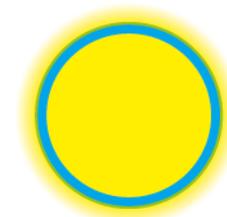


3 February 2017

Rt. Hon Jim Bolger
Chair
Gas Industry Company
PO Box 10 646
Wellington 6143

POWERCO



Dear Mr Bolger

RE: the Gas Industry Company FY2018 Statement of Intent and Levy

1. Powerco welcomes the opportunity to comment on the Gas Industry Company's (GIC) consultation paper, *FY2018 Statement of Intent and Levy* (the Consultation Paper) amended on 16 January 2017.
2. We believe the work programme proposed by the GIC is well positioned to support the development of an efficient, competitive and vibrant gas industry in New Zealand; the benefit we anticipate will ultimately flow to customers and investors in the sector.
3. Powerco supports the GIC's proposed FY18 work programme and does not wish to propose any amendments or additions to it. We will continue to take an active interest in the GIC's assessment of how well distribution companies are executing new contracts consistent with the distribution principles and the review of the distribution scheme.
4. We take this opportunity to congratulate the GIC for the success of the *New Zealand Gas Story*, now at its fifth edition, which has gone beyond the statutory requirement to report on the present state and performance of the gas industry and has become a resource which is successfully promoting greater awareness of the importance of the gas industry to the New Zealand economy and the industry's interesting historical development. We support the initiative in 2016 undertaken by the GIC to complete roadshows and lift the understanding and profile of the gas industry. The short presentation on the *Gas Story* accessible from the GIC website also provides a useful resource and quick overview for those interested in the industry.
5. The setting of the levy seems reasonable and we commend the GIC for maintaining downward pressure on costs.
6. Our responses to the Company's Consultation paper in the requested format are included in Appendix A to this letter.

7. If the GIC wishes to discuss any aspects of this submission further, please do not hesitate in contacting me on 06 968 6235 or Lyn.Taylor@Powerco.co.nz

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lyn Taylor', with a stylized, cursive script.

Lyn Taylor
Regulatory Assurance Manager
Powerco

APPENDIX A: Recommended format for submissions – Gas Industry Company FY2018 Statement of Intent and Levy

To assist Gas Industry Co (GIC) in the orderly and efficient consideration of stakeholders' responses, Powerco provides its submission in the format provided by the GIC.

Submission prepared by: Lyn Taylor (Regulatory Assurance Manager) on behalf of Powerco

Question	Comment
<p>Q1: Do you have any comments on Gas Industry Co's role or Strategy relevant to development of the Statement of Intent and Levy?</p>	<p>Yes.</p> <p>As an open access gas distribution provider, our commercial drivers are aligned with building a strong and efficient gas sector. The long term nature of our investments and diverse customer mix mean the profitability of these investments is ultimately linked to people choosing gas, and choosing to retain gas.</p> <p>Customers will only select gas if the industry delivers strong price advantages compared to other available fuels, unquestionable reliability, a competitive market and clear information on the benefits of gas. The GIC, as a regulator, can contribute by delivering regulation and industry approaches that protect customers and ensure effective market operation. For this reason we are particularly pleased to see the continued commitment to "telling the gas story" as consider positive and visible marketing is essential in developing the gas industry.</p> <p>We appreciate the industry is constantly changing, perhaps more so this year with focus on gas transmission access. Powerco considers the GIC strategy and objectives consistent with optimising the contribution of gas to New Zealand.</p>
<p>Q2: Do you have any comments on the process for developing Gas Industry Co's SOI and Levy?</p>	<p>Yes.</p> <p>Powerco appreciates the initial engagement GIC undertakes with the industry through the forum held in November and opportunity to provide feedback prior to consultation. The forum provides a useful framework and provides context for the consultation document subsequently issued.</p>
<p>Q3: Do you consider there to be any other items that should be included in the Company's intended Work Programme for FY2018? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS?</p>	<p>No.</p> <p>We have reviewed the Consultation Paper and support the indicative work programme. Powerco considers the GIC's prioritisation of work streams pragmatic and appreciate the efforts made to focus on specific areas of</p>

work over resources being thinly spread across multiple projects.

We look forward to continuing engagement with the GIC in assessing any new standard distribution contracts against the Distribution Scheme (the Scheme) principles. Powerco has worked with our retailers to develop contracts consistent with the Scheme principles. The standard contracts retailers may sign with Powerco are available from Powerco's website or by contacting Powerco's Gas Hub. As participants in the Scheme we will be interested in its review later this year.

We particularly support the ongoing development and release of the New Zealand Gas Story. As an open access gas distribution provider, our commercial drivers are aligned with building a strong and efficient gas sector. The long term nature of our investments and diverse customer mix mean the profitability of these investments is ultimately linked to people choosing gas, and choosing to retain gas.

Customers will only select gas if the industry delivers strong price advantages compared to other available fuels, unquestionable reliability, a competitive market and clear information on the benefits of gas. The GIC, as a regulator, can contribute by delivering regulation and industry approaches that protect customers and ensure effective market operation. For this reason we are particularly pleased to see the continued commitment to "telling the gas story" as consider positive and visible marketing is essential in developing the gas industry.

The consultation document provides a short term view to the GIC work plan and strategy. In the medium term we encourage the GIC to retain a view over the development of Smart metering. We agree that while technology is still developing and Smart metering is still being rolled out to consumers, this should not be on the short-term plans. In time, the GIC may need to consider the requirements associated with Smart metering. We anticipate Smart metering may bring potential implications for billing and reconciliation, switching and standardisation. Smart metering introduction may also affect the following objectives set out by the GPS;

- accurate, efficient and timely arrangements for the allocation and reconciliation of downstream gas quantities,
- an efficient market structure for the provision of gas metering, pipeline and energy services, and

	<ul style="list-style-type: none"> the respective roles of gas metering, pipeline and gas retail participants are able to be clearly understood.
Q4: Do you consider there to be any items that should be excluded from the Company's intended Work Programme for FY2018? Please provide reasons for your response?	No
Q5: We are particularly interested in industry comment on the forecast gas volumes - do stakeholders consider the projection reasonable? If not, what would they consider an appropriate gas volume estimate to be?	Yes
Q6: Do you have any comment on the proposed levy for FY2018?	The setting of the levy seems reasonable and we commend the GIC for maintaining downward pressure on costs to ensure only a slight increase in the total levy is proposed for this year.
Q7: Do you have any comment on the hybrid option proposed?	No