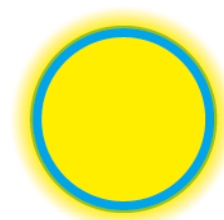


05 February 2016

Rt. Hon J B Bolger
Chair
Gas Industry Company Ltd
P O Box 10 646
WELLINGTON 6143

POWERCO



Dear Mr Bolger,

Powerco response to FY2017 Strategy, Work programme and Levy

1. Powerco welcomes the opportunity to comment on the Gas Industry Co's (GIC) consultation paper, FY2016 Strategy, Work programme and Levy (Consultation Paper) published on 15 December 2015. We believe the GIC agenda is well positioned to support the development of a strong, competitive and vibrant gas industry in New Zealand; the benefit we anticipate will ultimately flow to customers and investors in the sector.
2. Powerco supports the GIC's proposed work programme and does not wish to propose any amendments or additions to it. We will continue to take an active interest in the GIC's assessment of how well distribution companies are executing new investment contracts consistent with the distribution principles.
3. None of the content of this letter or Annex A are confidential.

Introduction

4. As an open access gas distribution provider, our commercial drivers are aligned with building a strong and efficient gas sector. The long term nature of our investments and diverse customer mix mean the profitability of these investments is ultimately linked to people choosing gas, and choosing to retain gas.
5. Customers will only select gas if the industry delivers strong price advantages compared to other available fuels, unquestionable reliability, a competitive market and clear information on the benefits of gas. The GIC, as a regulator, can contribute by delivering regulation and industry approaches that protect customers and ensure effective market operation. For this reason we are particularly pleased to see the continued commitment to "telling the gas story" as consider positive and visible marketing is essential in developing the gas industry.

Support for the proposed FY2017 Strategy and Work Programme.

6. We have reviewed the Consultation Paper and support the indicative work programme. The continued focus on addressing transmission capacity issues and work in the market space builds on the work of the GIC over recent years.

7. Powerco considers the GIC's prioritisation methodology robust and this is reflected in the work programme set down for FY2017. We also encourage the GIC to focus on completing on-going projects over resources being spread thinly across multiple projects, extending delivery time.
8. We are pleased to see that on many projects the GIC are taking the approach of carefully monitoring and understanding issues before intervening. This is a prudent approach that ensures only necessary work occurs when required.

Levy fees

9. Powerco would like to acknowledge the GIC's continued work and commitment on maintaining downward pressure on costs while not impacting the quality of service provided. This can only be achieved through mindful project selection to ensure the correct issues are identified and prioritised, and strong management of direct and non-operational costs in the business.

Industry advisory and technical groups

10. When addressing the delivery of the FY2017 Work Programme, we recommend that the GIC considers the role of advisory and technical groups such as the Downstream Reconciliation Advisory Group (DRAG). When used under the right circumstances, advisory and technical groups can provide significant time and resource savings through identifying key issues, removing minor matters and providing clear pre-consultation advice.
11. We strongly believe that the GIC have a stakeholder role to play in respect of the Commerce Commission's Input Methodology Review and gas 2017 DPP reset. We support and encourage the GIC to continue to work in partnership with the Commission to ensure alignment of regulation.

Conclusion

12. Thank you for the opportunity to make this submission. If the GIC wishes to discuss any aspects of this submission further, please do not hesitate in contacting me on 06 757 3397 or Oliver.Vincent@powerco.co.nz.

Yours sincerely

Richard Fletcher

General Manager Regulation and Government Relations
Powerco

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: Oliver Vincent (Acting Regulatory Manager) on behalf of Powerco

Question	Comment
<p>O1: Do you have any comments on Gas Industry Co's role or Strategy relevant to development of the Statement of Intent and Levy?</p>	<p>Yes</p> <p>We are pleased the GIC have been working closely with the Commission and encourage them to continue to do so to ensure alignment between work plans, mechanisms and outcomes. The Commission's current work on the 2017 Input Methodology Review and gas 2017 DPP requires a holistic approach to ensure it is 'fit for purpose' and the timing and resource requirements of this work need to be considered by the GIC when executing its FY17 work programme.</p>
<p>Q2: Do you have any comments on the process for developing Gas Industry Co's SOI and Levy?</p>	<p>Yes.</p> <p>We support the process and consider the use of an industry pre-consultation forum a positive step.</p>
<p>Q3: Do you consider there to be any other items that should be included in the Company's intended Work Programme for FY2017? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.</p>	<p>No</p> <p>With the competing demands of a finite budget and projects already committed to we do not believe that there is any other items with a high enough priority to make it into the FY2017 Work Programme. The focus should remain on progressing and completing as many of the identified work areas as possible in a timely manner.</p>
<p>Q4: Do you consider there to be any items that should be excluded from the Company's intended Work Programme for FY2017? Please provide reasons for your response.</p>	<p>No.</p>

<p>Q5: 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 volume estimate to be?</p>	<p>Yes. We consider this a reasonable forecast given the current available information and do not expect to foresee and significant fluctuation from the gas volume assumption in the next 12 to 18 months.</p>
<p>Q6: Do you have any comment on the proposed levy for FY2017?</p>	<p>Yes. We support the proposed levy and congratulate the GIC for developing a work programme that is prioritised to meet the sectors needs at a maintained cost.</p>