



3 February 2014

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Dear Greg,

Statement of Proposal on FY2015 Strategy, Work Programme and Levy

Introduction

1. Mighty River Power welcomes the opportunity to provide this submission on the Statement of Proposal on the FY 2015 Strategy, Work Programme and Levy issued by the Gas Industry Company (GIC) on 11 December 2013. No part of the submission is confidential and Mighty River Power is happy for it to be publicly released.

Comments

2. Our responses to the questions raised by the GIC in the Statement of Proposal are attached in Appendix below.

Concluding remarks

3. If you would like to discuss any of our above comments directly with Mighty River Power, then please do not hesitate to contact me on 06 348 7926 or jim.raybould@mightyriver.co.nz.

Yours sincerely

A handwritten signature in black ink that reads "Jim Raybould".

Jim Raybould
Gas Manager

Recommended Format for Submissions

To assist Gas Industry Co in the orderly and efficient consideration of stakeholders’ responses, a suggested format for submissions has been prepared. Respondents are also free to include other material in their responses.

Submission prepared by: Jim Raybould – Mighty River Power

QUESTION	COMMENT
<p>Q1: Do you consider there to be any other items that should be included in the Company’s intended work programme for FY2015? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.</p>	<p>We would ask that the GIC consider reinstating their proposed Oversight Scheme for GMS Agreements. GMS is the only link in the downstream gas supply chain over which the GIC has no regulatory oversight. Gas metering is notionally a competitive market however it can reasonably be argued that in its current form it operates as a pseudo monopoly. The sale by Contact Energy of their GMS assets to Vector has further entrenched this situation with all of the companies offering GMS services also having gas network businesses.</p> <p>We recognise that Retailers have choices with regards to GMS services but in practice this choice tends only to be exercised at the time of the first gas connection. Practical considerations then usually results in the installation of a GMS owned by the network operator. It should also be noted that not all GMS Operators offer GMS services on all gas networks.</p> <p>To the best of our knowledge there are no major gas meter replacement programmes other than those operated by the GMS operators as part of their asset management plans. We do however anticipate that at some time in the future we will see major gas meter replacement programmes as “ Smart” gas metering equipment becomes cost more effective. It is important that these services are offered to the market under fair and competitive terms and conditions.</p> <p>With regards to how the above work programme meets the objectives of the Gas Act ,in our opinion it does so in a similar way to the Distribution Oversight Scheme in that it</p> <ul style="list-style-type: none"> • minimises barriers to competition; • enhances incentives for investment in GMS equipment as participants are operating in a fair market; and • potentially delivers downward pressure on gas prices through a competitive market.

QUESTION	COMMENT
Q2: Do you consider there to be any items that should be excluded from the Company's intended work programme for FY2015? Please provide reasons for your response.	No
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>We believe that the GIC is in a good position to make a reasonably accurate estimate of future gas consumption given that it has access to industry wide information.</p> <p>The Industry's 12 months' gas purchases to 31 October 2013 was 170 PJ compared with 156 PJ for the previous 12 months' purchases. Based on this and the above we believe the GIC's estimate of 190 PJ for the forthcoming year is reasonable.</p>
Q4: Do you have any comment on the proposed levy for FY2015?	No
Q5: Do you have any suggestions for amending the annual levy regulations?	No