

Key points in this issue:

- Chief Executive appointed and the Gas Industry Co is now looking to employ a small team as part of its establishment as a stand-alone entity.
- Strategic Plan finalised and with Minister of Energy for final comment.
- Electricity & Gas Complaints Scheme launched for domestic users. Further work is continuing on land owner / occupier disputes.
- Three working groups have been established to assist the Gas Industry Company achieve its Strategic Plan milestones:
 - Wholesale Markets Working Group
 - Model Contracts Working Group
 - Switching & Registry Working Group.
- Levy recommendations have been finalised by GIC and approved by the Minister of Energy. Levy regulations are currently being drafted by officials. GIC anticipates that the levy will apply to the year from 1 July 2005.

Chief Executive Appointment



On 16 May 2005, Christine Southey commenced her new role as the Chief Executive of the Gas Industry Company. Christine brings to the company significant hands-on experience of both self-regulatory and regulatory models of the energy sector.

Christine's initial focus will be to complete the establishment of the Gas Industry Company as a stand alone entity and develop its work programme in accordance with the Strategic Plan.

Strategic Plan

The Gas Industry Company has prepared its initial Strategic Plan.

The Strategic Plan, which is requirement of the Gas Act, sets out:

- Key background information about the company and its operating environment;
- Nature and scope of the company's intended operations;
- The Company's objectives and outcomes to be achieved over the next 3 years;
- Proposed financial and non-financial performance measures;
- Forecast financial statements.

A copy of the Strategic Plan will be available shortly on the Gas Industry Company's website (www.gasindustry.co.nz) and it will be posted to stakeholders on the company's mailing list.

Electricity & Gas Complaints Scheme

Gas complaints have been added to the voluntary complaints scheme set up for the electricity industry, with effect from 1 April 2005. The Gas Industry Company is now participating in a working group convened by the Electricity & Gas Complaints Commission to develop a complaints scheme for land owner and land occupier disputes. This is a requirement of the Gas Act. For more information, see the Electricity & Gas Complaints Commission website (www.electricitycomplaints.co.nz).

Industry Working Groups

Wholesale Markets Working Group

The Wholesale Markets Working Group has been formed to look at the development of new arrangements for wholesale gas trading. Its members are:

- Chris Graham (Chair)
- Liz Kelly (Contact)
- Syd Hunt (MultiGas/E-Gas)
- Duncan Jared (MRP)
- Roger Johnston (Genesis)
- Brian McLaughlin (Powerco)
- Rodney Deppe (Todd Energy)
- Paul Hodgson (NGC)
- James Flexman (CHH)
- Murray Jackson (Shell)
- Terrence Currie (Consumer rep)

Model Contracts Working Group

This group has been established to examine contractual issues arising between retailers and their customers and develop contract guidelines and model arrangements for domestic retail contracts. Its members are:

- Bill Heaps (Chair)
- Pamela Caird (Contact)
- Gavin Chambers (E-Gas)
- Clive Bull (Vector)
- Shaun Hayward (MRP)
- Peter Rutledge (Consumer rep)
- Trevor Starr (Genesis)
- Stephen Nicholls (Powerco)
- Lucy Daniels (NGC)
- David Russell (Consumers Inst)
- Catherine Ansley (MCA)
- Judi Jones (EGCC, Observer)

Switching & Registry Working Group

This group has been established to develop new arrangements for the switching of customers between gas retailers. Its members are:

- Bill Heaps (Chair)
- Rod Crone (Contact)
- Gavin Chambers (E-Gas)
- Nigel Bonser (Vector)
- John Candy (MRP)
- Tracey Kaio (Genesis)
- Sue Simons (Powerco)
- Ewan Gebbie (NGC)
- Pat Cunniffe (Consumer rep)
- Carol Stigley (Consumer rep)

Information about the working groups will be available on the Gas Industry Company website (www.gasindustry.co.nz).

Levy Update

GIC submitted its levy proposal to the Minister of Energy on 10 May 2005. That proposal has been approved by the Minister and the levy regulations are currently being drafted by officials. It is anticipated that the regulations will be submitted to Cabinet for final approval shortly.

GIC anticipates that the gas levy will apply to the 2005/06 financial year (commencing 1 July). However, it appears likely that the levy regulations will not come into force until after 1 July 2005. GIC currently anticipates, therefore, that both the July and August levies will be payable in August.

The proposal included a wholesale gas levy and a retail gas levy.

Wholesale gas levy:

- Applies to each quarter of the 2005/06 financial year.
- The rate is 1.5 cents for each gigajoule of gas that was purchased by an industry participant from gas producers during the quarter before the last completed quarter.
- The levy for each quarter is payable by three equal monthly instalments.

Retail gas levy:

- Applies to all retailers
- It comprises:
 - 6 cents for each gigajoule of gas supplied by a gas retailer to retail customers during the 2003/04 gas year; plus
 - \$4 for each ICP for each retail customer with whom a gas retailer had a contract to supply gas as at 30 September 2004.
- It is payable in 12 monthly instalments.

Examples of how the proposed wholesale and retail gas levies will be calculated are provided on the next page.

The Gas Industry Company would like to take this opportunity to thank all participants who made submissions on the levy consultation document.

Further information about the gas levies will be available on the Gas Industry company website (www.gasindustry.co.nz).

Wholesale Levy Example

Industry participant A purchased 100,000 gigajoules (GJs) from producer B and 200,000 GJs from producer C during the 3 months ending September 2005. A becomes liable on 1 January 2006 to pay a gas wholesale levy of 1.5 cents x 300,000 GJs = \$4,500.

Retail Levy Example

Gas retailer A supplied 1,000,000 GJs to retail customers between 1 October 2003 and 30 September 2004. Its retail customers as at 30 September 2004 had 15,000 ICPs. A is liable to pay an annual retail gas levy during the 2005/06 financial year of (6 cents x 1,000,000 GJs) + (\$4 x 15,000 ICPs) = \$120,000.

Shareholders AGM

The current plan is to have the Gas Industry Company's first Annual General Meeting on 22 September 2005. This date will be confirmed over the next month and details of the AGM will be published on the Gas Industry Company's website (www.gasindustry.co.nz).

Premises Update

The Gas Industry Company has entered into an agreement to lease part of a floor in the State Insurance Tower, 1 Willis Street, Wellington. Fit out of the premises is currently being undertaken and it is expected to be completed in early August.

In the interim, the Gas Industry Company is working out of temporary offices at PricewaterhouseCoopers, 113-119 The Terrace, Wellington (Ph: 04 472 8194).

Recruitment Update

The Gas Industry Company will be recruiting a core internal team to assist it achieve the objectives in its Strategic Plan.

The Gas Industry Company is in the process of advertising for advisers in the finance, wholesale markets, retail and transmission areas.

Details of the vacancies will be available shortly on the Gas Industry Company's website (www.gasindustry.co.nz).

How To Contact Us

The Gas Industry Company is keen to update its list of industry stakeholders. If you would like to be on this list, please email your contact details to the following email address: info@gasindustry.co.nz, or post to: Gas Industry Company, PO Box 10-646, Wellington.