

10 October 2011

Gas Retail Contracts Assessment Shows “Moderate” Benchmark Compliance

A transitional assessment of gas retail contracts has shown continued “moderate” overall compliance with contract benchmarks introduced last year, gas industry co-regulator, Gas Industry Co, revealed today.

The overall assessment of contract arrangements as at 1 July 2011 was unchanged from the outcome of a baseline assessment conducted in June last year.

The baseline and transitional assessments, by an independent assessor, Elwood Law, were made under a Retail Contracts Oversight Scheme endorsed by Government in May 2010. Formal assessments will be conducted annually and, from next year, Gas Industry Co will publicly disclose the rating of individual retailers’ contract arrangements.

Gas Industry Co Chief Executive, Steve Bielby, said the Scheme reflects policy objectives for positive consumer outcomes and is designed to ensure gas retail contracts protect the long-term interests of small gas users.

The latest transitional assessment was undertaken to measure retailers’ progress against contract benchmarks since the 2010 baseline evaluation.

Mr Bielby said although the overall degree of alignment remained “moderate”, he was encouraged that retailers had taken account of feedback provided from their baseline assessments.

“We’re receiving constructive engagement from retailers in this process and, in addition to the substantial progress by one retailer, we’re seeing a number of signs that other retailers are taking active steps to improve their contractual arrangements with their retail customers.”

Individual retailers have been informed of their assessments. However the baseline and transitional assessment results are publicly reported again this year at a consolidated, rather than individual retailer, level to give retailers time to review their contract arrangements and adjust them accordingly.

“We’re also aware that the Electricity Authority is conducting a similar assessment of retail electricity contracts, and that a number of retailers will want consistency between their electricity and gas contract arrangements,” said Mr Bielby.

“Retailers, however, know that the 2012 assessment will publicly disclose their individual assessments and I’m sure this will incentivise them to make further improvements to their contractual terms.”

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Background Information

The Retail Contracts Oversight Scheme assesses retail gas supply arrangements annually for their alignment with benchmarks developed by Gas Industry Co in consultation with the industry. Gas Industry Co’s recommendation to establish the scheme was endorsed by the then Associate Minister of Energy and Resources on 12 May 2010.

In summary, the benchmarks were set following consultation with the industry and consumer representative groups, and are intended to ensure that retail gas contracts:

- are sufficiently complete, accessible, and balanced to support the long-term interests of gas consumers;
- clearly set out the respective obligations of the retailer and consumer, including any obligations the consumer has to meter or network owners;
- reflect market structures as far as possible; and
- support the achievement of an effective complaints resolution scheme for consumers.

Independent Assessor, Elwood Law, conducted a baseline assessment as at 15 June 2010. The consolidated outcome, published in September 2010, found “moderate” compliance across retailers. While identifying some areas of poor alignment, the Independent Assessor found that, in practice, gas retailers’ operations appeared to achieve the intent of the benchmarks.

The transitional assessment evaluated gas supply arrangements as at 1 July 2011. It examined 10 gas supply arrangements across seven retailers, and covered published standard terms for gas retail supply contracts for consumers (residential and business) using less than 10 terajoules (TJ) a year.

Assessment is based on a qualitative scale of “Full”, “Substantial”, “Moderate”, and “None”.

The full transitional assessment report is available on Gas Industry Co’s website at www.gasindustry.co.nz