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Dear Ian

SUBMISSION ON GIC SUPPLEMENTARY LEVY DISCUSSION PAPER

Introduction

1. Thank you for the opportunity to comment on the Gas Industry Company's (GIC's) "*Supplementary Levy Discussion Paper*", March 2006. No part of our submission is confidential and we are happy for it to be publicly released.

Mighty River Power's views

2. In Mighty River Power's previous submission, we advocated that the GIC should apply Option 1. We are comfortable with Option 1 or the (pure) fixed charge option (Option 5). We agree that Option 5 has the advantage of being the simplest allocation methodology and prefer it because of that.
3. We have the following comments on the GIC's analysis of the fixed charge option:
 - a. Elimination of the 10TJ issue: The fixed charge option does not need to be implemented to address this issue. In our previous submission, at same time as advocating Option 1, we also argued that the distinction between customers who consume more or less than 10TJ/year should be removed.
 - b. Equity: The fixed charge option would benefit high-use consumers (eg industrial and commercial) relative to low-use consumers (eg residential). Whether this is a fair or equitable outcome is a matter of debate – it is doubtful that a high consumption customer receives greater benefits from the GIC than a lower consumption one.

Concluding remarks

4. In summary, Mighty River Power endorses Option 5, though we would also be comfortable with Option 1.

5. If you would like to discuss this matter directly with Mighty River Power, please do not hesitate to contact either me (on 09 308 8213 or neil.williams@mightyriver.co.nz) or Rob Allen (on 09 308 8259 or robert.allen@mightyriver.co.nz).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Neil Williams', is centered on the page. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Neil Williams
General Manager – External Affairs