

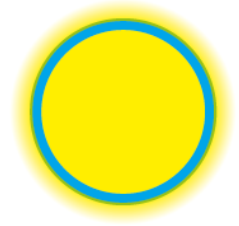
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POWERCO



Dear Christine

Compliance & Enforcement Consultation Paper – Submission

Thank you for extending an invitation to comment on The Gas Industry Company's Compliance and Enforcement consultation paper dated 12 April.

While Powerco considers the paper to be well presented, coherent and an internally consistent proposal, at this juncture we have difficulty supporting the GIC's proposal for a Rulings Panel. The consultation paper predisposes the character and magnitude of the compliance requirements that will result from the GIC's major workstreams. While these are all being progressed, generally they are some distance from being complete or agreed.

Specific reference is made to the proposed switching and registry rules but registry options continue to be explored; further work is yet to be carried out before a proposal can be determined. Other GIC workstreams are equally pertinent to defining the most appropriate compliance and enforcement regime. These, again, represent work-in-progress at present. This latter category includes Allocation & Data management, the outcomes of the small gas user review, retail/consumer model contract, etc.

We suggest an examination be performed of the character and scope of the likely compliance and enforcement needs of each major GIC governance workstream. We could anticipate that this may disclose some variance in needs, in turn suggesting that a tiered or similarly structured enforcement arrangement may be more suitable than a one-for-all Rulings Panel approach. A Rulings Panel may in the end be demonstrated to be the correct enforcement mechanism but the need for such a "high end" solution needs to be adequately established rather than imposed - it is difficult to contemplate broad industry acceptance for or acquiescence to, a Rulings Panel in the absence of demonstrated needs.

A further area of concern with the GIC's proposal is the level of administrative costs (likely to be substantial) that would be incurred with a Rulings Panel (i.e. cost/benefit justification needed). We believe there is also a need to explore a thresholds structure under which minor infringements would be addressed in an efficient and cost effective manner.

We would be pleased to discuss our views further with you.

Yours sincerely

Brian McLaughlin
Gas Business Manager