

think differently



16 November 2009

Bas Walker
Gas Industry Company
PO Box 10-646
Wellington

Dear Bas,

Consultation regarding Options for the Governance of Retail Contract Terms

Nova Gas has reviewed the consultation paper prepared by the Gas Industry Company (GIC).

Please find attached our responses to the questions posed in the consultation paper.

In summary we believe that the consultation paper did not:

- properly consider all the options available and in particular the option of continuing with the status quo where there are no benchmarks or minimum requirements for terms and conditions;
- provide sufficient supporting evidence that benchmarks or minimum requirements for terms and conditions are necessary or that there is a failure by the market to deliver the outcomes sought (especially since the introduction of the regulated switching regime);
- include as a category in the analysis of costs and benefits the losses associated with loss of dynamic efficiency associated with the imposition of minimum terms and conditions that act to prevent innovation in the long term;
- perform a cost/benefit analysis to show that the benefits a voluntary or mandatory regime outweighed the costs;

We are also concerned that proposed benchmarks themselves include elements that could be described as redundant or cosmetic in effect. For example, the inclusion of benchmark terms that require a retailer to comply with obligations that it has a statutory obligation already to comply with.

It is our conclusion that the GIC has not met the usual tests required to justify the development of benchmark terms and conditions and would be better to focus its finite resource in other areas that consumers and suppliers would derive better value for their GIC levies.

Yours sincerely

A handwritten signature in blue ink, appearing to read "C Teichert".

Charles Teichert