

SUBMISSION TO

Gas Industry Company Limited
Consultation on the proposed Levy for FY 2010

SUBMISSION PREPARED BY:

Methanex New Zealand Limited
PO Box 4299
Shortland Street
Auckland 1140

Contact details:

Matthew Gardner
Methanex New Zealand Limited
Email: m.gardner@methanex.com
Phone: 09 356 9296

QUESTION	SUBMISSION
Q 1: Do you agree with the proposal not to alter the structure of the levy for the 2010 financial year?	Methanex supports the proposal.
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>As a wholesale participant Methanex' has no obligations in this respect and accordingly has no comment on the methodology for recovering these costs from retail participants.</p> <p>The GIC should use every effort to avoid incurring extraordinary unbudgeted costs. We recommend that it advises participants fully as soon as it becomes aware that such costs may be incurred and allow every opportunity for consultation before those costs are actually incurred.</p>
Q 3: Do you agree with the proposed policy for funding the establishment, implementation and ongoing administration costs of gas governance arrangements?	<p>Methanex considers that in principle the most equitable way of recovering the costs incurred by the GIC is by way of market-based fees where practical in order to reduce the potential for cross-subsidisation of costs inherent in the general levy mechanism.</p> <p>However, Methanex recognises the need for the GIC to have the most cost-efficient administrative structure and that the scope for splitting out internal costs in a cost efficient manner may be limited. Consideration should be given to separating out internal functions for market-based cost recovery provided that in doing so the overall costs incurred by GIC are not increased, or the service level it provides diminished.</p> <p>We also seek assurance that where a function (such as Critical Contingency Management), has a market-based fee element in addition to a significant cost covered by the general levy, that every effort is made by the GIC to avoid duplication of activities and costs.</p> <p>Over time Methanex recommends that a greater proportion of GIC costs will be recovered by market-based, user pays fees and the general levy reduced accordingly.</p>

QUESTION	SUBMISSION
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>Methanex seeks a greater emphasis from GIC in achieving practical outcomes (such as developing appropriate gas governance arrangements and other arrangements that minimise barriers to competition in gas markets) and is concerned that the GIC may expend unnecessary expense and resource on monitoring and reporting activities.</p> <p>The GIC should consider providing a clearer distinction between the setting of its immediate work priorities, which we understand are essentially mandates from the Government, and its core long-term strategic objectives, as discussed in section 2.5 of the consultation paper.</p> <p>Methanex considers that GIC strategic objectives should principally be:</p> <ol style="list-style-type: none">1. Minimising the barriers to retail and wholesale competition in gas markets; and2. The cost effective administration of appropriate governance arrangements in gas markets
Q5: Do you have any comment on the levy funding requirement for FY2010?	Methanex has no comment
Q6: Do you have any comment on the proposed levy for FY2010?	Methanex has no further comment.