



MAJOR ELECTRICITY USERS' GROUP

26 January 2007

Nicole MacFarlane
Gas Industry Co
PO Box 10-646
Wellington

By email to submissions@gasindustry.co.nz

Dear Nicole

Submission on Gas Levy Proposal

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Gas Industry Company (GIC) consultation paper, Levy Discussion Paper, published 15 January 2007.
2. Responses to the 6 questions set out in the consultation paper are attached. In summary:
 - a) MEUG agree the allocation methodology from last year be retained; and
 - b) MEUG does not support the proposed 28% increase in funding for the GIC.
3. In the view of MEUG, the Minister should require the GIC to provide significantly more information on the level of proposed funding before agreeing to any level of funding.

Yours sincerely

Ralph Matthes
Executive Director

Questionnaire

	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?	Yes. MEUG further suggest the GIC publish the monthly gas volumes at the same time monthly invoices are posted. This will have the dual advantage of first, allowing parties including end consumers to better reconcile their individual levy costs each month. And second, this would be a modest step to increasing transparency in the gas industry. On the latter point MEUG note that at present there is very little timely information on gas volumes in the public domain and no information at all on wholesale gas prices.
Q3	Do participants consider that it is useful to provide a comparison of previous years' costs with the budget figures?	Yes. The GIC should err to being more transparent and accountable than being less so because it is in the privileged position of being able to propose mandatory levies on the gas market.
Q4	Do you agree with the allocation of costs between the wholesale and retail work programmes?	Yes the allocation methodology used for 2006/07 is still appropriate
Q5	Do you agree that unallocated costs should be split evenly between retail and wholesale?	There doesn't appear to be a better approach and therefore MEUG agree with retaining the current split.
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?	No. MEUG is very disappointed in the level of information provided to justify the proposed 28% increase in funding levels. Even if the GIC were proposing no increase in funding, the level of information provided would not meet the requirements we would expect of, for example, the Electricity Commission when it consults on its proposed budget. Some examples of the shortcomings in the information supporting the proposed budget follow: <ol style="list-style-type: none">1. Consideration should have been given to capitalising the work in implementing switching, registry and reconciliation processes and charging parties using those services rather than fund through the GIC levy.2. MEUG would want a lot more information to believe that work on consumer issues will increase from a budget in 2006/07 of \$125,000 to \$283,335 in 2007/08 (an increase of 127%). Holding forums and working on disconnection issues should be a relatively modest cost because the GIC should be able to leverage of the already significant improvements the Electricity Commission has been able to advance with electricity retailers on this topic. Most gas retailers are also electricity retailers.3. MEUG believe the proposal to spend \$248,145 on a model gas distribution contract is highly speculative given the Commerce Commission control regime will take some time to bed in. Assuming a final control regime is in place mid to late 2007 then we expect the affected gas companies will probably want to dedicate resources to working out how they will operate in the new environment rather than work on model distribution contracts. MEUG suggest the GIC should plan on commencing work on model distribution contracts no earlier than 2008/09.