

3 February 2017

Glenda MacBain
Gas Industry Company
PO Box 10-646
WELLINGTON

Submitted via GIC website

Dear Glenda

FY2018 Statement of Intent and Levy

First Gas is pleased to make this submission to the Gas Industry Company (GIC) on its consultation paper "FY2018 Statement of Intent and Levy" dated 16 January 2017.

We support GIC's proposed work programme for the 2018 financial year and are comfortable that the GIC has kept its resourcing and budgetary requirements to an acceptable level, given the rise in activity in the gas industry.

Single transmission access code project

First Gas welcomes the opportunity to co-lead the development of a single transmission access code with the GIC. This is an important development for the gas industry, building on the opportunity arising from First Gas owning and operating all of New Zealand's open access gas transmission pipelines.

We support the level of resourcing that the GIC has allocated to this work, given its significance and complexity. It will be important that the resources made available through the GIC are used efficiently, with expertise brought in for complex areas of the code, where required. We understand that this will require collaboration between the GIC and First Gas to ensure that resources are used efficiently, and we are committed to working closely with the GIC to achieve that outcome.

Process for verifying wholesale levy returns

The consultation paper presents the GIC's preferred approach for verifying wholesale levy returns – a hybrid option utilising Maui receipt point nominations data and gas producer data for private pipelines.

As discussed in our prior submission,¹ First Gas prefers a solution that is simple and proportionate to the problem being addressed and we recommended an alternative option that saw the wholesale levy charged directly to producers. We recognise that the hybrid option proposed by the GIC does address some of the concerns raised by submitters and uses some gas production data; however, it still seems to be a complex solution to the problem and has a number of drawbacks.

¹ *Submission on Wholesale Levy Assurance options paper*, First Gas Limited, 18 October 2016, <http://gasindustry.co.nz/assets/Consultations/Uploads/First-Gas-submission-on-Wholesale-Levy-Assurance-options-Sep-2016.pdf>

Notwithstanding this position, we are willing to work with the GIC to ensure this option can be implemented as soon as is practicable. One suggestion we have is that the hybrid option refers to gas sales occurring at “transmission receipt points” rather than “Maui receipt points” to reflect the change in pipeline ownership and future proof the approach.

If you have any questions regarding this submission, please contact me on 04 460 2548 or via email at karen.collins@firstgas.co.nz.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K Collins', with a long horizontal flourish extending to the right.

Karen Collins
Regulatory Manager