Submission on the Gas Industry Company consultation on Current Issues for Domestic and Small Business Gas Consumers

From

Contact Energy Limited

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Introduction

Contact Energy Limited ("Contact") welcomes the opportunity to provide feedback to the Gas Industry Company ("GIC").

For any questions related to this submission, please contact:

Jan de Bruin
Senior Regulatory Affairs Analyst
Contact Energy Limited
L 1 Harbour City Tower
29 Brandon Street
PO Box 10742
Wellington

Email: jan.debruin@contact-energy.co.nz
Phone: (04) 462 1143
Fax: (04) 499 4003

General Comments

Contact is focused on delivering the best outcomes for its customers. However, given the relatively small scale of gas consumption in New Zealand, as well as the substitutability it faces from a range of alternative energy sources, especially electricity, we question the scale and scope of the initiatives proposed in this consultation. The GIC needs to carefully weigh up the cost and time involved to implement the initiatives proposed against any benefits that customers could potentially gain. We consider that any substantial changes away from the status quo should only be implemented if the GIC can clearly demonstrate that the current situation is not meeting the expectations of small business and domestic consumers and is demonstrably unreasonable and unfair.

We are mindful that the GIC must have regard for the Government Policy Statement (“GPS”) on Gas Governance. However, in instances where it was found that the status quo was delivering satisfactory results for consumers, we would hope that the GIC would adopt a pragmatic approach and not pursue changes simply to comply with the letter of the GPS.

For any changes that are deemed as essential to pursue, we request that the GIC adopts options for them that entail the least cost and time for industry to implement, as ultimately many of the costs incurred are likely to be passed on to the customer. Further, the GIC should be mindful of alternative initiatives where they exist, including consumer information provided by the Gas Association of New Zealand (“GANZ”) and the Consumer NZ “Gas Prices compare and save!” Gas Price Calculator web-pages. It is unnecessary to duplicate information that is already available. Moreover, if the GIC considers that the information available from other sources is deficient in some way, we would prefer that the existing resources are improved upon rather than entirely new resources created.

We now reply to the questions asked in the discussion paper.

Question	Comment
Q1: Do you agree with Gas Industry Co's proposed guidelines for the arrangements that need to be implemented and operational before it is practical and meaningful to assess the level of competition? If not, what alternative guidelines would you propose?	<u>Refer discussion paper page 28</u> We consider that such guidelines are unnecessary given the small scale of gas consumption in New Zealand and the competition it faces from alternative energy sources. In particular small business and domestic consumers typically have the easy choice of electricity as a substitute for gas. This being the case, we would expect the GIC to conduct a thorough cost – benefit analysis before implementing any major changes over and above the status quo. Further, on the retail side we consider that competition from other retailers keeps any unfair or unreasonable practices to a minimum. There are few impediments to consumers moving away from poorly performing retailers at present and this situation will only improve once the central registry for customer switching has been implemented. If customers can switch between competing retailers efficiently and satisfactorily, we see little need for any guidelines from the GIC to assess competition; something which organizations like the Commerce Commission do anyway. Even, if it is appropriate to wait for the proposed minimum set of arrangements listed on page 26 of the discussion paper to be implemented and operational before it is practical and meaningful to assess the level of competition, the suggestion of a full assessment shortly after April 2009 is far too early, being only 2 months after go live of the new switching/registry arrangements. It is suggested that a full assessment should not occur before 12 months have elapsed post 1 March 2009.
Q2: What comments do you have on the set of possible competition indicators described here?	<u>Refer discussion paper page 28</u> The proposed list is very comprehensive, perhaps too much so. We suggest the GIC carefully weighs up the time and expense involved to collect data on such an exhaustive list of competition indicators and whether or not they would reveal any useful information that could then be acted on. With regard to Retail trading; relatively few gas complaints go through the EGCC so we

Question	**Comment**
	question if collecting a statistic here will be of any real value? However, if it is considered that there are sufficient complaints to create a meaningful statistic, we are of the view that just counting the number of complaints seen by the EGCC is potentially misleading and does not take into account where a retailer might have an excess of complaints of a particular type. Some sort of categorization of complaints and their relative seriousness may be more useful. Further, Contact supplies both electricity and gas to its customers. We wonder if the extra utility and satisfaction customers gain from having both services provided by the same retailer should not be assessed.
Q3: Is there any information or comment you can provide on current industry performance against these indicators?	<u>Refer discussion paper page 28</u> Contact is able to provide switching statistics where we have been a party to a customer switch. However, distributors would be able to provide switching statistics across all retailers.
Q4: To what extent do you think that gas faces competition from other energy forms, and how would you characterise that?	<u>Refer discussion paper page 29</u> Gas faces fierce competition from a number other energy sources; the level of which really means that any attempt to characterise it is quite unnecessary.
Q5: Would it be appropriate to include performance indicators relating to competition with other energy options, especially electricity? If so, what additional information would you suggest?	<u>Refer discussion paper page 29</u> Information for consumers about the cost-effectiveness of gas versus other energy options is available on the GANZ website. We therefore question why it would be necessary for the GIC to also keep performance indicators. If the information available on the GANZ website is considered lacking, it might be that the GIC could offer feedback to GANZ on how it could improve this existing resource.
Q6: Do you agree with the proposed set of reasonable consumer expectations for the 'Making a Choice' phase? If not, what alternative consumer	<u>Refer discussion paper page 64</u> It seems reasonable for small business and domestic consumers to have these expectations. However, we question the need for further work from the GIC to deliver them. Currently retailers do offer a range of products and services for consumers to

Question	Comment
expectations would you propose?	consider and make informed decisions about. We consider that from sources like GANZ, Consumer NZ and EECA, there is already readily accessible good quality comprehensive and easy to understand information on gas options, possible gas suppliers and alternatives to gas. From the options available in the market, consumers are already readily able to choose their energy form and supplier, and to modify their choice. We also contend that connection to supply is safe, reliable and 'fit for purpose', and the connection process is timely and well-managed. Further, there are already organizations like the Energy Safety Service and safeguards under the Consumer Guarantees Act 1993, overseen by the Ministry of Consumer Affairs which help fulfil this expectation. We are also of the opinion that the current arrangements for the termination of contract and supply disconnection are reasonable, and as far as we are aware undertaken in a timely and well-managed manner where requested by the consumer. However, we do accept that there are some issues related to disconnections not requested by the property owner or tenant. Refer the answer to Q7 below regarding "Connections and disconnection process". We request that before any changes are made away from the status quo, that the GIC conducts a cost-benefit analysis and that it also demonstrates that the current situation is not reasonable and fair for domestic and small business gas consumers.
Q7: What comments do you have on the issues identified in meeting consumer expectations in the 'Making a Choice' phase?	<u>Refer discussion paper page 64</u> **Market size and structure** We would contend that the comparatively small size of the market is precisely why such a comprehensive consumer issues monitoring framework as that proposed by the GIC is not

Question	Comment
	necessary. There are costs for any form of regulation and it is our opinion that these would exceed any benefit that the small business or domestic consumer might see. **Institutional Arrangements** With the gas registry set to go live 2 March 2009 we see no need for further work in this area. Any remaining issues will likely be assessed when the gas registry is reviewed post implementation. **Access to information to inform decision-making** We see value in the Consumer NZ 'Gas Price Calculator' being made available to all consumers in the same way as Powerswitch currently is. This could be achieved by industry funding. Aside from that, we consider there is considerable information to assist the decision making of small business and domestic consumers already available from organizations like GANZ and EECA. If information is lacking here, we would encourage the GIC to work in particular with GANZ to improve the situation. **Connection and disconnection process** Contact is not aware of any issue regarding gas connections that would warrant rules or regulations. While Contact is aware of an attempt by the GIC to implement a pragmatic industry solution for vacant site disconnections, we were not aware of the reasons why the attempt proved unsuccessful. We are certainly aware that the current commercial arrangements, where retailers are billed for network and metering charges for vacant energised ICPs or where an incoming owner or

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	tenant has decided not to contract for gas supply and the site is left energised ("vacant sites"), do unnecessarily incentivize disconnections. If the disconnection cost is not recovered off the finalising customer the otherwise unrecoverable cost must be absorbed by the retailer who previously held a gas supply contract for the ICP. Ultimately these costs flow to all customers, yet they are largely avoidable if the industry (distributors, meter owners and retailers) accepted a degree of shared responsibility and pain. Historically the integrated gas distributor/meter owner/retailer received no revenue from the owners of vacant sites, so it is difficult to understand why distributors and meter owners should now expect retailers to pay network and metering charges for vacant sites. All this does is incentivize vacant site disconnections, despite there rarely being a safety problem and vacant consumption risk can be managed at substantially less cost.
Q8: Do you agree with Gas Industry Co's assessment against consumer expectations for the 'Making a Choice' phase? If not, what alternative assessment would you make?	Refer discussion paper page 64 As per Q7, we are strongly of the view that there are organizations and resources already catering to the consumer expectations of small business and domestic users, so we question the need for an assessment by the GIC.
Q9: Do you agree with Gas Industry Co's proposals aimed at enhancing the availability of information to inform consumer choice? If so, what information do you consider should be made available, and which agencies have a role in its provision? If not, what alternative proposals would you suggest?	Refer discussion paper page 64 See answer to Q7. We are strongly of the view that much of what is proposed by the GIC to meet the consumer expectations of small business and domestic users is unnecessary, and would duplicate advice and information that is provided elsewhere.

Question	Comment
Q10: Do you agree with Gas Industry Co's preference for addressing (dis)connection issues via a regulatory approach? If not, what alternative proposals would you suggest?	Refer discussion paper page 64 We are generally not in favour of a regulatory approach, and are surprised that the industry has not been able to respond more favourably to the solution proposed by the GIC given the threat of regulation. We would hope that some further tweaking of the proposed solution would avoid regulation. Refer also to our comments on Q7.
Q11: What other initiatives would you propose to address issues with meeting consumer expectations in the 'making a choice' phase?	Refer discussion paper page 64 We see value in the Consumer NZ 'Gas Price Calculator' being made available to all consumers in the same way as Powerswitch currently is, i.e. by industry or regulator funding.
Q12: Do you agree with the proposed set of reasonable consumer expectations for the 'Business as Usual' phase? If not, what alternative consumer expectations would you propose?	Refer discussion paper page 77 It seems reasonable for small business and domestic consumers to have these expectations. However, we question the need for further work from the GIC to deliver them. Ensuring supply of gas is safe, reliable and 'fit for purpose' is covered by organizations like the Energy Safety Service and the Ministry of Consumer Affairs. Further, consumers have rights under the Consumer Guarantees Act 1993. We consider that any dissatisfaction faced by the consumer can be solved firstly by the gas retailer's internal customer resolution service or if necessary by the Electricity and Gas Complaints Commission ("EGCC"). The EGCC has been effectively resolving disputes for consumers for some time. We also note that many of the "business as usual" expectations are codified by the EGCC Consumer Code of Practice, and Contact is strongly supportive of this code. While we note the consumer complaints arrangements are currently progressing towards change and will result in a single entity across both gas and electricity industries, we consider the reference point for gas consumer expectations could be a guideline set by the GIC (with threat of regulation) based on the content of the existing EGCC Gas Consumer Code of

Question	Comment
	Practice. We would expect a thorough cost – benefit analysis from the GIC before it implemented any major changes over and above the status quo. As part of its analysis we would expect the GIC to clearly demonstrate that the current situation is not meeting the expectations of small business and domestic consumers and is demonstrably unreasonable and unfair.
Q13: What comments do you have on the issues identified in meeting consumer expectations in the 'Business as Usual' phase?	<u>Refer discussion paper page 78</u> Contact is reasonably comfortable with the set of consumer expectations in the business as usual phase. As per Q12, we would expect a thorough cost – benefit analysis from the GIC before it implemented any major changes over and above the status quo. As part of its analysis we would expect the GIC to clearly demonstrate that the current situation is not meeting the expectations of small business and domestic consumers and is demonstrably unreasonable and unfair.
Q14: Do you agree with Gas Industry Co's assessment against consumer expectations for the 'Business as Usual' phase? If not, what alternative assessment would you make?	<u>Refer discussion paper page 78</u> Contact does not agree that a number of the issues identified are actual problems. For example, for domestic and small commercial consumers: • We are not aware of an unreasonable number of billing and payment problems that warrant special attention. The assessment mentions 40% of EGCC complaints were billing related, yet it does not mention how many billing complaints were received, and whether they were electricity or gas. We note the EGCC Commissioner told the Energy Retailers Forum earlier this year that "gas and dual fuel complaints remain small proportions". • We are not aware of an unreasonable number of metering problems that warrant special attention, and we note that most metering issues occur with larger consumers. • We are not aware of any significant issues with the complexity of terms, or which terms model retail contract terms would resolve. We are certainly not aware of a lack of clarity in retail contracts regarding responsibility for metering equipment or gas consumed as

Question	Comment
	recorded on the meter. • In general Contact considers the assessments and examples provided lack supporting information, and as a consequence the case for regulated minimum terms and conditions is weak. As per Q12 we would expect a thorough cost – benefit analysis before implementing any major changes over and above the status quo. As part of its analysis we would expect the GIC to clearly demonstrate that the current situation is not meeting the expectations of small business and domestic consumers and is demonstrably unreasonable and unfair.
Q15: Do you agree with Gas Industry Co's proposal to move to a regulatory approach for addressing retail contracting issues through a set of minimum terms and conditions? If not, what alternative proposal would you suggest?	<u>Refer discussion paper page 78</u> Generally Contact is not in favour of a regulated minimum terms and conditions, and considers the case for regulated minimum terms and conditions is weak. We would expect a thorough cost – benefit analysis before any regulated terms and conditions were implemented. We would also expect the GIC to prove that the status quo was demonstrably unreasonable and unfair before going ahead with a regulated solution.
Q16: In the context of Gas Industry Co's preferred approach, what comments do you have on the Draft Model Contract Guidelines (published in late 2005) attached as Appendix D to this Discussion Paper?	<u>Refer discussion paper page 78</u> Contact made a submission on the options for consumer contract arrangements in December 2005, and nothing in the August 2008 discussion document has changed our position. Essentially Contact is supportive of a single reference point of expectations (similar to the EGCC Gas Consumer Code of Practice) set in guidelines together with a compliance disclosure statement by participants, and that compliance be incentivized by the threat of regulation. Contact seeks clarification from the GIC on what it sees as the benefits of introducing Model Contract terms and conditions, over and above what could be achieved by the Model Contract Guidelines. In the main we see this as an unnecessary step.

Question	Comment
Q17: What other initiatives would you propose to address issues with meeting consumer expectations in the 'Business as Usual' phase?	Refer discussion paper page 78 We have no further comments outside those already made.
Q18: Do you agree with the proposed set of reasonable consumer expectations for the 'Dealing with Problems' phase? If not, what alternative consumer expectations would you propose?	Refer discussion paper page 84 These expectations are seem to be reasonable. We would point out that Contact customers do have, we consider, most suitable and very accessible arrangements for dealing with complaints in a timely manner and for obtaining appropriate remedies in the form internal complaints resolutions and externally from the EGCC. Information about the EGCC and internal complaints resolution is easily accessible. Customers can find out about them from Contact's website for instance. We are of course mindful of the requirement in the GPS to develop a joint gas and electricity consumer complaints resolution system and the consultation currently in progress. We would like to take this opportunity to voice our support for the EGCC. We urge the GIC and the Electricity Commission ("EC") to choose the EGCC as the preferred scheme for the joint consumer complaints resolution system. We believe that the EGCC has been effectively resolving customer complaints for some time and we see no need to move away from it or its established processes.
Q19: What comments do you have on the issues identified in meeting consumer expectations in the 'Dealing with Problems' phase?	Refer discussion paper page 84 We are of the view that the existing EGCC is a very effective complaints resolution scheme and we consider that it should be chosen as the preferred joint scheme by the GIC and the EC. We are of the view that there already is readily accessible information about how a consumer can resolve a complaint, either through an internal process or externally through the EGCC.

Question	**Comment**
	Again as we have said in response to other discussion questions, we would ideally like to see a thorough cost-benefit analysis and some demonstrable proof that the status quo was unreasonable and unfair before going ahead with any major changes.
Q20: Do you agree with Gas Industry Co's assessment against consumer expectations for the 'Dealing with Problems' phase? If not, what alternative assessment would you make?	<u>Refer discussion paper page 84</u> Refer answer to Q18 and Q19.
Q21: In addition to its active participation in the Joint Gas Industry Electricity Commission project, do you consider there are any further initiatives Gas Industry Co should pursue relating to complaints resolution?	<u>Refer discussion paper page 84</u> We consider the participation in the joint scheme as sufficient.
Q22: Do you agree with Gas Industry Co's proposed initiatives to enhance information provision to support complaint identification and resolution? If so, what information do you consider would be most useful?	<u>Refer discussion paper page 84</u> We do not agree as we consider the information already provided to consumers is sufficient.
Q23: What other initiatives would you propose to address issues with meeting consumer expectations in the 'business as usual' phase?	<u>Refer discussion paper page 84</u> No other initiatives are needed.