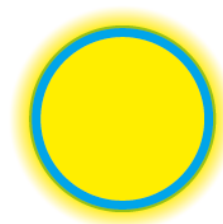


08 February 2013

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

POWERCO



Dear Jim,

Powerco response to FY2014 Strategy, Work programme and Levy

1. Powerco welcomes the opportunity to comment on the Gas Industry Co's (GIC) consultation paper, *FY2014 Strategy, Work programme and Levy (Consultation Paper)* published on 20 December 2012. 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. In preparing this response, Powerco has considered the GIC's strategic objectives Gas Policy Statement and we attended the related forum held by the GIC in November 2011.
3. This submission comprises of two parts:
 - o comments on relevant parts of the consultation paper; and
 - o responses to the Authority's consultation paper questions in the requested format (Annex A).
4. None of the content of this letter or Annex A are confidential.

Introduction

5. 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.
6. 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 FY2014 Strategy and Work Programme.

7. We have reviewed the Consultation Paper and generally support the indicative work programme. The continued focus on addressing the transmission capacity issues of the Northern Pipeline is GIC's priority, as in FY2013, and the strong work achieved in FY2012 needs to be built on.
8. Powerco considers the GIC's prioritisation methodology robust and this is reflected in the work programme set down for FY2014. We also encourage the GIC to focus on completing on-going projects over resources being spread thinly across multiple projects, extending delivery time.
9. Within the Gas Quality workstream it is stated under *Activities FY2013* that the GIC will be 'facilitating industry-led solutions, particularly the IEP' (Information Exchange Protocol (IEP)). We support the move by the GIC to take on a leadership role in relation to the IEP, as believe having the industry body facilitating will ensure the work progresses and an acceptable solution to all parties is achieved.
10. Powerco does not consider that FY2014 is the period in which work on gas metering should be programmed. Considering the rest of the proposed work programme, we see this are a low priority that will use resources better allocated elsewhere. Additionally, the gas metering market is in its infancy and will be evolving over the next 12 month to 24 months. Therefore, we recommend that the gas metering work programme is deferred for consideration in FY2015.

Levy fees

11. Powerco would like to congratulate the GIC on its positive response to the Governments direction on providing value for money and reducing costs. Considering the current economic climate, the estimated FY2014 Work Programme costs that are lower than those of FY2013 are welcomed. We note that the GIC have reduced their company overhead costs over the last 3 years and this has contributed to this, while not impacting the quality of service provided.

Industry advisory and technical groups

12. When addressing the delivery of the FY2014 Work Programme, we recommend that the GIC considers the role of advisory and technical groups such the Downstream Reconciliation Advisory Group (DRAG). When used under the right circumstances, advisory and technical groups can provide significant time and resource savings though identifying key issues, removing minor matters and providing clear pre-consultation advice.

Conclusion

13. 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



Oliver Vincent
Regulatory Analyst
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 (Regulatory Analyst) on behalf of Powerco

QUESTION	COMMENT
<p>Q1: Do you consider there to be any other items that should be included in the Company's intended work programme for FY2014? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.</p>	<p>No. 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 FY2014 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>Q2: Do you consider there to be any items that should be excluded from the Company's intended work programme for FY2014? Please provide reasons for your response.</p>	<p>Yes. With higher GIC priority work areas requiring industry participants commitment and the infancy of the metering market, Powerco does not consider the timing of the Gas Metering Project is appropriate. We recommend that the start of this work is deferred for a year to allow the market to settle down and an assessment of the need for intervention to be considered.</p>
<p>Q3: In particular, do you consider that work should be undertaken with respect to metering arrangements? Please provide reasons for your response.</p>	<p>No. See above comments.</p>
<p>Q4: Do you have any comment on the proposed levy for FY2014?</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 reduced cost.</p>
<p>Q5: Do you have any comment on the regulatory amendments described in section 5?</p>	<p>No comment.</p>