

7 October 2016

Ian Wilson
Gas Industry Company
95 Customhouse Quay
Wellington 6143

Dear Ian,

Consultation on Single Code Options Paper

Mercury welcomes the opportunity to provide a submission to the Gas Industry Company regarding its consultation on the first single code options paper.

We support the GIC's proposed regulatory objectives where change is necessary to ensure the market remains equitable, efficient and competitive in the future. Mercury supports transparency as one of the primary mechanisms to enable an efficient and competitive market and notes this aligns with the PEA's findings. Mercury would therefore suggest that the objective could be worded "To promptly establish a new non-discriminatory and transparent gas transmission open access regime..."

Mercury agrees with the GIC that it is not necessary to specify the scope of the new code at this stage in the process. Operating procedures and regulations that have the potential to affect incentive structures should be evaluated at early stages to ensure they can meet their regulatory objectives under a new code. In particular, the transaction costs, structure and complexity in capacity trading could prevent it from contributing to a competitive and efficient outcome.

The PEA's guiding principles are well summarised in this paper. However, as the PEA noted, their work focused on an 'evolutionary, rather than revolutionary' approach. Mercury would support First Gas and the GIC in also considering options that may depart from the PEA's guidelines.

Mercury is of the opinion that multiple options in products, congestion management and pricing should be considered for each service option. The relative importance of these issues is increased in the New Zealand context.

Mercury agrees that the process outlined appears appropriate. However, given the GIC has identified an objective to "recommend regulation without a significant delay", the GIC should remain open to expanding their role if required.

For any questions on the subject of this submission please contact myself or Monica Choy, Market Operations Manager.

Yours sincerely



William Turner
Energy Analyst