

25 January 2007

Nicole MacFarlane
Gas Industry Co
PO Box 10-646
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Dear Nicole MacFarlane

Consultation Paper for Gas Industry Company Ltd – Levy Discussion Paper – January 2007

Submission from the Ministry of Consumer Affairs

Thank you for the opportunity to comment on this paper.

The Ministry of Consumer Affairs

The primary role of the Ministry of Consumer Affairs is to create an environment that promotes good and accurate information flows between retailers and consumers so that consumers can transact with confidence.

Amongst other things, the Ministry gives advice to the Government on matters that affect consumers when they buy goods and services. The Ministry:

- monitors how laws and practices affect consumers
- promotes good business practice
- provides input from a consumer's perspective into relevant programmes of other government departments
- recommends legislative changes to the Government, when necessary, to achieve a fair and informed marketplace.

Comments

The following comments are provided from the perspective of the Ministry's role as described above.

We would be happy to discuss any of our comments further should you wish.

Yours sincerely

Evelyn Cole
Manager, Policy
Ministry of Consumer Affairs

QUESTION	COMMENT
Q1: Do you agree with the proposal not to alter the structure of the levy for the 2007/08 financial year?	Yes.
Q2: Do participants consider that it is appropriate to change the reference quantities for calculating the wholesale levy from the quarter before the last quarter to the quantity used during the previous month?	The Ministry has no particular position on this question. It affects equity between wholesalers, and administrative convenience for wholesalers, but does not materially affect consumers. We leave this matter to those more directly affected.
Q3: Do participants consider that it is useful to provide a comparison of previous years' costs with the budget figures?	Yes. The Ministry considers there are two key elements to the consideration of levies: the total amount collected, and how that amount is calculated and administered. Providing information on the previous year's costs against budget provides a useful basis for assessing the scale of future requirements and thus the total amount to be collected. <u>Further</u> , in relation to 5.17, whilst the detailed work programme is a matter for the Board, there should be enough information available to enable stakeholders to be comfortable with the range and scale of projects to be funded through the levy. This would involve presenting a little more detail than is included in the current discussion paper.
Q4: Do you agree with the allocation of costs between the wholesale and retail work programmes?	Yes.
Q5: Do you agree that unallocated costs should be split evenly between retail and wholesale?	No. The allocation has been made on a 50:50 split. A rationale that has been put to us is that this acknowledges the flow-on effect of benefits. However, this approach erodes the principles expressed in section 4.1 of the discussion paper, in particular the principles of rationality and that the user/causer pays. Broadly, the unallocated costs would be more accurately attributed in proportion to the total retail and wholesale costs respectively, and we consider that is the basis that should be used. Thus the retail work programme costs represent 38% of the total work programme costs and should therefore attract 38% rather than 50% of the unallocated costs.

QUESTION	COMMENT
Q6: Do you agree that it is appropriate to increase the levy for 2007/08 to the levels set out above given the requirements of the proposed work programme and Gas Industry Co's statutory obligations?	Yes; we accept the need to provide for a greater level of activity.