



COVERING DOCUMENT

Gas Metering Review

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1. Introduction and purpose

Gas Industry Co has commissioned two papers on gas metering issues: *Gas Metering Review: Review of metering service provider arrangements* (Metering Services Paper) and *Gas Metering Review: Review of advanced metering technology* (Advanced Metering Paper).

The papers describe current metering arrangements and spell out the possibilities offered by advanced metering with a view to assessing whether there are barriers to competition in the metering market or to deployment of advanced meters. This work stems from requests from stakeholders that we look into metering issues and is consistent with the Government Policy Statement on Gas Governance (April 2008) which seeks a number of outcomes, one of which is "an efficient market structure for the provision of gas metering ...services." The Gas Act 1992 at section 43G(2)(f) provides the ability for the Minister of Energy to recommend regulations "providing for terms and conditions of access to gas meters by gas retailers." This work was signalled in Gas Industry Co's Statement of Intent 2016-2018.

Gas Industry Co is releasing both of these papers for stakeholder review and feedback. Below is an overview of each of the papers, as well as questions that we would like to pose to stakeholders in light of the papers' findings. The final chapter of this covering paper looks at metering-related complaints received by Utilities Disputes.

Stakeholders are invited to provide responses to the questions posed below and are welcome to comment on any other matters in the papers or on metering issues in general. Please note that the deadline for submissions is **Wednesday, 14 June 2017 at 5.00 PM**.

Gas Industry Co will consider stakeholders' submissions in determining what, if any, next steps to undertake regarding metering. This analysis and a summary of submissions will be published on Gas Industry Co's website.

Submissions can be made by logging-on to Gas Industry Co's website and uploading your submission, preferably in the form of the submissions template attached to this consultation document (Appendix A). Submissions may be uploaded and amended up to the closing date. All submissions will be published on this website after the closing date. Submitters should discuss any intended provision of confidential information with Gas Industry Co prior to submitting the information.

2. Review of metering service provider arrangements

2.1 Competition for new connections

Related networks

The Metering Services Paper provides a review of the current arrangements for the provision of gas metering services by meter owners. For the analysis, Rod Crone Consulting examined existing and template meter service agreements and conducted interviews with meter owners and retailers.

The Metering Services Paper states that gas meter owners do not appear to be actively competing for new connections, and that retailers tend to choose the network owners' related metering providers (para 34). Some of the reasons for this have to do with convenience and efficiency, as:

- The primary focus for gas meter owners is the supply of metering services on networks where they are also the network owner;
- Retailers have indicated a preference for dealing with one party to provide both network and metering services because of the operational efficiencies and customer benefits of a more seamless process; and
- 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.

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

The Metering Services Paper acknowledges that Vector's sale of distribution assets to First Gas now means that there is a network owner who is not a meter owner, but it says that retailers are still nominating Vector AMS to provide metering services for these networks.

Preferred supplier provisions

The Metering Services Paper identifies two other aspects of the metering market that may serve to limit competition among meter owners. The first is what the Metering Services Paper terms "preferred supplier" or "first right of refusal" provisions in gas metering service agreements (GMSAs). These provisions can oblige a retailer to choose a particular meter owner for new connections, meter replacements, and meter upgrades. The Metering Services Paper notes that such provisions are relatively common in electricity advanced metering services agreements, and that they may represent a mutually-agreed commercial trade-off that suits both contractual counterparties. However, such provisions could also act to limit competition and lead to further aggregation of the gas metering market (p. 5 and para 37).

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?

New connections service request processes

The second aspect identified by the Metering Services Paper is network owners' new connections service request processes. First Gas, Powerco, and Vector all have online systems that allow retailers to nominate a meter owner for a particular ICP. However, the configuration of these systems can influence retailers' choices: Vector's Siebel system offers only Vector and Nova as meter owner options (para 21), and Powerco's default option is Powerco (para 23). Similarly, GasNet's service request spreadsheet has no option for nominating a meter owner other than GasNet (para 24).

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?

2.2 Alignment of gas metering services agreements

A review of the provided GMSAs shows that core terms, services definitions, and performance standards show a degree of material alignment and conform to good practice standards (p. 5). Given this, the Metering Services Paper concludes that it does not appear necessary or desirable for Gas Industry Co to prescribe more standardised arrangements through the development of a model GMSA, benchmark terms, or contracting principles. However, the Metering Services Paper also notes that the GMSAs are not future proof in the face of advanced metering and data services, as such agreements would need to include provisions for items such as deployment plans; customer communications; and the ownership, security, and use of customer data (para 56).

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

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?

2.3 Progress toward unbundled GMSAs

Some GMSAs are signed and in force, but a number of gas metering services arrangements are based on legacy agreements that are bundled with network services agreements. The metering component of these agreements typically lack some terms, service definitions, and performance standards found in the standalone GMSAs (para 30). Meter owners would prefer all retailers are on signed GMSAs so that the rights and obligations of the parties are clear and unambiguous (para 37). Several participants report that they would like to see more progress toward separate network and metering services agreements (para 32).

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

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?

2.4 Other issues

The Metering Services Paper includes a section on suggestions and recommendations gleaned from interviews with industry participants. Two items are included:

- Including meter make and model on the registry as a means of supporting retailer management of installation information and billing quantity. The paper states that this issue was reviewed as part of the process to implement the recent registry enhancements but was not pursued due to the risk of data duplication (para 59).

Gas Industry Co notes that the idea of including a field for meter type in the registry was considered by the Registry Amendments Project Team in 2014 and received mixed support from members. The information would give an indication of load size of the meter and therefore assist in determining a suitable tariff for the site. This advantage was countered, however, by the observation that meter type is not useful unless you know the year the meter was made or last serviced, as meter specifications can change over time. Because of this, and the fact that information on meter type is available directly from the meter owner, the proposal was removed from consideration.

- Recording the ICP number on the meter itself, to reduce the opportunity for data errors (para 60).

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?

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

3. Review of advanced metering technology

3.1 Overview of advanced metering

The Advanced Metering Paper provides an overview of the current state of gas metering technology and where it is heading. It notes that the New Zealand gas metering market is very small by international standards, so it is important to leverage technology developments and experience from other jurisdictions as much as possible.

The gas advanced metering market is less developed than that for electricity advanced metering, primarily because the higher costs and lower benefits associated with advanced gas metering make it difficult to construct a positive business case for meter deployments. While these factors have meant that meter owners and retailers have been slow to adopt advanced metering for gas, the paper does not suggest that they will prevent the deployment of advanced meters. Rather, it is likely that advanced gas meters will be installed at least initially at new connections and as replacements for meters that have come to the end of their service lives.

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

3.2 Is there a need for regulatory intervention?

The Advanced Metering Paper identifies three possible areas where regulatory intervention might be required to support the adoption of advanced gas meters:

Information exchange formats and protocols

Retailer feedback suggests that it is important to establish a standard construct that includes the services and minimum dataset available to retailers. Meter owners report that, as long as the desired information is available, it can be reported in any format required by each retailer. In practice, meter owners will probably leverage the report formats they use for the exchange of electricity metering data.

The Advanced Metering Paper recommends that Gas Industry Co commence discussions with meter owners and retailers with a view to defining a standard construct for advanced metering services and a minimum dataset. Following that, stakeholders can make an assessment about whether a standard file format is required.

Given that the File Formats Working Group (FFWG) has existed for some years (although has been dormant for some time), Gas Industry Co considers that group is well-placed to develop a standard file format. However, with networks and metering being separate entities within the Vector group, it would also be appropriate to adjust the constitution of the FFWG to make provision for membership by at least one meter owner.

Q11. Do you agree with this assessment?

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)?

Access to and security of data

Advanced meters generate more data than their predecessors. Should there be rules around who can access the data and how the security of the data is maintained? The Advanced Metering Paper notes that the commercial agreements developed for electricity advanced metering appear to set the benchmark for access to and security of gas advanced metering data. As a consequence, there should be no need to regulate in this area.

Gas Industry Co notes that electricity consumers are readily able to access their consumption data by contacting their retailer. Similarly, we consider that gas consumption data belong to the consumer, and we expect that gas consumers should also have ready access to their consumption data.

Q13. Do you agree with this assessment?

Registry changes

Are registry changes required to support the introduction of advanced meters? The Advanced Metering Paper suggests that there needs to be clarity around issues such as whether an advanced meter would be considered a ToU meter, whether advanced meters should have separate meter owner codes, and whether registry entries should distinguish communicating and non-communicating meters.

Gas Industry Co notes that a number of changes were made in 2015 to the Gas (Switching Arrangements) Rules 2008 (Switching Rules) and registry to accommodate the introduction of advanced meters. The Switching Rules now contain a definition for “advanced meter” (reproduced below) that has elements of the ToU meter definition but also includes reference to consumer size, in recognition of the fact that advanced meters are intended for the mass market (domestic consumers and small commercial consumers), for which consumption is not required to be submitted to the Allocation Agent at a daily level:

advanced meter means a meter, which –

- (a) Has an associated datalogger to allow register readings or gas consumption to be recorded automatically at pre-determined intervals; and
- (b) Is installed at an ICP assigned to an allocation group under the Gas (Downstream Reconciliation) Rules 2008 that does not require gas consumption to be recorded daily

In conjunction with the change to the Switching Rules, new fields were added to the registry for Advanced Meter (a one-character field to indicate Y(es) or N(o)) and Advanced Meter Owner Code.

The registry also has fields that signify whether or not a meter has telemetry (via a one-character Y(es) or N(o) entry) and, if so, identify the telemetry owner.

These Switching Rules amendments and registry features would seem to address the issues listed above that were raised by the Advanced Metering Paper, but Gas Industry Co would be interested in stakeholders' views.

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.

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

4. Consumer complaints regarding gas meters

As an adjunct to the two papers produced by Rod Crone Consulting, Gas Industry Co asked Utilities Disputes about the number and nature of complaints it has received in relation to gas metering. Since 2012, Utilities Disputes has received 40 complaints about gas meters, all but two in relation to natural gas meters (the other two related to LPG meters). A summary of the complaints follows:

Number of complaints	Category	Specific examples
1	meter provision	wrong property
2	meter tampering	meter removed, tampered with
4	meter access	another retailer replacing meter, locked gate, estimated bills due to access issues
5	meter installation	poor meter location, neighbour's meter, obtaining price for gas meter upgrade, not providing info as to why paying for gas meter to be moved, location
8	meter damage or fault	Leaking, high bills caused by meter leak, faulty meter causing business to close for 2 days, not paying costs incurred by customer to find meter fault, high use, broken meter leading to high bill
9	meter reading	meter cover meant could not be read, meter moved, company took too long to identify high bills and possible faulty appliance, charged for neighbours, incorrect read, meter not read, estimates, wrong property
11	meter other	cost of gas meter relocation, removing disconnected meter, cost of reinstallation and recertifying meter, high bills, neighbour's meter on property, equipment did not allow gas to be shut off in emergency, paying to remove meter, meter not removed leading to high bill, paying for meter removal, removing meter without permission, disconnection and reconnection fees

Gas Industry Co notes that 40 complaints in the past five years averages out to about 8 gas metering complaints per year, or about one complaint per year for every 35,000 natural gas customers.

In relation to the topics raised by the Metering Services Paper and the Advanced Metering Paper, a group of issues stands out: those related to meter access and meter reading. It is likely that many of these issues would be resolved by the introduction of advanced gas metering, which

would eliminate or minimise the need for physical meter reading visits and minimise meter reading errors.

The other issues mentioned in the table above do not seem related to competition in the metering services market.

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

Appendix A: Consultation Questions

Gas Metering Review

Submission prepared by: <company name and contact>

QUESTION	COMMENT
Q1: Do you agree with this assessment? Why or why not?	
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?	
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?	
Q4: Do you agree that a model GMSA and benchmark terms are not required? Why or why not?	

QUESTION	COMMENT
<p>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?</p>	
<p>Q6: Why do you think retailers may not be amenable to moving to separate network and metering services agreements?</p>	
<p>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?</p>	
<p>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?</p>	
<p>Q9: Are there any other comments or feedback you would like to provide in relation to metering services agreements?</p>	
<p>Q10: Do you have any comments or observations about the state of the advanced gas metering market?</p>	

QUESTION	COMMENT
Q11: Do you agree with this assessment?	
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)?	
Q13: Do you agree with this assessment?	
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.	
Q15: Are there any other comments you would like to make about the Advanced Metering Paper – or about advanced metering in general?	
Q16: Are there any issues in relation to gas metering-related consumer complaints that you wish to raise?	

ABOUT GAS INDUSTRY CO

Gas Industry Co is the gas industry body and co-regulator under the Gas Act. Its role is to:

- develop arrangements, including regulations where appropriate, which improve:
 - the operation of gas markets;
 - access to infrastructure; and
 - consumer outcomes;
- develop these arrangements with the principal objective to ensure that gas is delivered to existing and new customers in a safe, efficient, reliable, fair and environmentally sustainable manner; and
- oversee compliance with, and review such arrangements.

Gas Industry Co is required to have regard to the Government's policy objectives for the gas sector, and to report on the achievement of those objectives and on the state of the New Zealand gas industry.

Gas Industry Co's corporate strategy is to 'optimise the contribution of gas to New Zealand'.

SUBMISSIONS CLOSE:
14 June 2017

SUBMIT TO:
www.gasindustry.co.nz

ENQUIRIES:
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