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Dear Pamela

Submission on the Gas Metering Review

Introduction

1. This is Vector Limited's (Vector) submission on the Gas Industry Company's (GIC) consultation document on the Gas Metering Review, and supporting reports from Rod Crone Consulting on its reviews of gas metering service provider arrangements and advanced metering technology - all released in May 2017.
2. We support Rod Crone Consulting's conclusion that greater prescription around gas metering service agreements (GMSAs) does not appear to be warranted. At this stage of market development, when advanced gas metering technology is emerging, more prescriptive arrangements will frustrate innovation that benefits consumers.
3. Vector is committed to enabling the opportunities and consumer benefits new and emerging technologies bring. A desired outcome should be for emerging technologies to be viewed as opportunities rather than a regulatory burden.
4. We set out below our responses to the questions raised in the consultation document.
5. No part of this submission is confidential. Vector's contact person for this submission is:

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Responses to consultation questions

Q1: Do you agree with this assessment? Why or why not?

6. We do not agree with comment that "gas meter owners do not appear to be actively competing for new connections".
7. We note that Vector Advanced Metering Services (VAMS) offer new gas metering services on distribution networks owned by Vector, Powerco and First Gas.

8. Other metering service providers can deliver services on Vector's gas distribution network. Vector's network allows any metering provider to have its name added to the list of available providers, from which the retailer nominates a metering provider.
9. We do not agree with the third bulleted comment, reproduced below, for the above reasons:
 - Where the network owner is generating demand for new connections, it is logical that it uses its own related metering service for the new connections.

Q2: Do you have experience with preferred supplier provisions in a GMSA? If so, what effect do you think it has on the market for metering services? Are there any other comments you wish to make about these provisions?

10. We do not believe preferred supplier provisions have any impact on the gas metering market. They do not restrain retailers from using other metering providers.
11. The metering provider does not have visibility of ICPs (while still in the network system) until such time that the metering provider is selected by the retailer.

Q3: Do you have any observations or comments to make about new connections service request processes? Are they fair, or do they unduly favour certain meter owners?

12. As stated in our response to Q1, VAMS offer metering services on networks owned by Vector, Powerco and First Gas. Other metering providers can deliver services on Vector's network.
13. We consider current arrangements to be reasonable, given retailers' preference for dealing with a single supplier for convenience.

Q4: Do you agree that a model GMSA and benchmark terms are not required? Why or why not?

14. We agree that a model GMSA and benchmark terms are not required, particularly at this stage of market development. Greater prescription would stifle innovation, including contracting innovation, that benefits consumers.
15. One only need to look at the experience in the state of Victoria in Australia, where the mandated rollout of advanced electricity meters resulted in cost blow-outs and consumer backlash.¹ In contrast, the market-led approach adopted in the New Zealand electricity market enabled the deployment of advanced meters nationwide without additional cost to consumers. Under a market-led approach, it is investors that bear the risks associated with their investments in new technologies, not consumers (or taxpayers).

¹ <http://www.mbie.govt.nz/info-services/sectors-industries/energy/electricity-market/nz-smart-grid-forum/meetings-year-1/meeting-6/case-study-victorian-smart-meter-rollout.pdf>

16. A more prescriptive approach also requires greater monitoring by the GIC of compliance with benchmark terms, increasing costs for the industry and consumers. In a rapidly evolving market, it is in consumers' interest that service providers focus on providing innovative and improved products/services to consumers rather than on complying with regulatory requirements.
17. VAMS has a template GMSA that serves as a starting point for negotiation with retailers. We recognise that this template will need to be updated to reflect future developments such as advanced gas metering. However, until such time that services enabled by advanced gas meters are known, we consider it to be inappropriate and imprudent to attempt to future proof the template GMSA.
18. Rod Crone Consulting's review of GMSAs notes that:

Given the material alignment of core terms, and noting the Vector AMS template and Powerco standard GMSAs include terms, service definitions and performance standards expected in today's market for gas metering services, it does not appear necessary or desirable for Gas Industry Co to prescribe more standardised arrangements through development of a model GMSA, benchmark terms or contracting principles. In any event, standardisation of non-core terms, service definitions and performance standards, reduces the opportunity for service differentiation which promotes competition.²

19. We see no purpose in greater standardisation with no apparent, or very minimal, benefits but could do great harm to innovation.

Q5: Given that the template GMSAs for the two largest providers are already broadly aligned, do you consider it likely that a similar outcome will be achieved for GMSAs for advanced metering services? If that outcome were not achieved, what issues would arise for you and would these be significant in terms of cost or efficiency?

20. We cannot say for certain whether future GMSAs for advanced metering will broadly align between providers – that is the nature of innovation. While the GMSAs will need to comply with technical standards (e.g. for safety), we prefer and expect new and innovative arrangements to emerge from commercial negotiations.
21. We do not believe it is appropriate for the GIC to focus on developing a 'one-size-fits-all' GMSA for an emerging technology. This could diminish opportunities for developing points of difference (e.g. in product and service offerings) between various providers. It could result in prolonged negotiations that would delay deployment. Australian regulators have departed from centrally set arrangements to commercially negotiated agreements, having learned the harsh lessons of a regulated/mandated approach to advanced electricity metering in Victoria.
22. It is reasonable to expect that retailers prefer a 'single supplier arrangement' for advanced metering as they will only want to have one, not two or three data collection arrangements. We cannot, however, discount the emergence of new business models in the energy sector that enable "multiple trading relationships" that benefit consumers.

² <http://gasindustry.co.nz/dmsdocument/5510>, page 5

Q6: Why do you think retailers may not be amenable to moving to separate network and metering services agreements?

23. While it is reasonable to assume that retailers may prefer the “operational efficiency and customer benefits of a more seamless process”, we do not believe retailers are not amenable to moving to separate network agreements. Where a new GMSA is presented to a retailer, we expect it to be negotiated and processed the normal way.

Q7: What is required to incentivise a move to signed, separate network and metering services agreements and what is the best path to achieving that? Alternatively, is this a matter best left to the parties themselves?

24. The GIC could stipulate separate metering and network agreements by a defined date, subject to consultation with stakeholders. This would involve GMSAs being negotiated between metering providers and retailers.

Q8: Do you have any views on these issues? Are they issues that Gas Industry Co should advance, and if so, what do you suggest?

25. We do not believe there is significant benefit from including the meter make and model in the Gas Registry. VAMS provide metering services in different volume capacities using various meter types. The meter make and model are not necessarily reflective of the age of the ICP as VAMS circulates equipment across sites either through planned maintenance activities or the reuse of removed assets - provided they remain fit for use.

Q9: Are there any other comments or feedback you would like to provide in relation to metering services agreements?

26. We encourage the GIC to exercise restraint in imposing greater prescription for arrangements involving new and emerging technologies. We believe the role of the regulator is to develop a regulatory framework for these technologies that allows innovation to flourish, not impose prescriptive arrangements that are likely to frustrate it.

Q10: Do you have any comments or observations about the state of the advanced gas metering market?

27. We understand that during the Gas Metering Review, one of the market participants was in the process of displacing several VAMS meters with its own. We believe this demonstrates there is movement in the gas metering market, and there are parties considering entering or expanding their operations in this market.
28. Further, the entry of First Gas - which means there is now a gas distributor that does not own the meters on its network - is expected to change the dynamics of the gas metering market.

Q11: Do you agree with this assessment?

29. We do not agree that there is a need for regulatory intervention, particularly at this stage of market development when advanced gas metering is yet to emerge. As stated in the introduction to this submission, new and emerging technologies should be viewed as opportunities for delivering new/innovative and better products and services to consumers, rather than a regulatory burden. Pre-empting or prescribing what these services would look like would limit those opportunities and frustrate innovation.
30. The Commerce Commission (the Commission) has already decided against undertaking an inquiry into whether gas metering services should be regulated. The Commission's decision stated that its "indicative analysis does not yield sufficiently high benefits when balancing against the cost of an inquiry and any subsequent regulation".³
31. We note that the GIC's most recent *Briefing to the Incoming Minister of Energy and Resources* is clear about its preference for non-regulatory approaches.⁴ This is consistent with the *Gas Act 1992* which provides that before making a recommendation for regulations or rules, the GIC will:

...ensure that the objective of the regulation is unlikely to be satisfactorily achieved by any reasonably practicable means other than the making of the regulation (for example, by education, information, or voluntary compliance).⁵

Q12: Should Gas Industry Co request that the File Formats Working Group develop a standard construct for advanced metering services and a minimum dataset (and provide assistance to reconstitute the group to include meter owners)?

32. See our responses to Q4, Q5, Q11 and Q15.
33. We do not agree that there is a need to develop a standard construct for advanced gas metering services and a minimum dataset. Standardising file formats for a technology that is yet to be introduced at a mass scale will stand in the way of market competition and innovation. We agree with other metering providers that "as long as the desired information is available, it can be reported in any format required by each retailer".⁶
34. We urge the GIC to exercise restraint in imposing greater prescription around new technology services. We do not know what future services, enabled by advanced gas metering, would look like. The New Zealand gas industry can benefit from the harsh lessons from overseas jurisdictions that impose prescriptive arrangements for new technologies, e.g. the recent cost blowouts and consumer consternation resulting from the mandated

³ <http://www.comcom.govt.nz/the-commission/media-centre/media-releases/2016/commission-will-not-undertake-gas-metering-inquiry/>

⁴ <http://gasindustry.co.nz/dmsdocument/5491>, page 2

⁵ <http://www.legislation.govt.nz/act/public/1992/0124/latest/DLM285974.html>, section 43N(1)(c)

⁶ <http://gasindustry.co.nz/dmsdocument/5506>, page 5

deployment of advanced electricity meters in Victoria,⁷ and currently being experienced with the regulated rollout of advanced electricity and gas meters in the UK.⁸

35. The GIC can look up to the successful market-led nationwide deployment of advanced electricity meters right here in New Zealand.

Q13: Do you agree with this assessment?

36. We agree that electricity consumers are readily able to access their consumption data, for example, via an app developed by their retailer. We expect gas consumers using advanced meters to have a similar level of access to their consumption information.

Q14: Do you consider that there are registry-related issues that still need to be addressed to support the deployment of advanced gas meters? If so, please describe the issues that arise and how changes to the registry could resolve them.

37. Yes, additional metering provider codes may be required in the Gas Registry. This will inform metering providers and other parties (including retailers) whether a metering installation is fitted with a legacy or advanced meter.

38. We agree with Rod Crone Consulting's suggestion that an advanced meter be considered a ToU meter in the Gas Registry. The existing ToU definition needs to be broadened to indicate whether the device corrects for:

- temperature only;
- pressure only;
- both pressure and temperature; or
- does not correct and records actual volume only.

39. We further agree with Rod Crone Consulting's suggestion that the Gas Registry distinguish between communicating and non-communicating meters. While an advanced meter may be installed with communications, the communications may not work, or may have initially worked but signal was lost or became intermittent. A code could indicate whether communications exist which will alert the retailer of the potential need for manual meter reading.

Q15: Are there any other comments you would like to make about the Advanced Metering Paper – or about advanced metering in general?

40. Consistent signalling from regulators about their initiatives will provide industry participants greater certainty, particularly those intending to introduce advanced gas metering or 'coming to grips' with its introduction to the market.

⁷ <http://www.mbie.govt.nz/info-services/sectors-industries/energy/electricity-market/nz-smart-grid-forum/meetings-year-1/meeting-6/case-study-victorian-smart-meter-rollout.pdf>

⁸ <https://www.theguardian.com/environment/2017/mar/26/uk-energy-firms-big-six-smart-meter>

41. The Gas Metering Review required significant resources from metering providers and retailers. It came in the heels of the Commerce Commission’s preliminary assessment of gas metering services, which concluded that an inquiry under Part 4 of the *Commerce Act 1986* is not warranted. We therefore welcomed the GIC’s statement at the Co-Regulatory Forum on 22 November 2016 that there are no significant issues arising from the Gas Metering Review, and subsequent consultation paper on the FY2018 levy stating that “there will be little, if any, work required in FY2018 in this area”.⁹
42. Considering the Commission’s conclusion, Rod Crone Consulting’s independent review, and the GIC’s previous statements around the findings of that review, it is surprising that we are now faced with a full-fledged, 16-question consultation where most submitters are expected to be the same parties that participated in the review. The frequency of scrutiny (not to mention the significant overlaps between these initiatives) is disproportionate to the size of the gas metering market – a small, unregulated segment of a “comparatively small ‘challenger’ gas industry”. In addition, we note that the upcoming audit of metering providers under the *Gas Switching Rules 2008* could be a more appropriate mechanism for addressing Gas Registry-related issues.
43. We would appreciate consistent signalling and implementation of future initiatives from the GIC, to provide stakeholders with sufficient time to consider them in their business planning. At present, we encourage the GIC to focus its resources on issues that require regulatory attention such as the development of a new single gas transmission access code.

Q16: Are there any issues in relation to gas metering-related consumer complaints that you wish to raise?

44. While the complaints described in the consultation paper are generally about gas metering, the details provided in the examples indicate the issue may not be about the meter itself. In these cases, the meter provider has limited ability to control its asset in the field. We comment on such cases below.

Complaint	Comment
Meter tampering Meter removal Meter access	The consumer has a responsibility to provide access and keep the metering system safe under GMSAs.
Meter damage or fault	Complaints can be made about high bills due to leakage. Examination of the details could indicate the leakage is located ‘upstream’ of the meter and is therefore not registered on the meter.
Meter relocation	Most of the costs associated with meter relocation are a result of network costs associated with relaying

⁹ Gas Industry Company, *Consultation on Gas Industry Co FY2018 Statement of Intent and Levy (Revised)*, <http://gasindustry.co.nz/work-programmes/levies/developing/consultation-paper-on-fy2018-statement-of-intent-and-levy/>, page 9

Complaint	Comment
	the service. Moving the meter is generally a simple task.
Meter recertification	Whether a meter is a gas or electricity meter, it needs to be recertified once it has been removed from service and before it can be reinstalled.
Meter removal cost	<p>Meter removal is a 'user pays' service and applies only to parties requesting that service.</p> <p>The cost of removal in this case is not factored into the lease rate to avoid costs being imposed on consumers who did not require meter removal, i.e. avoid cross subsidy.</p>

Yours sincerely

For and on behalf of Vector Limited



Richard Sharp

Head of Regulatory and Pricing