

**Methanex New Zealand Limited**  
Level 3, 36 Kitchener Street  
PO Box 4299  
Shortland Street - 1140  
Auckland  
New Zealand

Telephone: +64 9 356 9300  
Facsimile: +64 9 356 9301  
[www.methanex.com](http://www.methanex.com)



**A Responsible Care® Company**

5 February 2010

Gas Industry Company Limited  
PO Box 10-646  
Wellington

By email: [peter.davies@gasindustry.co.nz](mailto:peter.davies@gasindustry.co.nz)

**SUBMISSION BY METHANEX NEW ZEALAND LIMITED  
TO GAS INDUSTRY LIMITED**

**PROPOSED GAS (LEVY OF PARTICIPANTS) REGULATIONS 2010**

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1. Methanex has restricted its submission to aspects of the FY2011 Levy consultation process which relate specifically to the wholesale gas market and the determination of the wholesale levy.
2. Methanex has not focused specifically on the level of the proposed wholesale levy for FY2011 per se. Instead we have considered the general direction that GIC is heading strategically. We have formed the view that there are workstreams that have been established which are not necessary for the proper functioning or enhancement of the wholesale gas sector. In determining its role and scope of its activities, making decisions and providing recommendations to the government on the functioning of the gas market, the GIC must take into account the very small scale of the gas sector in New Zealand. Benchmarking our industry to best practice in Europe is not necessarily relevant and solutions adopted for a large, diverse and liquid gas market will not necessarily be appropriate for the NZ gas sector.
3. Methanex' view is that once the non-recurring activities associated with Critical Contingency Management and Balancing are concluded the on-going GIC costs should be reduced and we anticipate consequent reductions in the future GIC wholesale levy to reflect this. We think these workstreams can be concluded by FY2011 with GIC levies reducing from FY2012 and the GIC transitioning to a tighter focus on its recurring industry oversight activities.
4. We have considered specifically the workstreams associated with Other Transmission Work. Our view is that these workstreams are not necessary in the context of the gas industry in New Zealand at this time. With cost pressures elsewhere and the need for

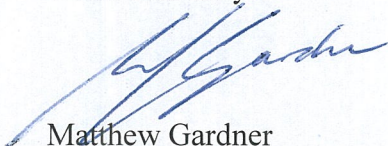


ISO 9001

focus on more important work programs that need to be brought to a conclusion we recommend that workstreams that are not addressing an actual or imminent market failure are dropped. Although the cost allocation in the FY2011 budget associated with these particular workstreams is low relative to the major expenditure areas our view is that there is a risk that the main outcome of those workstreams will be to justify further work and further ongoing GIC costs.

5. Our recommendation is that the workstreams associated with Other Transmission Work are dropped from the budget:
  - (a) Upstream Reconciliation and Capacity Issues have been identified in the consultation documents and it appears the associated budget has been allocated to work streams for Capacity Trading, Gas Processing and Upstream Reconciliation.
  - (b) Title and transfer issues are critical to gas buyers and sellers but from Methanex' perspective existing contractual structures, the MPOC and current metering standards sufficiently meet our requirements in this regard. We therefore do not believe there is any need for an Upstream Reconciliation workstream.
  - (c) We also consider that workstreams dealing with Capacity Trading and Gas Processing issues are unnecessary.
    - (i) We understand that pipeline capacity issues have been identified in respect to the Vector Pipeline. However, we do not consider that capacity trading is the obvious solution to limited capacity on the Vector Pipeline. Before the GIC embarks upon investigating this issue and attempting to solve a perceived market failure there must be some evidence that a commercial solution has been denied. Consequently we consider that the need to investigate Capacity Trading is premature.
    - (ii) The costs associated with establishing gas processing facilities are low enough that they do not represent a barrier to entry for the development of any commercially viable gas field and so we consider that further cost allocations to gas processing issues is not warranted.
6. Finally, Methanex has some additional concerns regarding the operation of the Office of the Chief Executive as a cost centre. While we recognise that the GIC has direct responsibilities to the Minister and costs associated with the management and development of the GIC we don't consider it is reasonable that this cost centre should take up as much of the total GIC budget as currently proposed.

Yours sincerely



Matthew Gardner  
Commercial Advisor  
Methanex New Zealand Limited