



11 Chews Lane
PO Box 10568
The Terrace
Wellington 6143
New Zealand

Genesis Power Limited
trading as Genesis Energy

Fax: 04 495 6363

8 February 2013

Greg Hinds
95 Customhouse Quay
Gas Industry Company
WELLINGTON

Submitted via: Gas Industry Company Website

Dear Greg

FY2014 Strategy, Work Programme and Levy

Genesis Power Limited, trading as Genesis Energy, welcomes the opportunity to provide a submission to the Gas Industry Company ("the GIC") on the "Statement of Proposal on FY2014 Strategy, Work programme & Levy" dated 21 December 2011.

Genesis Energy is comfortable with the scope of the work outlined in the statement of proposal for FY2014. In particular, we are happy to see a focus on enabling industry-led reforms.

Our specific comments are:

- the statement of proposal identifies working with other agencies to "better align regulatory obligations"¹ as an objective. We agree that minimising and aligning regulatory burdens on participants is a good objective for any regulator. However, any alignment must as its key purpose provide benefits to gas market participants and gas consumers, and reflect the differences between regulated markets. In particular, we agree with your assessment that a retailer insolvency solution for the electricity market will not necessarily be appropriate for the gas market;²

¹ Page 16 of the Statement of Proposal Gas Quality, Forecast Activities FY2014

² Page 18 of the Statement of Proposal, Retailer Insolvency

- we support the GIC's proposal to review the frequency for retailer benchmarking assessments in FY2014. We agree that it is appropriate to review the effectiveness of the current scheme and to consider whether less frequent reviews will provide the same desired outcome to gas consumers;
- we are also happy to see that the GIC will be reviewing the benchmark scheme to reflect changes in the Consumer Law Reform Bill. However, we consider that consideration of the implications of this Bill should not be restricted to a review of just the scheme. Additional guidance may be required for retailers to manage the implications of this Bill; and
- we consider that the industry would benefit from a consistent approach to the disconnection and reconnection of gas sites. GANZ currently provides a best practice guide for disconnections and reconnections. We consider that the gas sector could benefit from this best-practice guide being reviewed and incorporated into the GIC co-regulatory framework.

Treatment of unused levy funds

The statement of proposal seeks feedback on the issue of how the levy is estimated, and how refunds on levy estimates are passed back to retailers. It is difficult to assess the costs/benefits of a proposed change, without first understanding the scale of the problem. This is particularly important where the proposed solution may introduce further complexity and additional costs for participants. To date, we have not seen any information to indicate the current approach to levies is creating significant problems with the market.

We suggest that the GIC needs to clearly define the extent of the problems with the current levy approach before suggesting changes to industry. This information will enable participants to assess the benefits of improving the current *status quo* versus the costs of possible solutions.

If you would like to discuss any of these matters further, please contact me on 04 495 3340.

Yours sincerely



Jeremy Stevenson-Wright
Regulatory Affairs Manager