

Submission by Maui Development Limited

for Statement of Proposal on FY2016 Statement of Intent and Levy

5 February 2015

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| QUESTION | COMMENT |
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| <p>Q1: Do you consider there to be any other items that should be included in the Company's intended work programme for FY2016? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.</p> | <p>As we stated last year, we would welcome more effort by GIC to facilitate investment in infrastructure. Concerns about this were the original motivation for GIC's Gas Transmission Investment Programme (GTIP). In GIC's current proposal these concerns seem to have fallen by the wayside.</p> <p>We agree that the original concerns about capacity on Vector's North Pipeline that led to the GTIP can be more efficiently resolved by contractual changes than by new capacity investment. In our view, however, this should not mean that all other types of gas transmission investment can now be ignored.</p> <p>We believe the Regulatory Project in the GTIP to "identify whether there are appropriate incentives in place for investment" is still relevant. The need for such incentives is not limited to new pipeline capacity. It is also needed to facilitate investment to maintain and protect existing capacity, as well as investment in systems to improve pipeline operations.</p> <p>The need will become more acute in the near future for two reasons.</p> <ul style="list-style-type: none"> • In 2015 the Commerce Commission will be reviewing implementation of an Incremental Rolling Incentive Scheme (IRIS) for Gas Transmission Businesses. The approach used by the Commission in the electricity sector penalizes regulated businesses for making capital expenditures in excess of forecasts by the Commission. The Commission does not have an approach for making forecasts in the gas sector, and has relied on historical data instead. The outcome could be that GTBs are penalised for investments in excess of historical averages. • No later than 2016 the Commerce Commission will be reviewing its overall approach to resetting price-quality paths for Gas Pipeline Businesses. As part of such an approach we expect it will be useful to design an investment test and to reconsider appropriate quality measures. We would also like to consider the concept of "listed projects" similar to the concept used for the recent price-quality path determination set for Transpower. <p>We acknowledge that the co-regulatory model does not provide a role for GIC in the setting of price-quality paths. We also note, however, that the initial price-quality paths set by the Commerce Commission have effectively disincentivised investments for gas transmission during the current regulatory period. We believe this should remain of concern to the GIC.</p> <p>With respect to future regulatory determinations, we expect that GIC could play a useful role in work to consider industry forecasts, an appropriate investment test, quality measures, and a series of "listed projects" that could be of benefit to the gas industry. We encourage the GIC to take up such a role and find ways to support future gas transmission investment.</p> |

| QUESTION | COMMENT |
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| <p>Q2: Do you consider there to be any items that should be excluded from the Company's intended work programme for FY2016? Please provide reasons for your response.</p> | <p>No comment.</p> |
| <p>Q3: We are particularly interested in industry comment on the forecast gas volumes – do stakeholders consider the projection reasonable? If not, what would they consider an appropriate gas volumes estimate to be?</p> | <p>No comment.</p> |
| <p>Q4: Do you have any comment on the proposed levy for FY2016?</p> | <p>We appreciate the reduction.</p> |