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Greig Hinds
Gas Industry Company
PO Box 10-646
Wellington

Dear Greig

**Submission on the Proposed FY2015 Strategy,
Work Programme and Levy**

Introduction

1. Vector Limited ("Vector") welcomes the opportunity to make this submission on the Gas Industry Company's ("GIC") *Statement of Proposal on FY2015 Strategy, Work Programme & Levy*, dated 11 December 2013. Vector appreciates the GIC's engagement with industry participants on this matter at the Co-Regulatory Forum on 28 November 2013.
2. No part of this submission is confidential and Vector is happy for it to be made publicly available.
3. Vector's contact person for this submission is:

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FY2015 Work Programme and Levy

4. Vector commends the GIC's proposal to cut its total work programme costs by 8.4%, from \$6.14 million in FY2014 to \$5.62 million in FY2015. This represents cuts in the wholesale levy and retail levies by 18.18% and 1.04%, respectively.
5. We are pleased to see the GIC levy development process evolving into a mechanism for achieving substantial agreement between the GIC and industry participants over priority issues, from what was a contentious and drawn-out process only a few years ago.

Responses to specific questions

Q1: Do you consider there to be any other items that should be included in the Company's intended work programme for FY2015? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.

6. Vector does not see the need to include any more items in the GIC's proposed work programme for FY2015.
7. We agree with the GIC's intention to focus on its core governance roles (including focusing on gas transmission capacity issues) and statutory obligations.

Q2: Do you consider there to be any other items that should be excluded from the Company's intended work programme for FY2015? Please provide reasons for your response.

8. Vector reiterates its view that regulatory responsibility in relation to gas retailers' proposed Information Exchange Protocol should be left to Energy Safety, not the GIC. We propose that Energy Safety, the GIC and the Commerce Commission liaise together on this matter going forward, to ensure that overlapping information disclosure requirements are avoided.
9. We support the GIC's initiatives which remove or avoid unnecessary regulation and compliance costs, including its:
 - adoption of a voluntary approach to information gathering, in lieu of regulation;
 - decision to allow the Gas (Processing Facilities Information Disclosure) Rules 2008 to expire in June 2014;
 - recent amendments to the Gas (Downstream Reconciliation) Rules 2008 (Phase 1);
 - proposed recommendation to the Minister of Energy and Resources to keep the Retail Gas Contracts Oversight Scheme voluntary and exclude LPG contracts from being covered by the Scheme;
 - assessment of gas use-of-system agreements based on distribution principles rather than imposing a model distribution contract; and
 - SoP not including a review of metering arrangements as a priority.

Q3: 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 volumes estimate to be?

10. Vector has no reason to believe the GIC's projection of gas volumes is unreasonable. This is based on our assumption that it has been informed by data from generators and Methanex.

11. Vector suggests that the GIC request forecasting information from the above and other relevant industry participants, if it has not already done so, to inform its projection.

Q4: Do you have any comment on the proposed levy for FY2015?

12. As indicated above, Vector supports the proposed reductions in the retail and wholesale levies for FY2015.
13. We believe these reductions reflect the efficiencies gained by the GIC and industry, following amendments to various governance arrangements over the past few years.
14. In particular, we supported amendments to rules and regulations that would have the effect of reducing compliance costs, streamlining various rules and regulations, and removing regulations that have become irrelevant or unnecessary.

Q5: Do you have any suggestions for amending the annual levy regulations?

15. No comment.

Yours sincerely



Bruce Girdwood
Group Manager Regulatory Affairs