

## **GAS SUPPLY AMENDMENT BILL**

### **EXPLANATORY NOTE**

THIS Bill amends the Gas Supply Act 1908.

*Clause 1* relates to the Short Title.

*Clause 2* amends section 2 of the principal Act by extending the definition of the term "company" to include companies supplying natural gas as well as those manufacturing coal gas. The clause makes it clear that the term "company", as redefined, does not include the Natural Gas Corporation of New Zealand.

*Clause 3* amends section 3 of the principal Act. At present, only those owners or occupiers of premises within 100 yards of a gas main have a right to receive a supply of gas. By omitting from section 3 the words "within 100 yards from any main of the company", all owners and occupiers have a right to receive a supply of gas to any premises, subject to the new terms as to uneconomic supply contained in the new section 5A of the principal Act, inserted by *clause 6*.

*Clause 4* inserts a new section 3A in the principal Act. The new section 3A provides that any company supplying natural gas through its mains may refuse to commence supplying gas to a consumer if for the purpose of supplying the consumer the company has requested a supply of natural gas from the Natural Gas Corporation of New Zealand but has been refused that supply by the Corporation.

*Clause 5* adds a new subsection (2) to section 5 of the principal Act. The new subsection provides that any company supplying gas to any premises may suspend the supply of gas during any failure of supply by reason of any fault or breakage in any plant or pipeline belonging to the company or the Natural Gas Corporation brought about by inevitable accident, earthquake, or other unavoidable cause.

*Clause 6* inserts a new section 5A in the principal Act. The new section limits the right of an owner or occupier of premises to be supplied with gas if the supply would be uneconomic to the company.

Subsection (1) of the new section defines certain terms and expressions which are used in the section. "Uneconomic supply" is defined to mean any supply from which the estimated annual revenue to the company would, in its opinion, be less than 20 percent of the estimated capital cost of the extension necessary to give the supply.

Subsection (2) of the new section provides that, notwithstanding anything in sections 3 or 5 of the principal Act, any owner or occupier of the premises, who if supplied with gas can only be supplied by means of an uneconomic supply, shall not be entitled to a supply except in accordance with the terms specified in subsection (3) of the new section. (Under section 3 of the principal Act a gas company is obliged to supply an owner or occupier of premises with gas. Under section 5 of the principal Act the company is obliged to give a supply of gas, and to continue that supply, to any premises connected to the gas main, subject to the owner or occupier of the premises giving such security mentioned in the principal Act as the company may require.)

Subsection (3) of the new section sets out the terms on which the owner or occupier of premises who can be supplied with gas only by an uneconomic supply shall be entitled, subject to subsection (5) of the new section, to be supplied and continued to be supplied with gas.

Paragraph (a) of subsection (3) requires the owner or occupier to guarantee to pay each year to the company, during a period of not more than 20 years, such sum of money as the company shall determine in relation to the estimated capital cost of the extension necessary to effect the supply, but not in any case exceeding 20 percent of the estimated capital cost. If the same extension supplies more than 1 consumer, each consumer is required to guarantee to pay such fraction of the annual guaranteed sum as results from dividing that sum by the number of consumers.

Paragraph (b) of subsection (3) obliges the company to credit a consumer with all money paid by him during the year for gas supplied from the extension in reduction of any annual sum he has guaranteed.

Paragraph (c) of subsection (3) provides that if any consumer pays for gas supplied to him a sum of money more than his guaranteed annual sum, any other consumers supplied by the same extension shall be credited equally among them with the amount by which the amount paid for that gas exceeds the consumer's guaranteed annual sum.

Paragraph (d) of subsection (3) relates to the situation where an existing extension is used by a gas company to effect a supply to a new consumer. The liability of each existing consumer supplied by the extension shall be reduced in accordance with the following calculation:

$$\text{reduction of liability} = X - \frac{Y}{Z}$$

where

X = annual sum guaranteed by the existing consumer.

Y = total annual guaranteed sum determined by the company pursuant to paragraph (a) of subsection (3).

Z = total number of consumers supplied by the extension (including the new consumer for whose supply the extension is used by the company).

Paragraph (e) of subsection (3) relates to the situation where an owner or occupier of premises requests commencement of supply from an extension for which a guarantee is in force. The effect of the paragraph is to reduce liability among existing consumers. The reduction in liability can be calculated by means of the above formula applicable to the situation in paragraph (d).

Paragraph (f) of subsection (3) relates to a new supply of gas effected by means of an extension to an existing extension. The new consumer supplied by means of the further extension is required to contribute towards the cost of the original extension, as well as an annual sum guaranteed in respect of the further extension. The contribution required towards the cost of the original extension shall be applied equally among existing consumers supplied from that extension to reduce their liability.

Paragraph (g) of subsection (3) requires a gas company to review, at least once a year, the liability of all consumers receiving supply under a guarantee, and to reapportion liability in accordance with subsection (3) of the new section.

Subsection (4) of the new section enables any owner or occupier of premises entitled under the new section to a supply of gas to elect to pay a lump sum instead of guaranteeing to pay an annual sum. The lump sum shall be determined by the gas company, but shall not exceed 20 times the annual guaranteed sum which would otherwise be payable.

Subsection (5) of the new section makes it clear that, notwithstanding anything in subsections (1) to (4) of the new section, a gas company is not bound under this section to supply gas if the nature or period of the supply requested is unsatisfactory. If any supply is refused by a company, the owner or occupier may apply to a Magistrate to determine whether the nature or period of supply is unsatisfactory. The decision of the Magistrate shall be final.

Subsection (6) of the new section requires a gas company to notify the provisions of the new section to any consumer with whom it proposes to enter into an agreement pursuant to the new section.

Subsection (7) of the new section makes it clear that nothing in the new section shall prevent or restrict any gas company from supplying gas to any consumer on more favourable terms than those on which a consumer is entitled to under the new section to a supply of gas.

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*Hon. Mr Allen*

## GAS SUPPLY AMENDMENT

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### ANALYSIS

Title  
1. Short Title  
2. Interpretation

3. Gas company to supply gas on  
certain conditions  
4. Supply of natural gas  
5. Failure of supply  
6. Special terms to apply if supply is  
uneconomic to gas company

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### A BILL INTITULED

#### An Act to amend the Gas Supply Act 1908

BE IT ENACTED by the General Assembly of New Zealand  
in Parliament assembled, and by the authority of the same,  
5 as follows:

1. **Short Title**—This Act may be cited as the Gas Supply  
Amendment Act 1970, and shall be read together with and  
deemed part of the Gas Supply Act 1908\* (hereinafter  
referred to as the principal Act).
- 10 2. **Interpretation**—Section 2 of the principal Act is hereby  
amended by omitting from the definition of the term  
“company” the words “and supply gas within New Zealand”,  
and substituting the words “gas, or supply gas through pipes,  
within New Zealand; but does not include the Natural Gas  
15 Corporation of New Zealand.”

\*1957 Reprint, Vol. 5, p. 571

**3. Gas company to supply gas on certain conditions—**Section 3 of the principal Act is hereby amended by omitting from subsection (1) the words “situate within one hundred yards from any main of the company”.

**4. Supply of natural gas—**The principal Act is hereby further amended by inserting, after section 3, the following section: 5

“3A. Notwithstanding anything in section 3 of this Act, any company supplying natural gas through its mains may refuse to commence giving a supply of gas to any consumer if for the purpose of supplying gas to that consumer the company has requested a supply or further supply of natural gas from the Natural Gas Corporation of New Zealand but has been refused that supply or further supply of natural gas by the Corporation.” 10 15

**5. Failure of supply—**Section 5 of the principal Act is hereby amended by adding, as subsection (2), the following subsection:

“(2) Notwithstanding anything in subsection (1) of this section or in section 3 of this Act, any company supplying gas to any premises may, during any temporary failure of supply of gas by reason of any fault or breakage brought about by inevitable accident, earthquake, or other unavoidable cause in any plant or pipeline belonging to the company or the Natural Gas Corporation of New Zealand, suspend the supply of gas to those premises.” 20 25

**6. Special terms to apply if supply is uneconomic to gas company—**The principal Act is hereby further amended by inserting, after section 5, the following section:

“5A. (1) In this section, unless the context otherwise requires,— 30

“ ‘Capital cost of the extension’ includes a reasonable allowance for supervision and inspection, and other charges:

“ ‘Extension’ means any addition to or alteration of the undertaking of the company necessary to give satisfactory supply to any premises; but does not include any addition or alteration for which the cost has been met or defrayed by an owner, occupier, or consumer, pursuant to subsection (2) of section 3 of this Act: 35 40

“ ‘Uneconomic supply’ means any supply from which the estimated annual revenue to the company would, in its opinion, be less than 20 percent of the estimated capital cost of the extension necessary to give the supply.

5 “(2) Subject to subsection (4) of this section, but notwithstanding anything in sections 3 or 5 of this Act, any owner or occupier of premises who can be supplied with gas only by an uneconomic supply shall not be entitled to a supply  
10 of gas except in accordance with the terms specified in subsection (3) of this section.

“ (3) Subject to subsections (4) and (5) of this section, the owner or occupier of the premises shall, within 12 months after requesting a supply of gas from the company, be entitled to be  
15 supplied and to be continued to be supplied with gas on the following terms:

“ (a) The owner or occupier shall guarantee to pay each year to the company, for such period not exceeding  
20 20 years as the company shall determine commencing from the day on which supply is commenced, such sum of money as shall be determined by the company in relation to the estimated capital cost of the extension, but not  
25 in any case exceeding 20 percent of that estimated capital cost. If more than 1 consumer is supplied by means of the same extension, each consumer shall guarantee to pay such fraction of the annual guaranteed sum so determined as results from dividing that sum by the number of consumers  
30 supplied by the extension:

“ (b) The company shall credit to every consumer in reduction of any annual sum guaranteed by him in respect of an extension all money paid by him for gas supplied from that extension in the year  
35 to which the annual sum relates. The gas shall be supplied at the usual rates for the time being charged by the company:

“ (c) If any consumer, supplied by means of an extension which supplies other consumers, pays for gas supplied to him from that extension more than the  
40 annual sum guaranteed by him, the money so paid in excess of the annual sum shall be applied equally among the other consumers supplied from the same extension who each pay for the gas

supplied to them less than the annual sum that each of them has guaranteed, in reduction of their liability:

- “(d) If at any time an extension for which a guarantee is in force is used by the company to supply gas to any owner or occupier of premises other than premises already supplied by that extension, the liability of existing consumers supplied by the extension shall abate by subtracting from the annual sum which each consumer guarantees to pay the difference between that sum and the resulting sum obtained by dividing the annual guaranteed sum determined by the company pursuant to paragraph (a) of this subsection by the number of consumers, including the owner or occupier of the premises in respect of which the extension is used by the company, supplied by the extension. The company shall do all things necessary to reduce any security given by or on behalf of the existing consumers, and shall make any refund arising from the reduction of any security: 5  
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- “(e) Any owner or occupier of premises requesting the commencement of supply to those premises from an extension for which a guarantee is in force shall guarantee to pay each year to the company, commencing from the day on which supply to the premises is commenced, such fraction of the annual guaranteed sum determined by the company pursuant to paragraph (a) of this subsection to be payable under the guarantee as results from dividing that sum by the number of consumers, including the new owner or occupier to be supplied by the extension, and the liability of existing consumers shall abate proportionately: 25  
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- “(f) If an extension in respect of which a guarantee is in force is, by means of a further extension, used to supply any owner or occupier of premises other than the premises supplied by the existing extension, the company shall require the owner or occupier supplied from the further extension to make, in addition to the annual sum guaranteed in respect of the further extension, a contribution towards the cost of the original extension, which shall be applied equally among the existing consumers in reduction of their liability: 35  
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5 “(g) The company shall review the liability of all consumers receiving supply under a guarantee at least once in each year and shall reapportion liability in accordance with this subsection, but not so as to increase any sum guaranteed or to delay any reduction in liability.

10 “(4) Any owner or occupier of premises entitled under this section to a supply of gas may, instead of guaranteeing to pay any annual sum in accordance with subsection (3) of this section, elect to pay a lump sum determined by the company but not exceeding 20 times the annual sum which, but for this subsection, he would be required to guarantee. On payment of the lump sum, he shall be entitled to receive a supply of gas at the usual rates for the time being charged  
15 by the company.

20 “(5) Notwithstanding anything in subsections (1) to (4) of this section, a company shall not be bound under this section to supply gas if the nature or period of the supply requested is unsatisfactory. If any supply is refused by a company under this subsection, the owner or occupier requesting supply may apply to a Magistrate to determine whether the nature or period of supply is unsatisfactory. The decision of the Magistrate shall be final and binding on both parties.

25 “(6) The provisions of this section shall be notified to the owner or occupier by the company before any agreement between them for a supply of gas is made pursuant to this section.

30 “(7) Nothing in this section shall prevent or restrict any company from supplying gas to any owner or occupier without obtaining a guarantee or lump sum payment, or from reducing or cancelling any guarantees, or from offering more favourable terms than those on which he is entitled to be supplied under this section.”