industry Co’s role differs from the Electricity Authority’s role in this regards. It appears further clarification from Gas Industry Co to the industry on this issue would be helpful, particularly as a draft protocol has been prepared by two Retailers and a version of it is currently being considered by Gas Industry.</p>

	GasNet	PowerCo	Vector
<b>Overall alignment</b>	Substantial	Substantial	Substantial

**Principle 13**

Principle 13	Gas Industry Co's Explanation
Information will only be requested under the Distribution Service Arrangement for the purposes of enabling efficient and effective gas distribution.	Information requested must be reasonable and relate to promoting efficiency in the distribution of gas.

**Assessment findings**

Commentary
<p>There are clauses in all of the GUoSAs covering the provision of information in specific circumstances. However, there is not an express clause in any of the GUoSAs that information “will only be requested for the purpose of enabling efficient and effective gas distribution”. In the 2013 assessment Distributors queried why else they would ask for information and highlighted that a Retailer would only provide information if there was an express term covering the provision of that information.</p> <p>Express clauses which require the provision of certain information are spread across each of the GUoSAs. Our impression is that information will only be requested by Distributors under these clauses in situations related to the efficient and effective gas distribution or management of their networks. Accordingly, we think the general intent of all of the GUoSAs have a high degree of alignment with the Principle. However, we consider that the wording of the Principle requires clearer statements in the GUoSAs than the provisions as currently drafted.</p> <p>That said, Retailers have not raised any commercial concerns with the clauses in the GUoSAs and some have suggested the Principle is not necessary. In light of this feedback, Gas Industry Co may wish to consider this Principle and its Explanation.</p>

	GasNet	PowerCo	Vector
<b>Overall alignment</b>	Substantial	Substantial	Substantial

**Principle 14**

Principle 14	Gas Industry Co's Explanation
Information will only be used for the purpose for which it is provided.	If information is provided to a party for a specific purpose it should not be used for another purpose. This includes confidential and non-confidential information.

**Assessment findings**

Commentary
All of the GUoSAs limit the use of confidential and consumer information provided under the Agreement. However, there are very few provisions in the draft GUoSAs limiting the use of non-confidential information provided by Distributors.

We met with Gas Industry Co in late March 2014 to discuss our initial findings and highlighted to Gas Industry Co that the industry had suggested to us in the 2013 assessment that it should not matter how non-confidential information is used and this Principle should be reconsidered as a result. Often commercial agreements only include limitations on the use of confidential information, and not the use of non-confidential information. Gas Industry Co advised us that for the purpose of the assessment we can focus on confidential information only.

As noted above, the GUoSAs do not (in most cases) strictly limit the use of information to a particular purpose. For example, Retailers may be required to provide information for billing purposes, but the Distributor may also use the information provided for network management, maintenance and planning purposes. Based on our conversations with Gas Industry Co, it was clear that staff at Gas Industry Co viewed this collectively under a broader purpose (i.e. enabling efficient and effective gas distribution) and that, in their view, indirect purposes related to gas distribution should not give rise to alignment issues under this Principle.

Given the various clarifications provided by Gas Industry Co on the interpretation of this Principle, Gas Industry Co may wish to reconsider this Principle and Explanations. However, having taken into account Gas Industry Co’s views and the wording of the GUoSAs, we consider the arrangements have “Substantial” alignment. If a clearer purpose statement was included in each GUoSA to cover the use of all information, then we would assess all of the GUoSAs as having “Full” alignment.

	GasNet	PowerCo	Vector
<b>Overall alignment</b>	Substantial	Substantial	Substantial

## Service interruptions

### Principle 15

Principle 15	Gas Industry Co’s Explanation
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. The minimum notice period of a planned shutdown should be no less than 10 business days unless agreed otherwise with the Retailer.	The Distribution Service Arrangement should clearly identify how and when it will interrupt a Retailer’s service. This will help to minimise risks to the Retailer and Consumer.

**Assessment findings**

Commentary
<p>All of the GUoSAs contain a policy for planned interruptions. None of the GUoSAs specifically require the policy to take into account whether lower cost options for notifications can be adopted. However, Retailers did not raise any concerns on this point. Vector’s and GasNet’s agreements allow the Distributor to manage the notification process in certain circumstances, and in these instances investigations into “lower-cost” options may be irrelevant.</p> <p>All of the GUoSAs provide for a minimum 10 business days’ notice for a planned shutdown. Vector’s GUOSA allows it to provide less notice in more “urgent circumstances”.</p> <p>In our opinion the reference to “planned shutdowns” means a shutdown for routine maintenance purposes which can be planned in advance. We assume an “urgent planned shutdown” is one where the Distributor becomes aware of an issue needing prompt attention and plans to deal with it within a manageable but fast-tracked timeframe (e.g. when resources can be organised and interruptions can be minimised). The Principle cannot have intended Distributors to give 10 days’ notice of such shutdowns as there would be negative consequences (such as safety concerns or network performance) that may occur as a result of the inaction. Accordingly, for the purpose of our assessment, we have assessed “urgent planned events” as not coming within the scope of this Principle.</p>

	GasNet	PowerCo	Vector
<b>Overall alignment</b>	Full	Full	Full

**Principle 16**

Principle 16	Gas Industry Co’s Explanation
<p>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.</p>	<p>The Distribution Service Arrangement should clearly identify how and when it will interrupt a Retailer’s service. This will help to minimise risks to the Retailer and Consumer.</p>

**Assessment findings**

Commentary
<p>All of the GUoSAs have service interruption communication policies, which include obligations on the Distributor to update the Retailer on the status of the interruption and the progress towards reinstatement.</p> <p>All of the Distributors limit their obligations regarding communication to interruptions affecting 20 or more consumers. Interruptions affecting less than 20 consumers are not considered to be “material” interruptions. We consider this limitation is consistent with the intent of the Principle.</p>



	GasNet	PowerCo	Vector
<b>Overall alignment</b>	Full	Substantial  We were unable to locate a specific reference in the PowerCo GUoSA requiring PowerCo to inform Retailers of the cause of the interruption. For this reason, we were unable to assess its compliance with this Principle as full. However, PowerCo considers its practices align with this Principle and it appears the information disclosed by PowerCo in practice meets the intent of this Principle.	Substantial  The form of communication which enables Retailers to respond in an informed manner to calls from affected customers is to be “reasonably determined by Vector from time to time” under its GUoSA. Given this lack of description, the alignment with this Principle has been assessed as “Substantial”. However, Vector provides detailed information on faults (e.g. see <a href="http://www.vector.co.nz/outages">www.vector.co.nz/outages</a> ) and its practices appear to meet the intent of the Principle.

## Managing critical contingencies

### Principle 17

Principle 17	Gas Industry Co’s Explanation
Contracts should provide for the effective management of emergencies on the network in accordance with the Gas Governance (Critical Contingency Management) Regulations 2008 where load curtailment is instructed, and coordination of the isolation and restoration of supplies to consumers (and relighting of pilots) to ensure network security and consumer safety is not compromised.	To ensure parties understand their respective roles and responsibilities when a critical contingency event occurs, it is important that contracts align with the Gas Governance (Critical Contingency Management) Regulations 2008. Effective management of critical contingencies could include, where a Retailer contracts a Distributor to perform Consumer usage monitoring and/or disconnection services during a critical contingency, details of these services being specified.

### Assessment findings

Commentary
All of the GUoSAs include clauses that require the relevant Distributor to comply with the Gas Governance (Critical Contingency Management) Regulations 2008 (the “CCM Regulations”). This meets the core requirements of the Principle. However, the Principle suggests there is more information that Gas Industry Co would expect

to see in the contracts themselves – this is because the Principle requires the contracts to provide for the effective management of emergencies on the network in accordance with the CCM Regulations, rather than simply requiring compliance with the CCM Regulations.

PowerCo and GasNet include comprehensive schedules outlining their processes in a critical contingency event (see PowerCo, Schedule 6: Management of Critical Contingencies and Major Network Emergencies and GasNet Schedule 7: Gas Emergencies). The same level of detail is not included in the Vector GUoSA.

Retailers commented to us that more detail in the Vector GUoSA is necessary. However, Vector considers its GUoSA fully complies with the Principle. We consider more is required for Vector to fully meet the Principle. For example, we are aware that Vector has a Gas Emergency Response Event Guide which sets out how Vector will respond to emergencies on its distribution network including critical contingencies. Full alignment may be as simple as Vector referencing this guide in its GUoSA (although we haven't reviewed the guide for this purpose).

We note that Distributors do have obligations under the CCM Regulations, but they are light compared to the obligations of other participants under the CCM Regulations. This is resulting in some industry uncertainty about what additional contractual clauses are needed to meet this Principle, given all of the Distributors comply with the CCM Regulations. It may be appropriate for Gas Industry Co to reconsider this Principle in light of the above.

	GasNet	PowerCo	Vector
<b>Overall alignment</b>	Full	Full	Substantial

## Publication of the standard distribution agreement

### Principle 18

Principle 18	Gas Industry Co's Explanation
The Distributor's most recent standard Distribution Service Agreement should be publicly available on the Distributor's website.	Transparency is an important part of providing for efficient arrangements.

### Assessment findings

Commentary
PowerCo and GasNet had a published copy of their GUoSAs available on their websites at the assessment date. On the assessment date Vector had not published a GUoSA on its website.

	GasNet	PowerCo	Vector
<b>Overall alignment</b>	Full See <a href="http://www.gasnet.co.nz/assets/Draft-">http://www.gasnet.co.nz/assets/Draft-</a>	Full See <a href="http://www.powerco.co.nz/uploaded_files">http://www.powerco.co.nz/uploaded_files</a>	Nil  However, Vector subsequently

	<b>GasNet</b>	<b>PowerCo</b>	<b>Vector</b>
	<a href="#">GasNet-UoSA-20140129-Clean-version.pdf</a>	<a href="#">/Publications-and-Disclosures/New/For-Retailers/Powerco-Gas-Use-of-System-Agreement-Blank-Template-Dec-2013.pdf</a>	published a draft of its GUoSA in early April 2014. See <a href="http://vector.co.nz/prescribed-terms-and-conditions-of-contracts">http://vector.co.nz/prescribed-terms-and-conditions-of-contracts</a>