



MAJOR ELECTRICITY USERS' GROUP

3 May 2007

Nicole MacFarlane
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By email to submissions@gasindustry.co.nz

Dear Nicole

Submission on Revised Proposal for Allocation of Gas Switching and Registry Costs

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Gas Industry Company (GIC) discussion paper, *Revised Proposal for Allocation of Switching and Registry Costs*, published 19 April 2007.
2. MEUG supports the GIC proposal to allocate 100% of switching and registry costs to gas retailers in proportion to the number of ICPs used.
3. In addition to the arguments in favour of this proposal, MEUG note that if any charges were to be allocated to gas distributors or meter owners, those parties would in turn recover those costs from retailers probably on an ICP basis. Therefore cutting-out this middle step is a benefit of the GIC proposal compared to proposals involving splitting the allocation between retailers and distributors/meter owners.
4. One aspect not discussed in the paper is the effect on new entrant retailers. As long as the allocation is on an ICP basis, MEUG believes the GIC proposal creates neither a subsidy nor impediment to new entrants. This is an initial view by MEUG. The GIC might wish to consider for itself whether the proposal is neutral with respect to new entrants.
5. Ideally the most effective means to ensure GIC gas switching and registry costs are both minimal and allocated efficiently would be to allow retailers to have the option of using the GIC service or another switching and registry mechanism. For example the prior choice electricity retailers had of using NZEM or MARIA. Provided the issue of a conflict of interest by the GIC can be overcome, then MEUG suggests the GIC should investigate this option. If the conflict of interest issue cannot be overcome, then the Ministry of Economic Development should consider this option.

Yours sincerely

Ralph Matthes
Executive Director