FY2011 Levy Consultation - Analysis of Submissions and Levy Decision

March 2010

152737.4

About Gas Industry Co.

Gas Industry Co was formed to be the co-regulator under the Gas Act.

As such, its role is to:

- recommend arrangements, including rules and regulations where appropriate, which improve:
  - the operation of gas markets;
  - access to infrastructure; and
  - consumer outcomes;
- administer, oversee compliance with, and review such arrangements; and
- report regularly to the Minister of Energy and Resources on the performance and present state of the New Zealand gas industry, and the achievement of Government's policy objectives for the gas sector.

Authorship

This paper was prepared by Christine Southey and Peter Davies.

Executive summary

The Gas Act 1992 (the 'Gas Act') enables the industry body for the gas industry, namely Gas Industry Co, to recommend each year to the Minister of Energy that levy regulations be made requiring industry participants to pay a levy to the industry body (s43ZZB).

The levy covers the costs of the Company's policy work and market administration, excluding external service providers and some consultants who are directly funded by market fees under specific regulations. The Gas (Switching Arrangements) Rules 2008, the Gas (Downstream Reconciliation) Rules 2008, the Gas Governance (Critical Contingency Management) Regulations 2008 and the Gas Governance (Compliance) Regulations 2008 contain market fee provisions.

The Gas Act requires the industry body to consult with industry participants on the levy rate (s43ZZD). Gas Industry Co has fulfilled this obligation by a broad consultation on its proposed strategic priorities, total work programme and budget, and annual levy funding requirement. Key issues raised by industry participants in consultation included the size and pace of the work programme and the impact on consumers of a rise in the Company's funding requirements.

Following consideration of the issues raised by stakeholders, the Company has decided to scale back some of its activities and reprioritise its policy work. This decision has enabled it to significantly reduce its levy funding requirement from that originally proposed. Gas Industry Co's revised total work programme cost is now estimated at $7,029,516 per annum (reduced from $7,878,286 in the original FY2011 levy proposal) of which $4,299,216 will be recovered from the annual levy, with the balance being met from a combination of market fees, interest income, and the application of past year reserves.

Accordingly, the Company proposes to recommend to the Minister of Energy that:

- the retail levy for FY2011 be set at $6.40 per ICP (reduced from $8.20 in the original FY2011 levy proposal)
- the wholesale levy for FY2011 be set at 1.84 cents per gigajoule (reduced from 2.13 cents in the original FY2011 proposal).

Gas Industry Co wants to thank all participants in the levy review process, particularly those who attended our workshops and made formal submissions in response to our consultation papers. We are aware of the burden of an annual levy consultation process and greatly appreciate your input.

Contents

1 Introduction

1.1 Background

In previous levy rounds, Gas Industry Co has had requests for earlier engagement on strategic priorities from both levy payers and officials. The FY2011 levy process was designed to address this request. The key steps to date are:

Sept 2009	Publication of the 'Statement of Levy Principles'
5 October 2009	Co-regulatory forum held to discuss strategic priorities and indicative levy
30 October 2009	Indicative work programme, budget and levy considered by Board
27 November 2009	Associate Minister attends Board meeting to discuss strategic priorities
23 December 2009	Levy consultation paper released
26 January 2010	Levy Workshop for industry participants
January/February 2010	Bi-lateral meetings with main levy payers
19 February 2010	Board meeting to discuss preliminary response to levy submissions
[22 March 2010]	Board approved revised work programme, budget, levy recommendation and steps for future levies

1.2 Consultation Process

This process gave all of the Company's stakeholders the opportunity to participate in the FY2011 levy setting process. Gas Industry Co would like to extend particular thanks to the following groups of stakeholders who participated in the co-regulatory forum, bi-lateral meetings or our levy workshops.

Event	Participant
Co-regulatory Forum	• Genesis Energy (Ross Parry) • Methanex New Zealand (Matt Gardner)

Event	Participant
	• Ministry of Economic Development (David Buckrell) • Shell (Ron Kelly) • Vector (Anna Carrick and John Rampton)
Bi-lateral meetings	• Contact Energy (Peter Macintyre and Alex Love) • Genesis Energy (Ross Parry) • Methanex New Zealand (Matt Gardner) • Vector (John Rampton, Anna Carrick and Luz Rose)
Formal submissions on FY2011 Consultation Paper	• Contact Energy (Peter Macintyre) • Genesis Energy (Ross Parry) • Methanex New Zealand (Mathew Gardner) • Mighty River Power (Chrissy Burrows) • Nova Gas (Charles Teichert) • Powerco (Charlotte Salathiel) • Vector (John Rampton)

2 Issues raised in submissions

In this section, we draw together common themes across the submissions and respond to those themes. Section 3 then presents the revised FY2011 levy proposal. Section 4 provides an outline of steps to be taken in future levies, in further response to submitters' feedback. The full text of all submissions is available on the Gas Industry Co website: www.gasindustry.co.nz and the appendix contains a table that summarises the responses to questions posed, and Gas Industry Co's comment on these.

2.1 Size of levy increase

A number of submitters expressed concern about the size of the proposed levy increase. For example, Mighty River Power was concerned that:

> …given the objective of the GPS to put downward pressure on gas prices a 28% increase in the levies plus market fees does not help.

Vector said:

> The proposed 28% increases on the previous year's wholesale and retail levies are significant by any budgetary standards.

Powerco noted:

> This is a substantial increase….The GIC costs are only one part of the 'regulatory burden' including Commerce Commission and Electricity and Gas Complaints Commission costs. These costs are ultimately borne by consumers, and given the relatively small size of the New Zealand gas industry; all regulators need to look closely at their costs.

Nova Gas said:

> What was the GIC thinking when they developed a proposal to increase levies by 28%?

The main cost drivers for the Gas Industry Co work programme are the:

- complexity of the policy area being examined

- time taken to build consensus around the proposed governance solution, including exploring the possibility of non-regulatory options
- degree of interaction with MED and PCO on regulatory and accountability matters
- scale of the implementation required for approved arrangements
- range of roles established for the Company in the implemented arrangements
- degree of industry compliance with the approved arrangements.

The levy funding requirement is affected by the costs of the work programme, the level of market fees, and the availability of reserves.

In FY2010, $686,103 was available from past year over-recoveries to offset the Company's work programme costs, whereas in FY2011, reserves were reduced to $211,096. Most submitters acknowledged the distortionary impact of the loss of reserves available for FY2011. For example, Genesis said:

> We understand that the proposed levy increase largely reflects the volatility that comes with the policy of not using over-recoveries to smooth the levy from year to year. In previous years, this same policy has helped reduce the levy payable by consumers.

Vector said:

> We acknowledge that, on the main, the levy has not been increased due to rising costs but to cover reserves being run down.

2.2 Size and pace of work programme

Most submitters also recognized the nexus between the levy requirement and the Company's work programme.

Powerco said:

> The proposed work programme this year is excessive and places an unnecessary burden on consumers. The industry noted in January 2009 that reducing the levy last year should not result in a work stream bubble for the 2010/11 financial year. The work streams should be spread over several years, reducing the cost burden on gas consumers. This does not seem to be the case and the work streams appear to be all targeted to finish by the end of the 2010/11 financial year.

Vector said:

> The proposed work programme requires a substantial amount of work to be undertaken in a short period of time. In addition to the direct costs of regulation as reflected by the levy,

> implementing the proposed initiatives will impose additional costs on industry participants. These include costs associated with providing inputs into GIC processes.

A number of submitters asked for increased prioritisation and the deferral of work to future years. Contact said:

> …it would be useful for the GIC to distinguish between activities of high priority or expenditure commitments, and low priority activity or uncommitted expenditure.

Vector said:

> The GIC should focus its resources on issues that will have the most profound impact on the industry and provide long lasting benefits to consumers.

Some submitters thought there were GPS tasks that should not be undertaken at all.

For example, Methanex said:

> We have formed the view that there are work streams that have been established which are not necessary for the proper functioning or enhancement of the wholesale gas sector.

Nova Gas has said:

> …there are a number of areas of planned expenditure that are unnecessary.

Gas Industry Co is obliged to report its progress against all the outcomes sought in the GPS. Gas Industry Co's original FY2011 levy proposal involved a work programme that would enable it to meet the Government's request to progress these outcomes expeditiously. However, in response to industry concerns about the impact of this work programme on the levy, this programme has been scaled back.

2.3 Management of costs

A common theme across the submissions was a need for Gas Industry Co to demonstrate prudent management of its expenditure on an ongoing basis.

Corporate and governance costs: A number of industry participants commented on corporate and governance costs. Nova Gas also commented on salary levels, contingency amounts and aspects of organisational design. In response, the Company has undertaken a rigorous review of these costs with view to streamlining processes and reducing inefficiencies. Savings have been identified, although an organisation restructure will be needed to achieve these savings. This is expected to be undertaken before the start of the financial year and the anticipated savings have been taken into account in the revised levy calculations set out in section 3.

Causer pays: Some submitters believed that there should be an increased use of causer-pays mechanisms as a way of reducing total costs. Gas Industry Co supports causer-pays principles, provided the causers can be clearly identified. In FY2010, the Company accepted contributions from an industry participant on a gas quality project, and from a range of industry participants for the ICD process. Gas Industry Co intends to continue to identify similar mechanisms to reduce its overall costs in FY2011. This includes requests for cost recovery in compliance matters.

Quality of rules: Contact suggested the costs of some of the approved gas governance arrangements were higher than they otherwise would have been because of the limited facilitation of industry input when the rules were drafted. Gas Industry Co thinks this is unfair: extensive consultation was undertaken on all gas governance proposals before the relevant recommendation was made to the Minister. This includes draft rules and the cost benefit analyses used to identify the options that best meet the desired regulatory objective. The Company's delivery milestones are published each year in its Strategic Plan. This enables industry participants to plan their resource requirements for consultation responses.

2.4 Transparency of information

Although Gas Industry Co supplies more information each year about its costs, some submitters still believe the information supplied falls short of that required for them to form a view as to the appropriateness of the level of the funding request being made.

Comparisons with past levy budgets and current year forecasts: For example, Contact requested more information comparing budgeted and actual expenditure for the current year for each of the main items in the Company's work programme for the following year. This information is not available within the timeframes required by the levy process. However, the Levy Recommendation to the Minister (which is being prepared contemporaneously with this Submissions Analysis) contains the Reforecast which is being presented to the Board at its March meeting. Copies of the Levy Recommendation will be sent to each submitter. Year-end results against the Strategic Plan will be presented in the Annual Report. Gas Industry Co will also review the information it presents in support of its levy proposal next year to ascertain if there is anything further we can share to assist submitters obtain confidence about the levy proposals presented.

Service providers and consultants: Contact sought more transparency about the procedures and processes the Company uses for employing consultants and service providers and suggested this would provide more reassurance the Company is efficiently managing its costs. Gas Industry Co can confirm it uses competitive tender processes for its large contracts (and, wherever practicable, utilises industry participants in the selection processes). Smaller and highly specialised projects are referred to one of the Company's panel of consultants, as this group has a good understanding of the Company's work streams and regulatory processes. However, in response to Contact's concern, the Company will review its approach to the employment of consultants and publish its revised policies before the next levy round.

Staff numbers: Contact also sought disclosure of staff numbers. Between 2005 and 2008 the Company was building its capacity to develop and advise on gas governance arrangements. In this period staff numbers grew from an initial complement of two, to 12 FTEs. Since 2009, the Company has had to undertake a number of new statutory roles and has found some elements of policy work are better able to be performed in-house. In this period staff numbers increased from 12 FTEs to a high of 19, before declining to its current level of 16 FTEs as a result of the scaling back of some elements of its work.

2.5 MPOC/VTC roles

Submitters had different views on the Company's industry facilitation roles. Many submitters supported these roles and the recovery of the costs associated with these roles through the annual levy. Nova Gas thinks there is a conflict between this role and the pursuit of regulatory solutions. Contact suggested changes to the roles as a means of reducing costs:

> … a mechanism that stops pursuit of change requests that have little support is required. In addition it is unnecessary for the GIC to overview change requests that have a large measure of support.

Gas Industry Co sees these roles as an important way to achieve its objective of considering non-regulatory solutions where this is consistent with the regulatory objectives set out in the Gas Act and GPS. Gas Industry Co agrees that it is timely to consult with industry participants on these roles. This will be undertaken as soon as practicable.

2.6 Costs of Levy Consultation

A number of levy submissions commented on the inefficiency of an annual levy process.

For example Vector:

> …supports a move to a two-year levy regulation cycle, which is estimated to generate savings of approximately $100,000 per year. This will reduce compliance costs and allow industry participants to look at sector issues more strategically, and consequently assist them in planning for a longer term.

Contact said:

> The need to justify and consult on the levy that funds the GIC must also be a burden. Reducing that at least to bi-annual consultation could reduce that load without impacting significantly on control over the GIC's costs. Requiring the GIC to manage its funding over a period longer than a year could encourage the GIC to control its costs more carefully.

Genesis observed:

> Given that a large portion of the Gas Industry Company's work is now market operations, rather than policy development and rule-making, Genesis Energy considers that it would be timely for government to review whether funding could move to a multi-year appropriation model in conjunction with transferring market fees into a general levy. This could provide a

> better fit with the Gas Industry Company's funding requirements, while also allowing a more efficient streamlined levy adjustment process.

Gas Industry Co agrees. However, the Gas Act states:

> The levy regulations must apply only to the forecast year in respect of which the levy regulations are made.

Officials interpret these provisions as requiring an annual rather than a multi-year levy, and officials have advised Gas Industry Co that they do not support a change to the Gas Act at this time.

2.7 Market fees vs. annual levy

Gas Industry Co notes that the allocation of Company costs into annual fees and market levies continues to be of concern to some stakeholders. This has been raised by Genesis for a number of years. Mighty River Power expressed a similar view:

> With regards to 'market fees' we believe that these should be rolled up into the levy as it would make the total cost of the GIC operations clearly visible.

Market fees were introduced to provide the Company with revenue certainty for the costs of its large external service provider contracts. These fees do not require annual regulations as they are embedded in the specific market regulations. Market fees are estimated in advance, and the difference washed up at the end of the fee setting period. A complicating factor is the different fee periods as the relevant regulations use either the calendar, financial, or gas year. The Company accepts that it needs to be accountable for all of its expenditure and that the current arrangements can be difficult to track. It is proposed to review the need for these fees before the next levy round. It may be possible to include the relevant costs in the annual levy or at a minimum ensure all fees relate to the same financial period.

2.8 Ancillary issue – Size of market fees

Consultation related to the FY2011 levy proposal; however Contact took the opportunity to raise a concern about the estimated increase in market fees from $2,015,400 in FY2010 to $2,155,400 in FY2011. Market fees generally comprise the service provider costs, an allowance for inflation, external consultant costs, and a provision for system change requests that may be requested by industry participants. The Company is still getting used to the costs of these items and took a conservative approach to estimating its FY2011 costs particularly in relation to critical contingency management costs, as the relevant regulations had not gone live at the time the estimate was made. Since developing the levy proposal, the Company has undertaken a reforecasting exercise. This indicates the actual market fee costs for FY2010 are likely to be $1,860,514. The difference from the actual costs and the estimated amounts will be returned to relevant persons under the wash up clauses in the regulations under which these fees are levied. The over-recoveries will be taken into account when the next market fees are estimated.

3 Decision on FY2011 levy

Gas Industry Co is aware that, due to current economic circumstances, most organisations are conducting extensive reviews of their expenditure. In response to industry submissions, the Company reviewed the levy proposed in its Consultation Paper in line with the disciplines on cost growth being applied across many sectors of the economy.

As a result of this review, the Company proposes to address stakeholder concerns in two stages. The first stage relates to the formal FY2011 levy recommendation and the associated FY2011-13 strategic plan; the second stage relates to its approach to future levy arrangements.

In response to stakeholder feedback, the Company has made significant changes to its proposed FY2011 work programme budget.

In FY2011 Gas Industry Co proposes to give priority to:

- fulfilling its statutory roles under the Gas (Downstream Reconciliation) Rules 2008, the Gas (Switching Arrangements) Rules 2008, the Gas Governance (Compliance) Regulations 2008 and the Gas Governance (Critical Contingency Management) Regulations 2008
- advancing a range of transmission access work streams
- completing its review of the efficiency of the downstream reconciliation rules.

Other GPS tasks will be afforded a lower priority and progressed as resources become available. Savings from this initiative total $474,981.

In addition, Gas Industry Co undertook an internal review of its financial structure in order to identify any additional savings that could be made. Consequently, its budgeted corporate and governance costs have been lowered through a combination of reducing staff costs, outsourcing some activities, and scaling back discretionary activities such as communications. Savings from this initiative total $373,789.

As a result of these initiatives, Gas Industry Co made significant changes to its proposed work programme and budget, reducing its total costs by $848,770 (11%) from what was originally proposed. Therefore, based on this work programme, Gas Industry Co will recommend to the Minister that:

- the current annual retail levy of $6.40 per ICP (installation control point), paid by industry participants in respect of every ICP supplied by each retailer at the end of the previous month, be retained;
- the current wholesale levy of 1.67 cents per gigajoule (GJ), paid by the buyers of all gas purchased from producers, be increased to 1.84 cents per GJ, to be calculated monthly on the buyer's total gas purchases up to and including the last day of the previous month; and
- these levies come into effect on 1 July 2010, replacing those levies established for FY2010.

The Company also recommends that when the Gas (Levy of Industry Participants) Regulations 2010 are prepared, they should clarify or improve aspects of the regulations. These include:

- Addressing concerns that there may be uncertainty as to the point on the supply chain at which the levy becomes payable. Gas Industry Co proposes to work with the Parliamentary Counsel's Office (PCO) to clarify the wording in this respect.
- Clarifying that the levy is payable only once on gas purchases where that gas is then injected into a gas storage facility. That is, the levy is only payable once, either on the gas going in or on gas coming out of a storage facility.
- Clarifying that existing, yet-to-be extracted gas in a gas storage facility (the recoverable gas reserves) will be subject to the levy (in contrast to purchased gas injected into the facility, as above).
- Removing the exemption on Crown gas purchases now that the Maui gas legacy arrangements have expired.

4 Steps for future levies

In addition, and before consultation on the FY2012 levy, the Company intends to:

- explore the efficiency of adopting additional ‘causer-pays’ mechanisms
- provide further information on year to year cost changes
- examine ways to simplify the presentation of levy material
- review and publish its outsourcing and consultants policy, and
- consider amalgamating market fees and annual levies (or at least ensuring they relate to the same financial periods).

It is hoped that these initiatives will enable submitters on future levy proposals to have greater confidence that the expenditure incurred by Gas Industry Co is providing value to the gas industry and other stakeholders.

Appendix A Detailed Submissions Analysis

Consultation Question	Industry submissions	Gas Industry Co response
Q1: Do you consider there to be any other items that should be included in the Company's intended work programme for FY2011. Q2: Do you consider there to be any items that should be excluded from the Company's intended work programme for FY2011? Questions 1 and 2 have been addressed together as they both involve the content of the work programme.	Contact: Upstream reconciliation, particularly D+1, requires urgent attention. Also, UFG issues remain unresolved. Do not consider any items should be excluded but that larger expenditure items require further justification. Vector: No, focus only on high priority issues (balancing, downstream reconciliation rules review). Genesis: Yes, further work on LPG and D+1 should be included. Methanex: Conclude CCM/Balancing by FY2011 and focus more on oversight activities. Any work stream not addressing an actual market failure should be dropped in light of economic times. Drop other transmission work (Capacity Trading, Upstream Reconciliation and Gas Processing Facilities). Mighty River Power: Focus on balancing ahead of D+1 is inappropriate and shows upstream bias. Transmission Capacity and Distribution Contracts are a priority but should go to MED/CC Powerco: More targeted work on Direct Use of Gas.	Understandably stakeholders have different views on priority, depending on their business interests, although there does seem to be some level of support for the priorities identified by the Company in its draft Strategic Plan, namely balancing and the downstream reconciliation rules project.
Q3: Do you have any questions on the calculation of the levy funding requirement for FY2011?	Industry participants understood the calculation of the levy funding requirement.	Not required
Q4: Do you have any comment on the proposed levy for FY2011?	Most stakeholders had concerns about the absolute level of the proposed retail and wholesale levy. The exception was Genesis, which indicated that it was comfortable with the level.	Gas Industry Co has responded to stakeholder concerns by significantly reducing the size of the original levy requested.

152715.1

Consultation Question	Industry submissions	Gas Industry Co response
Q5: Do you have any comment on regulatory amendments described in section 8?	Contact: Gas Industry Co should make requirements completely clear. Queries whether participants who are both producers and transport gas to their own consumption point escape obligation to pay levy. Obligation to pay levy should be made clear. Genesis: Agrees that levies should be paid only once; levies should be payable for sale of remaining gas reserves (Tariki/Ahuroa); and case for extending information gathering powers under levy regulations. Methanex: No specific response. Mighty River Power: Would prefer to pay wholesale gas levy as it exits storage facility. Consideration to ensuring parties don't pay twice for same gas or pay for gas they can't get use of. Nova Gas: Not at this time but reserve right to comment if/when changes are made. Powerco: No comment. Vector: No issues in relation to proposed changes on gas storage, recoverable gas, removal of section on Maui Gas from FY2011 regulations, establishment of compliance arrangements re information supply.	Comments noted. The Company will suggest to PCO that the FY2011 regulations: • make it clear that the wholesale levy is payable where gas producer is supplying gas to a related party operating as a gas wholesaler or gas retailer, including making it clear from which gas producer that gas has been purchased • provide clarity on issues relating to gas storage facilities by making it clear the wholesale levy should not be payable on purchases from a gas storage facility • enable the Company to recover levies on remaining recoverable gas in gas storage facilities • delete the phrase 'but in respect of Maui gas means the Crown' from the interpretation of gas producer in Section 4. Gas Industry Co will also amend the Gas Governance (Compliance) Regulations at next available opportunity to encompass compliance with the annual regulations.

Consultation Question	Industry submissions	Gas Industry Co response
Q6: Do you consider that GIC should alter its current method of defining direct costs and allocate more of its indirect costs to work streams?	Contact: Allocation method unclear. Differences in levies resulting from changed method not material. Prefers simple, fair approach. Genesis: No. Methanex: No specific response. Mighty River Power: No specific response. Nova: This is semantics issue. More concerned that indirect costs are significant proportion of total levy and this needs to reduce. Powerco: Indirect costs are transparent so any changes would need to keep them that way. Vector: Supports anything providing greater transparency so would be inconsistent to adopt different method.	We agree with Nova that the more important issue is the absolute level of costs, rather than how they are presented. Given general feedback on information issues, noted in section 3 above, we will consider ways to produce more meaningful information.

Consultation Question	Industry submissions	Gas Industry Co response
Q7: Do you support the inclusion of a portion of Gas Industry Co's indirect costs in market fees for FY2012, as opposed to their inclusion in the FY2011 levy?	Contact: In practice, no significant difference to industry participants who are required to pay those costs although, in principle, costs associated with work programme activity should be recovered from the beneficiaries of that activity. Genesis: No. Levy provides better mechanism for recovery of Gas Industry Co's costs. Methanex: No specific response. Mighty River Power: Roll up into levy so Gas Industry Co's total cost clearly visible. Nova: No issue here as costs are as the costs are recovered through either market fees or levies. Electricity industry, recovers their SP costs through levies. Concern over possible conflict of interest. Powerco: Yes. Reduces direct burden on customer. Vector: Responded to this in Q3's answer.	Gas Industry Co is considering ways to simplify its funding processes. This might include abolition of market fees in favour of a single annual levy. Participants will be consulted on any proposed changes.
Q8: Do you agree that Gas Industry Co should recover its costs associated with MPOC/VTC outside the levy regulations? Q9: If you agree with Q8, do you agree that Gas industry Co should recover its costs associated with MPOC/VTC rule changes from applicants or MDL and Vector?	Contact: If not recovered through levy, there are other possibilities. Focus instead on ways to make assessments more efficient. Genesis: Levy funding is most appropriate and efficient approach. If costs recovered outside levy, preferable not to fully on-charge as could act as deterrent. Methanex: No specific response. Mighty River Power: Status quo with right to review if any changes. Nova: More important to consider appropriateness of Gas Industry Co being party performing current role but if they do, then it is appropriate. Status quo appropriate. Powerco: Supported if recovering costs this way results in direct cost deduction to end-user. Vector: No. Not sure it has authority to do so.	As noted in section 2.5, Gas Industry Co intends to consult on these roles as soon as practicable. In the interim it will continue to use the levy to fund its costs.

Consultation Question	Industry submissions	Gas Industry Co response
Q10: Do you agree that Gas Industry Co should seek to recover its full internal costs associated with the compliance regime through orders for costs in relation to hearings?	Contact: No specific response. Genesis: No. Public good element to regime. Administrative complexity with full allocation of internal costs likely outweighs any other benefits. Methanex: No specific response. Mighty River Power: Agrees in principle. Suggest annual review and recover costs even if based on pre-set fee table. Nova: No. Regime benefits all participants and all should contribute to indirect costs. However, need to make changes to reduce unnecessary expenditure. Powerco: Should be monitored and if they become material, should revisit Q10. Vector: Suggest rules are not expressed effectively, resulting in unnecessary compliance costs which need to be reduced. Agree recovery of costs needs to be considered. Keen to see upcoming Rules review include reduction of costs by targeting only most serious of breaches.	Comments noted