

3 February 2017

Glenda MacBain  
Gas Industry Company  
PO Box 10-646  
Wellington 6143

VECTOR LIMITED  
101 CARLTON GORE ROAD  
PO BOX 99882  
AUCKLAND 1149  
NEW ZEALAND  
+64 9 978 7788 / VECTOR.CO.NZ

Dear Glenda

## Submission on the GIC's FY2018 Statement of Intent and Levy

### Introduction

1. This is Vector Limited's (Vector) submission on the Gas Industry Company's (GIC) consultation paper on its proposed *FY2018 Statement of Intent and Levy (SOI and Levy)*, an amended version of which was issued on 16 January 2017.
2. We set out below our responses to the questions raised in the consultation paper.
3. No part of this submission is confidential. Vector's contact person for this submission is:

Luz Rose  
Senior Regulatory Specialist  
[Luz.Rose@vector.co.nz](mailto:Luz.Rose@vector.co.nz)  
04 803 9051

### Responses to consultation questions

**Q1: Do you have any comments on Gas Industry Co's role or Strategy relevant to the development of the Statement of Intent and Levy?**

4. We generally agree with the GIC's role and strategy in the development of its *SOI and Levy* for FY2018.
5. The GIC identifies "new electricity technologies" to be one of the key challenges facing the gas industry (page 3 of the consultation paper). We believe the GIC should take a more forward-looking approach in response to this challenge, and suggest an initial action below (see our response to Question 3).

**Q2: Do you have any comments on the process for developing Gas Industry Co's SOI and Levy?**

6. We are happy with the GIC's process for developing its *SOI and Levy* for FY2018, and the principles underpinning this process.

7. We note the GIC's statement that it will continue to monitor the LPG market and consider whether there are strong arguments for LPG networks to be subject to an open access regime (pages 4-5). We support the GIC's statement at the Co-Regulatory Forum on 22 November 2016 that it intends to explore commercial solutions within the industry before considering the regulation of LPG or other services.
8. Regulation or (more) prescriptive arrangements should only be considered where there is evidence of market failure, and where a regulatory solution would deliver significant net benefits to the industry and consumers.

*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?*

9. The GIC identifies "new electricity technologies" to be a key challenge for the gas industry. We consider these technologies to include distributed generation (e.g. grid-scale and home batteries, solar PV), electric vehicles, advanced electricity metering, micro-grids, etc. We believe it would be appropriate for the GIC to consider the potentially disruptive impact of these technologies on the gas industry in future updates to its *Long Term Gas Supply and Demand Scenarios* and other GIC studies and reviews.

*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.*

10. While we do not propose any items to be excluded from the proposed *SOI and Levy* for FY2018, we encourage the GIC to focus on the development of the new gas transmission code and supporting arrangements such as pipeline balancing.
11. We welcome the GIC's proposal not to do any significant amount of work around gas measurement in FY2018 (pages 9-10). This follows the GIC's review of current contracting arrangements between gas metering service providers and retailers, and the introduction of gas smart metering technology in New Zealand.

*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?*

12. We consider the GIC's forecast gas volumes to be reasonable for levy setting purposes for FY2018.

*Q6: Do you have any comment on the proposed levy for FY2018?*

13. We consider the proposed levy for FY2018 to be within reasonable levels in the context of the GIC's flat levy profile over the past four years.

Q6: Do you have any comment on the hybrid option proposed?

14. We support the GIC's proposed hybrid option for wholesale levy assurance. This option incorporates elements of Option 1 (requiring producers to provide information on volumes sold to each of their customers monthly) and Option 3 (calculating wholesale levy payments using transmission billing volumes) set out in the GIC's options paper issued in September 2016.
15. In our view, the hybrid option is a significant improvement on the GIC's initial preferred option (Option 3). The hybrid option ensures that the process for calculating the wholesale levy remains simple and low-cost, and that parties best placed to provide the necessary information are the ones required to do so. We encourage the GIC to keep this process simple for the reporting parties.
16. We appreciate the GIC's consideration of most submitters' views on the options paper.

Yours sincerely

For and on behalf of Vector Limited

A handwritten signature in blue ink, appearing to read "Richard Sharp".

**Richard Sharp**

Head of Regulatory and Pricing