



20/7

16 March 2006

Christine Southey  
Chief Executive  
Gas Industry Company  
P O Box 10-464  
WELLINGTON

Dear Christine

**GAS INDUSTRY COMPANY LEVY 2006-07**

Further to your letter of 24 February 2006 and to the workshop held on 13 March concerning the design and application of the levy options for the forthcoming year we would comment as follows: -

**Levy Methodology**

We confirm that Wanganui Gas favours the application of a per ICP levy. As we stated last year we believe that this is administratively simple to implement and verify. In addition the application of a per ICP levy would allow a tighter alignment with the actual ICPs that a retailer has against the levy it is paying on a month by month basis. We would suggest that the levy be based on the retailer's actual ICPs at the end of the month immediately prior to month payment is being made. Finally this methodology would provide the Gas Industry Company (GIC) with a relatively fixed monthly income.

If the GIC were to adopt a per ICP Retail Levy then we propose that the levy recovered should be the equivalent of the same as last year i.e. a per ICP version of the proposed Option 1 as described in your letter of 24 February 2006.

Our reasoning for this preferred option is that we believe that adjustments of this type of charge that are passed on to customers should be as stable as possible. Volatile increases or decreases in this type of charge can cause problems, as customers normally react negatively to any changes to their gas charges.

**WANGANUI GAS LTD.**

179 St. Hill Street, P.O. Box 32, Wanganui, New Zealand  
Telephone: (06) 349 0909 (All Departments and After Hours) Fax (06) 349 0138 (Corporate and Commercial)  
Email: enquiries@wanganuigas.co.nz

## GIC Proposals

If the GIC was not to adopt a per ICP methodology for recovering the Retail Levy then of the options proposed by the GIC we would prefer Option 1 followed by Option 2. We are opposed to both “fully variable levy” options.

Again if Options 1 or 2 were implemented then we believe that the levy charged to individual retailers should more accurately reflect the retailers’ current customer base and actual gas sales, something that the current methodology does not do.

## Other Issues

Whilst we agree that the costs for the various work groups should be more accurately allocated between the Retail and Wholesale levies we accept that with the current work groups this is easier to say than do given the nature of the work. It is however an issue that needs to be addressed when we initiate new work groups.

As discussed at the workshop we believe that there are some administrative benefits that would result from a two-year levy was set but do not believe that this would be appropriate at this time.

We hope that the above is of some assistance to you on these matters and if you would like to discuss the above in greater detail then please do not hesitate to contact me on [jim.raybould@wanganuigas.co.nz](mailto:jim.raybould@wanganuigas.co.nz) or 06 349 0126.

Yours sincerely

A handwritten signature in black ink that reads "Jim Raybould". The signature is written in a cursive, slightly slanted style.

Jim Raybould  
**COMMERCIAL MANAGER**

Enc