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Benchmarks bring major improvements in retail gas contract arrangements

The latest assessment of retail gas contracts under Gas Industry Co's benchmark scheme shows a substantial improvement in gas retailers' supply arrangements with small consumers.

Gas retailers' contract arrangements this year were judged overall to have 'Substantial' alignment with contract benchmarks under the Retail Gas Contracts Oversight Scheme introduced in 2010 by Gas Industry Co, as the industry co-regulator. Both an initial baseline evaluation in 2010 and a transitional assessment last year rated overall alignment as 'Moderate'.

Releasing the [latest assessment results](#) today, Gas Industry Co Chief Executive Steve Bielby said it was very pleasing to see that retailers had embraced the voluntary scheme and had used the benchmarks to update their contract arrangements with consumers using less than 10 terajoules (TJ) of gas a year.

"This is an excellent example of how a non-regulated mechanism can be successful in achieving policy objectives for the gas sector," he said. "In this case, we are seeing great progress towards the policy goal of ensuring that contractual arrangements between gas retailers and small consumers protect the long-term interests of those consumers," said Mr Bielby.

"As gas continues to be an attractive energy choice with year-on-year connection growth on distribution networks, it is encouraging to see consumers also receiving competitive supply offerings with clearer terms."

He said the contract improvements are the latest in a suite of market enhancements benefitting small consumers in recent years. This has included Gas Industry Co's introduction of a switching regime to enable consumers to efficiently change their retail supplier, and heightened contestability in which 95 percent of gas consumers have a choice of six or more retailers. The Electricity and Gas Complaints Commissioner Scheme has provided an effective formal outlet for consumer complaints and gas sector competition had also been helped by the Electricity Authority's "What's my Number" campaign.

The latest retail contract assessment, conducted by independent assessor Elwood Law, involved 10 gas supply arrangements across seven retailers. Some retailers publish a single standard contract, while others have separate contracts for residential and business consumers.

Gas supply arrangements generally include several documents, including application forms, standard terms and conditions, pricing plans and dispute resolution procedures. The documents evaluated were those that are publicly available, or voluntarily provided, and were rated against 18 Benchmarks, each with a relative "importance" rating. Retailers' overall alignment is measured on a qualitative scale of 'Full', "Substantial", "Moderate", "Low", or "None."

Results from the first two assessments in 2010 and 2011 were published at a consolidated level only. This year, for the first time, the ratings of individual retailers are being published. The individual results are:

Retailer	Average Alignment
Bay of Plenty Energy	Substantial
Contact Energy	Substantial
Energy Direct NZ – Business	Moderate
Energy Direct NZ – Residential	Moderate
Energy Online	Substantial
Genesis Energy	Substantial
Mercury Energy – Residential	Substantial
Mercury Energy – Business	Moderate
Nova Energy – Residential	Substantial
Nova Energy – Business	Low

The assessment shows that in the past two years most retailers have made a considerable effort to bring their contracts into line with the Benchmarks. This is demonstrated by six arrangements meeting the ‘Substantial’ criteria, compared with two in last year’s transitional assessment.

Mr Bielby said while there is currently no retailer with an overall ‘Full’ alignment rating, it is clear that retailers are meeting the ‘Full’ criteria for many individual Benchmarks. “The overall assessment for each retailer is an average, and the rigorous nature of the assessment sets a very high standard for achieving an overall “Full’ rating. The assessment shows the trend to be very much in the right direction.”

The main issues identified in the latest assessment relate to disconnection/reconnection, personal information management, the recovery of under charging, instructions on turning off gas in an emergency, the communication of material changes in the contract terms, service disruption payments, and references to relevant prices or price schedules.

Mr Bielby said while retailer participation in the scheme is voluntary, publication of the results ensures consumers are well informed and there are accordingly stronger incentives on retailers to improve their offerings. He urged retailers to move towards ‘Full’ compliance with the Benchmarks.

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