



Trustpower submission on GIC assessment of GTAC

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Context

- Multi-product retailer trading in other similar sectors
- Expect the final access arrangements will:
 - Manage monopoly incentives/behaviours
 - Ensure interests of larger market players are not preferred over the interests of mass market retailers with a much smaller market shares
 - Be subject to a low cost effective compliance regime
 - Be capable of evolution in a way which promotes rather than impedes competition

Commercial

- Mass market access is different:
 - We require a no notice service... conforming load by a central body to facilitate competition in the down stream gas market
 - Needs transparency about upstream activity
- GTAC has
 - skewed market signals (pricing, rebates) which favour larger shippers.
 - complexity (number of nomination points for MM. Now c.3 (Roto, Pokuru and FR, now 17!!!!)

GTAC does not serve the commercial needs of mass market shippers or their customers, will result in upwards pressure on prices.



Governance

- We do not think the “materially better” test will necessarily get the industry to reasonable terms and conditions of access as:
 - It invites trade-offs to get “just enough” support
 - Alternatives are only considered at First Gas’s option
 - Progress to a regime which promotes competition will be inexorably slow
- A low cost and effective compliance regime is missing from the design
- There are Commerce Act advantages in a regulated solution

We raised these issues at the beginning and were ignored, but these are fundamental to access and must be addressed.



Process concerns

We have two process concerns:

1. The process to date has been neither a
 - **negotiation** (we have no bargaining power and our views have been ignored); nor
 - **consultation** (the level of engagement has been lower than we would expect from a regulator and there is no obligation to seek the best option to meet an agreed regulatory objective)
2. The amount of time that is taken in self-governing processes is difficult to justify if you have a small market share

Good process will result in good decision-making and thus far our expectations have not been met.



Recap

- Numerous issues have been identified, and now reinforced by the GIC.
- Side agreements need to be worked through
- We need First Gas to adopt these suggestions, or clearly outline why they will not work. E.g. PR's, MM no notice service, rebates...
- We also need more satisfactory governance arrangements and a better engagement process

For a Mass Market retailer a regulated solution looks preferable to an industry agreement.

Surprise us !

Concluding remarks

Two issues in play:

1. Do we agree with the GIC's assessment of GTAC?
2. Do we support the another round of development of GTAC by First Gas?

Our views on these matters are influenced by:

Commercial considerations	<i>Does the GTAC represent terms of access which are workable for us?</i>
Governance considerations	<i>Does the GTAC as currently constituted, and as it might evolve over time, pass the test of “fair and reasonable terms of access” ? Is it lawful?</i>
Procedural matters	<i>What are the obligations and have they been followed?</i>

