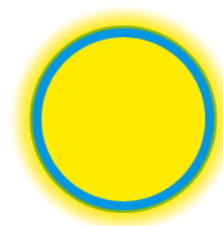


26 July 2011

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

[by email to ian.wilson@gasindustry.co.nz]

POWERCO



Dear Ian,

Consultation Paper: Draft Principles for Arrangements on Gas Distribution Systems

1. Powerco welcomes the opportunity to comment on the consultation paper: Draft Principles for Arrangements on Gas Distribution Systems. Responses to the questions posed in the document are provide at Annex A.
2. Powerco supports the GIC's conclusion that regulation is not required, but recognises there is scope for improvement and is broadly supportive of the proposed principles for distribution arrangements with retailers.
3. We are grateful that the GIC has recognised the challenges posed by developing standard network service arrangements (NSAs) and opted for the principles approach. As with the recent consultation by the Electricity Authority the GIC consultation seems to suggest that failure to re-negotiate NSAs may be the result of a lack of inertia on the part of the distributor. As a prudent network operator Powerco is concerned by this view and would highlight that failure to re-negotiate agreements poses similar levels of risk to distributors as it does to retailers. The comment that '*distributors have been slow to update contracts with retailers*' seems to apportion blame both unnecessarily and disproportionately on distributors.
4. The variation in agreements between retailers and distributors largely stems from the various sales, mergers and acquisition that have taken place in the gas sector since the reforms of the 1990s. It is not unusual that the existence of legacy agreements leads to regional specific agreements between distributors and retailers.
5. I hope that the responses provided are of use and please do not hesitate to contact me if you require any clarification of the points raised. Powerco looks forward to

working with the GIC to review progress across the industry in updating NSAs, in line with the principles.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Will Green', with a long horizontal flourish extending to the right.

Will Green
Regulatory Analyst
Powerco

Annex A

Submission prepared by: William Green, will.green@powerco.co.nz, 06 757 3397

QUESTION	COMMENT
Q1: Do you have any comments on the proposed purpose and definitions for the principles?	Powerco supports the purpose of the draft principles. Powerco has no comments on the definitions, which are in line with our use of the terms.
Q2: Do you have any comments on the proposed General Principles?	Powerco supports the draft General Principles, though to avoid differences of opinion at a later date it may be appropriate to provide guidance on what the GIC considers 'regular review'.
Q3: Do you have any comments on the draft 'obligation and rights of parties' principle?	Powerco supports the draft obligation and rights of parties' principle.
Q4: Do you have any comments on the draft 'distribution services provided' principles?	Powerco is content with the draft 'distribution services provided' principles.
Q5: Do you have any comments on the draft 'Pricing including pricing changes' principles?	Powerco already operates in line with the 'pricing including pricing changes principles' and provides 60 days notice to retailers in advance of price changes.
Q6: Do you have any comments on the draft 'commencement and cessation of line charges' principle?	Powerco has no comments on the 'commencement and cessation of line charges' principle.
Q7: Do you have any comments on the draft 'disconnection and reconnection' principle?	Powerco supports this principle.
Q8: Do you have any comments on the draft 'information exchange and use' principles?	Powerco supports this principle, and in particular the use of standardised information exchange protocols.
Q9: Do you have any comments on the draft 'service interruptions' principle?	Powerco supports this principle and our NSA already include comparable clauses.
Q10: Do you have any comments on the draft 'managing critical contingencies' principle?	Powerco supports the draft 'managing critical contingencies' principle. Powerco has been introducing this in to agreements with retailers and recently signed a 'critical contingency management agreement' with a major retailer.

QUESTION	COMMENT
<p>Q11: Do you have any comments on the draft 'publication of the standard distribution agreement' principle?</p>	<p>Following completion of negotiation of NSAs with a retailer Powerco shares the revised agreement with all retailers, allowing them the opportunity to move to the latest iteration of the contract. We therefore have no objection to publishing the most recent version on our website.</p>
<p>Q12: Do you agree that an assessment should take place approximately six months after the principles are finalised?</p>	<p>Powerco supports this principal but proposes that the assessment should take place after 12 months rather than six. Powerco places great emphasis on the consultation process which forms part of the re-negotiation of system arrangements. Experience has shown that this can take some time and hence a longer period before assessment takes place would provide a better indication of whether process is being made. A six month review may fail to pick up on this process as negotiations are likely to be on-going, any changes made as a result of this would be unhelpful for those discussions.</p>