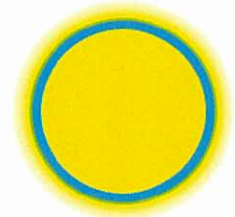


5 February 2009

Peter Davies
Gas Industry Company
Level 8, The Todd Building
95 Customhouse Quay
Wellington 6143

By email: submissions@gasindustry.co.nz

POWERCO



Dear Peter,

Submission on the FY2010 Levy of Gas Industry Company

Powerco has the following response in regard to the Gas Industry Company ("GIC") "*FY2010 Levy of Gas Industry Discussion Paper*", published 16 January 2009.

The GIC Levy

Powerco agrees that the GIC should retain the existing levy structure, where the levy is divided into a retail and wholesale levy. Including a separate charge to pipeline owners would unnecessarily complicate the structure.

Powerco does have some concerns that the way the levy is passed through by retailers to end consumers could act as a deterrent to new connections or encourage existing consumers to disconnect from distribution networks. Our concern mainly lies with customers who consume very low volumes of gas (for example, those who consume below 10 gigajoules ("GJ") per annum). One way to address this could be to exempt consumers who use less than 10GJ from the retail levy.

Powerco supports GIC's proposed policy for recovering the establishment costs of the Gas (Downstream Reconciliation) Rules 2008, where the levy is based on allocated gas volumes.

The GIC work programme

Powerco is keen that the GIC continues to focus on delivering value for money to gas consumers, and that all work streams have clear cost benefit justification. GIC's costs are only one part of the "regulatory burden", including Commerce Commission and Electricity and Gas Complaint Commission costs, which are ultimately borne by consumers. Given the relatively small size of the New Zealand gas industry, all regulators need to look closely at their costs and ensure consumers are not unreasonably burdened.

Yours sincerely,

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

Paul Goodeve
Regulatory and Business Manager