



3 May 2005

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Dear Richard

The GIC Levy Proposal for 2005/06: Follow-up Consultation

In our previous submission to the Gas Industry Company (GIC) of 15 April 2005, we stated:

We recommend that the *downstream* part of the levy be calculated on a per ICP basis given this is the most administratively efficient approach available. [emphasis added]

Our view on this remains unchanged notwithstanding the discussion set out on page four of GIC's consultation paper (22 April 2005).

As stated, from an administrative perspective, this is far less complex (and therefore less costly) to calculate, and a significantly more efficient option. Similarly, if the calculation is made on an ICP basis it is much simpler to correctly calculate the levy after we transfer gas customers from one retailer to another should they elect to switch retailers part way through the year.

Further, we are not convinced that the use of a per GJ basis of calculation will in some way influence consumer behaviour. Perhaps the best evidence of this comes from GIC itself, when in response to a suggestion by Wanganui Gas that levies will render gas less competitive, it replied that "the levies are very small relative to prevailing tariffs".¹ In other words, if the amounts are so negligible, then how are they expected to result in any material incentive or disincentive for end-users in the way they consume gas on a daily basis?

If you have any queries in relation to the above, please contact me on (09) 308 8213.

Yours sincerely

Neil Williams

General Manager - External Affairs

¹ Page 13.