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20/7

3 February 2009

Mr P Davies
Gas Industry Company
PO Box 10-646
Wellington 6143

Dear Peter

FY2010 LEVY FOR GAS INDUSTRY CO

Thank you for the opportunity to comment on the January 2009 consultation paper. I am responding on behalf of Energy Direct NZ Limited (EDNZ).

We would prefer all of the costs to be included into the proposed levies, rather than some costs in the levies and others as one off levies or market fees. All of the costs to be included in one off levies or market fees are direct costs relating to GIC achieving its Gas Policy Statement Objectives. We believe it is most appropriate for these costs to be included in the standard levies.

We understand that including the full costs will make the levies much higher. However, it will ensure that the costs incurred by the GIC are shared fairly and transparently across all gas consumers.

If you would like to discuss our comments further please contact me by email at tara.gannon@energydirectnz.co.nz or by phone on DDI 06 349 2055. Alternatively you can contact our General Manager, Michael Ram, by email at michael.ram@energydirect.co.nz or by phone on 06 349 0129.

Yours sincerely

A handwritten signature in black ink that reads "Tgannon".

Tara Gannon
Energy Trading Supervisor

Enc

Submission on FY2010 Levy for Gas Industry Co

Submission from: **Energy Direct NZ**

Contact: Tara Gannon

QUESTION	COMMENT
<p>Q 1: Do you agree with the proposal not to alter the structure of the levy for the 2010 financial year?</p>	<p>Yes, we agree with the decision not to create a separate charge to the pipeline owners. All levy charges are ultimately passed on to the retailer and then the end consumer regardless of which industry participant they are originally billed to.</p>
<p>Q 2: Do you agree with the proposal to recover the establishment costs of the Gas (Downstream Reconciliation) Rules 2008 by way of a one-off Special Purpose Levy, calculated on the same basis used to allocate the ongoing operational costs?</p>	<p>No. The gas reconciliation rules establishment costs are direct costs to deliver the GIC's policy objectives. We believe that they should be included in the proposed standard levy.</p> <p>A one off special purpose levy would be very difficult to recover from consumers. It is likely that the time period and allocation method used to recover the costs from consumers would vary from retailer to retailer. Consequently, switching consumers could either miss being charged the levy or be charged more than once, and consumers of a similar size and type could be charged a different portion of the costs by different retailers.</p> <p>We would prefer these charges to be built into one of the standard GIC levies, so that they are fairly and transparently applied to all gas consumers. If the charges are to be calculated on allocated volumes, our preference would be to include it in the producer levy. Otherwise, we would accept the charges being built into the per ICP rate.</p>
<p>Q 3: Do you agree with the proposed policy for funding the establishment, implementation and ongoing administration costs of gas governance arrangements?</p>	<p>The gas governance arrangement costs are direct costs to deliver the GIC's policy objectives. We believe that they should be included in the proposed standard levy.</p> <p>We would prefer market fees not to be used, for the reasons specified in 2 above. In addition, Market fees are not specifically listed as a charge that can be passed on to our consumers under our gas supply agreements.</p>

Submission on FY2010 Levy for Gas Industry Co

QUESTION	COMMENT
<p>Q4: Do you consider there to be any other items in the external work programme which should be included in the Company's strategic priorities for FY2010?</p>	<p>No.</p>
<p>Q5: Do you have any comment on the levy funding requirement for FY2010?</p>	<p>No.</p>
<p>Q6: Do you have any comment on the proposed levy for FY2010?</p>	<p>We would prefer all of the costs to be included into the proposed levies, rather than some costs in the levies and others as one off levies or market fees. As the proposal stands, the standard levy does not reflect the full costs of the GIC's work.</p> <p>We understand that including the full costs will make the levies much higher. However, it will ensure that the full costs of the GIC meeting its policy objectives are shared fairly and transparently across all gas consumers, not at each retailer's discretion.</p> <p>Given the significant increase in costs for this year, it would be helpful if the GIC could provide an information sheet, or a page on their website with information that retailers could pass on to consumers to explain the change.</p>

