



GREYMOUTH GAS

1 February 2013

John Bright
Adviser
Gas Industry Company Limited
PO Box 10 646
Wellington 6143

Dear John,

RE: Insolvent Retailers - Options Paper

Greymouth Gas New Zealand Limited ("Greymouth Gas") is pleased to make a submission on the Insolvent Retailers – Options Paper (the "paper") following an invitation from the Gas Industry Company Limited ("GIC") on 17 December 2012.

The paper does not canvass loss or costs, but risk, i.e. the potential for loss or costs on an allocative basis depending on a trigger. While this risk is apparently very low at any given point in time in New Zealand, and the case for regulatory intervention has not been met (due to the business framework and hurdles contained within the Gas Act 1992 – as the paper mentions, which discounts Option 5 in the paper), Greymouth Gas considers it sensible to explore and take a position on such risk, even if the outcome is that no tangible action is taken.

Greymouth Gas considers that the lessons that should influence which option to take in the paper are not that of E-Gas, but that of:

- Power companies disconnecting residential electricity supply over unpaid invoices – i.e. not a good health/safety outcome, not a good first-world infrastructure outcome, and arguably an inefficient economic outcome if extrapolated into an orphaned customer context (this discounts Option 4 in the paper),
- GIC's current workplan and how high the paper is prioritised – Greymouth Gas suggests that other issues like capacity are much higher priorities and that developing parameters for urgent regulations would soak up industry resource and take a long time, which is perhaps not the most efficient outcome given that each insolvency situation (and environment) will be unique and thus difficult to future-proof with a framework (this detracts from but does not discount Option 3 in the paper),
- Even though GIC's Retail Contract and Distribution Contract work-streams are voluntary, and it would be sensible to attempt to introduce concepts from the paper in those work-streams, Greymouth Gas suggests that a) because of the bilateral nature of retailer-customer contracts, it could prove problematic to incorporate a standard

voluntary industry principle, and b) appetite for amending Distribution Contracts would need to be standard across the distributors and this may also prove problematic to manage via a voluntary guideline process (this detracts from but does not discount Option 2 in the paper), and

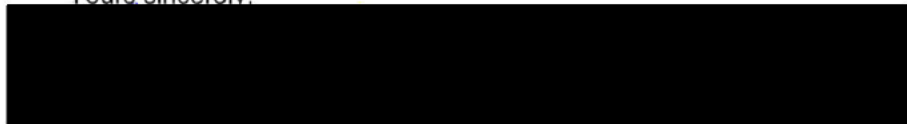
- The government¹ adapting and acting quickly to put in place the Gas Governance (Insolvent Retailer) Regulations 2010, which was a reasonable outcome (this adds weight to Option 1 in the paper).

Greymouth Gas favours Option 1, i.e. let the market sort it out.

This is supported by the strong regulatory back-stop outlined in the previous bullet point, the difficulty of canvassing a framework to cover unknown situations and the prima facie benefits as discussed in the paper vis-a-vis compatibility with other legislated processes.

However, if the GIC chooses to pursue Option 2 or 3 then this would not be so bad, but we do question the efficiency and effectiveness of these approaches.

Yours sincerely,

A large black rectangular redaction box covering the signature area of the letter.

Chris Boxall
Commercial Manager

¹ the then Ministry of Economic Development, with assistance from the GIC