



9 February 2009

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Dear Peter,

SUBMISSION ON LEVY FOR GAS INDUSTRY CO FOR THE 2008/2009 FINANCIAL YEAR

Introduction

1. Thank you for the opportunity to comment on the Gas Industry Company's (GIC's) consultation paper "*FY2010 Levy for Gas Industry Co*" dated 16 January 2009. No part of our submission is confidential and we are happy for it to be publicly released.
2. Mighty River Power appreciates the extension granted for submissions. However, we still feel the consultation period has been too tight. We would suggest the GIC should ensure the levy consultation paper is released no later than December in future years, and ideally in November.

Mighty River Power's views

3. As a general comment, Mighty River Power believes the GIC should be turning its mind to the implications of the change in Government on its workstreams. The GIC's workstreams are very much business-as-usual, based on the previous Government's Policy Statement on Gas Governance (GPS) 2008. The GPS tasks will not necessarily reflect the new Government's priorities. The review the Government has flagged of the status of the Electricity Commission, and whether it should continue, may also have implications for the GIC. For example, if the Government adopted Mighty River Power's proposal that responsibility for network access/economic regulation be moved to generic regulatory arrangements administered by the Commerce Commission this would eliminate the GIC's workstreams on gas transmission and distribution network access issues.
4. We would also caution the GIC that it needs to ensure its levies are justified in terms of the value they provide to end-users, who ultimately will incur these costs through higher (than

otherwise) gas tariffs. This is something the GIC should be particularly mindful of given that for many end-users gas is a discretionary service (as seen by the varying degrees of residential uptake in different parts of the country where gas supply is available). We make this comment in the context of the GIC's desired outcome of ensuring downward pressure on prices against increases to retail levies over-time (since 2007, wholesale levies have increased 0.56% while retail levies have increased by 17.8%, excluding the additional market fees planned for FY2010).

5. With the above points about the GIC's workstreams and need to ensure its levies provide good value to end-users in mind, we have the following observations:
 - a. We question whether there is a need for the GIC (with the Electricity Commission) to go through an approval process for a Complaints Resolution Scheme (effectively mandating a Scheme), rather than relying on a self-regulatory approach (eg the status quo);
 - b. The GIC has focussed on contractual arrangements at the retail level, whereas it should be focussing on the natural monopoly (transmission and distribution) parts of the gas market; and
 - c. Proposals for a Single Independent Balancing Agent will result in increased costs with debatable benefits (we will be commenting on this matter in more detail in the relevant consultation).

Other comments

6. We support recovery of market fees by way of volumetric fees, rather than per ICP fees. We also note that we remain of the view that the levy should be altered to include a charge to Gas Pipeline Businesses, including both transmission and distribution, for the reasons given in our previous submission.

Concluding remarks

7. If you would like to discuss this matter directly with Mighty River Power, please do not hesitate to contact me (on 09 308 8259 or robert.allen@mightyriver.co.nz).

Yours faithfully

Robert Allen
Regulatory Manager