
Key points in this issue:

- Appointment of New Director

- Update on Progress:
 - Model Consumer Contracts
 - Low Fixed Charges and Other Consumer Issues
 - Specification for Reticulated Natural Gas
 - Baseline Review

Coming up:

- Release for consultation of a “Statement of Proposal” for a set of rules for switching customers between retailers and distributors using a central registry;
- Release for consultation of a “Statement of Proposal” for a set of regulations which establish a tailor-made compliance regime;
- Publication of the Gas Industry Co Annual Report 2005-06.

Papers currently released for consultation:

- Gas Industry Co recently released a discussion paper titled Access to Gas Processing Facilities. The GPS invites Gas Industry Co to recommend protocols for access to gas processing facilities. This discussion paper reviews the market for gas processing in New Zealand, the economic issues involved and anecdotal evidence about current access arrangements. Feedback on this paper is sought by Friday, 29 September 2006.

Under review:

- Gas Industry Co is currently analysing submissions on the Transmission Access Issues Review and the Review of Gas Emergency Arrangements. Gas Industry Co has received a number of high-quality submissions and we thank stakeholders for their efforts in preparing these.

Appointment of New Director

Since the resignation of Denis Clifford in April 2006 following his appointment to the High Court, the Gas Industry Co has had a casual vacancy for an independent director.



The Gas Industry Co constitution provides that the Board must, as soon as practicable, appoint a person to fill a casual vacancy on the Board. The constitution provides that any director appointed to fill a casual vacancy since the last annual meeting must retire from office at the annual meeting. He or she can then seek re-election to the Board if either recommended by the Board or proposed as a candidate by a shareholder.

Following an extensive appointment process the Gas Industry Co Board has now appointed Mr Keith Davis to fill the casual vacancy for an independent director.

Keith is currently a director of EFTWIRE Limited and Vogue Planet Limited. He was also previously chairman of the Electricity Industry Retailers Forum and a director of Prime Television Limited. Keith has extensive experience in the information technology, telecommunications and venture funding industries, including 12 years in the role of Chief Executive / Managing Director in large corporations.

Model Consumer Contracts

The Gas Industry Co made its recommendation to the Minister on Model Contracts in May 2006. The Company concluded that improvements to the governance around the existing code of practice administered by the Electricity and Gas Complaints Commission are the best solution to achieve the Government's policy objectives in this area. The rationale for this conclusion was that the code provides benchmark protection for consumers, whilst avoiding the inefficiencies associated with the Gas Industry Co developing a "rival" model contract.

The Gas Industry Co has now received the Minister's response to the recommendation. This is available from our website. The Minister indicates he agrees in principle to our recommendation but also signals that he will defer formal acceptance until the EGCS Scheme is complete and mandatory.

Low Fixed Charges and Other Consumer Issues

In June 2006 the Gas Industry Co made its recommendations to the Minister in relation to consumer concerns on the level of fixed charges, the transparency of charges on bills and different practices and charging regimes by retailers for meter removal that the Minister had requested the Company examine. The recommendation was the product of a technical review undertaken by an expert advisor and numerous discussions with industry participants. The Gas Industry Co concluded:

- that the high component of fixed charges faced by retailers supported a high fixed charge being imposed on end users, and that regulation to reduce the maximum fixed component would be economically inefficient; and
- that the EGCC scheme already requires price disclosure of component charges, and that to insist this be included on invoices as well would be expensive for retailers and potentially confusing to customers; and
- that the arrangements relating to disconnection and reconnection of supply require review to facilitate greater standardisation and the minimisation of inefficient meter removal.

A copy of the full recommendation is available from our website.

Specification for Reticulated Natural Gas

In July 2006 the Gas Industry Co made its recommendations to the Minister relating to the Standard for reticulated natural gas in New Zealand. The recommendations considered (a) the limits set out in NZS 5442:1999 and (b) the current arrangements to enforce the gas specification. The recommendations were the culmination of a technical review undertaken by an independent consultancy firm (Plant and Platform Consultants Ltd) and a consultation process by the Gas Industry Co.

The main recommendation was that the current limits on the gas specification do not need to change as they achieve an appropriate balance between the various commercial interests of industry participants. Submissions from industry participants highlight that the industry is generally supportive of this recommendation. The Gas Industry Co also recommended that further work is done on compliance arrangements to ensure the enforcement of this standard. This work has already been foreshadowed in the Gas Industry Co's Transmission Access Issues Review.

A copy of the full recommendation is available from our website along with a copy of the Ministers response. The Minister has accepted our recommendation.

Baseline Review

The Gas Act 1992 and the Constitution of the Gas Industry Co require the Company to report regularly to the Minister of Energy on the performance and present state of the New Zealand gas industry. The Gas Industry Co has recently commissioned a baseline review of the New Zealand gas industry from Allen Consulting Group.

Recruitment

We have had a few more changes in Gas Industry Co staffing:

- Nicki Lau Young our Senior Legal Adviser has taken maternity leave for six months, due to return late January 2007.
- Rebecca Cottrell has now completed her secondment and is on maternity leave before returning to Simpson Grierson in the new year.
- Lucy Elwood has been appointed as a part time legal adviser on a twelve month contract. She commenced on 2 August and can be contacted at lucy.elwood@gasindustry.co.nz or 494 6580
- Nicole MacFarlane has been appointed as General Counsel. She commenced on 21 August and can be contacted at nicole.macfarlane@gasindustry.co.nz or 4946581
- We have also appointed two team secretaries: Kelly Rastovich and Kate Conaglen. Kelly is also responsible for Office Administration. They are contactable at:
kelly.rastovich@gasindustry.co.nz or 494 2469; and
kate.conaglen@Gasindustry.co.nz or 472 1800.

We are still seeking a Market Analyst / Economist to assist our Senior Advisers. Details of this vacancy are on our company website.