

# Consultation on Gas Industry Co FY2025 Work Programme and Levy

SUBMISSIONS CLOSE: 5PM FRIDAY 9 FEBRUARY 2024



Gas Industry Co.

# Executive Summary



In consultation with industry, Gas Industry Co develops both an annual work programme and a cost estimate for that work programme. These costs are principally funded through a levy and market fees, the latter imposed under relevant governance rules and regulations.

The proposed FY2025 work programme includes meeting statutory requirements, such as the administration of existing gas governance regulations, and seeks to address Government and industry priorities through the completion of key project deliverables. It continues existing multi-year workstreams and reflects significant progress already made in addressing the objectives and outcomes set for Gas Industry Co and the industry in the Gas Act 1992 (Gas Act) and the Government Policy Statement on Gas Governance 2008 (GPS).

This paper has been prepared after taking into consideration feedback received on the proposed work programme and costs at the Co-Regulatory Forum held on 30 November 2023. Forum feedback generally supported these proposals.

The proposed FY2025 levy funding requirement is \$4,422,758. The corresponding proposed levy rates for FY2025 are a retail levy of \$6.53 per ICP (based on 311,000 ICPs), and a wholesale levy of 1.5952 cents per GJ of gas (based on a volume of 150 PJ).

## Submissions

Written submissions on this Consultation Paper should be provided to Gas Industry Co via email to [consultations@gasindustry.co.nz](mailto:consultations@gasindustry.co.nz) by **5 pm on Friday 9 February 2024**. Please note that submissions received after that time may not be able to be fully considered.

Submissions may be amended at any time prior to the closing date. All submissions will be published automatically on Gas Industry Co's website after the closing date, other than responses to question 5 which will be treated as confidential and will not be published. Submitters should discuss any intended provision of other confidential information with Gas Industry Co prior to submitting the information.

Gas Industry Co is happy to meet with any stakeholder who wishes to discuss the proposals in more detail.



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# 1. Legislative and Strategic Context



## 1.1 Strategic Context

Although the government has changed, the context facing the gas sector is enduring. The energy trilemma demands a focus on energy security, affordability and access, and sustainability as we transition to a low carbon future.

Gas Industry Co has been working closely with industry and government agencies on transition issues and has provided much of the technical insight and support to MBIE's Issues Paper on the gas transition.

Although we will see change over time in the balance of the energy trilemma, and in the mix of energy policies, there will continue to be a significant role for gas.

While the policy response to climate change means the energy sector will continue to transition, there is also an increased policy focus on security of supply, investment confidence and prices.

A major focus for our trusted advisor work continues to be helping decision-makers to understand the balance of demand and supply, and the options available to ensure the system is resilient and reliable.

We are seeing pathways for different parts of the gas sector become clearer. Our supply and demand study shows a looming gap between expected supply and demand, which could occur as early as 2027, and is likely to emerge in the early 2030s. Industrial demand is driven by supply, while, over the 2020s, other consumption and production patterns will change as well. Less gas will be used for electricity baseload generation, while networks supplying retail and smaller commercial customers may begin to introduce renewable gas, initially from biological feedstocks.

The pathway for renewable gas is not certain, but it is possible that we can decarbonise gas more efficiently if the industry works together. If a vibrant renewable gas sector begins operating, we will see more supply come to market. The co-regulatory model is ideal to facilitate the industry cooperation and responsive regulation required if the market is to develop.

The key to investment in transition, resilient supply and competitive prices is investment confidence. Investment will occur if markets and policy settings are stable and consistent over time.

To that end, Gas Industry Co's work in gas governance and to facilitate markets helps to deliver the settings that investment requires.

As in previous years, change in the industry context is a constant, but the direction of transition is clear. It is as important as ever that well-functioning markets continue to provide energy security at efficient prices.

## 1.2 Gas Industry Co's Roles

What we do is conveniently grouped into three classes of activities (reflected in our Strategy at 1.3 below). These activities make up our work programme:

### Gas Governance

The Gas Act and GPS guide us in these activities where we have statutory roles as well as oversight of the industry processes or regulations with the intention of ensuring appropriate activities are being undertaken. Examples of our Gas Governance roles include the determination of breaches or undertaking compliance audits. Our Gas Governance roles are normally designed to provide security of supply, build consumer trust, or oversight of competition and markets.

### Facilitating Industry Systems and Processes

Gas Industry Co has regulatory defined roles and has undertaken activities requested by industry to deliver independent or centralised services. Examples of the facilitation role includes a wide set of activities including management of the D+1 system, the gas registry, or reconciliation processes, through to hosting the website for upstream disclosures.

### Trusted Advisor to Government and Industry

The trusted advisor role reflects the activities we undertake to inform about the gas industry. This role has become more pronounced as the wider energy sector and Government entities have sought to develop their understanding of the changing energy future. Examples include the Gas Transition Plan, Supply and Demand studies, engagement with government agencies such as MBIE or the Climate Commission, and discussions with industry regarding government processes. It is important to note here that our role is limited to informing, we are not an advocate or lobbyist for industry.

## 1.3 Gas Industry Co's Strategy

Gas Industry Co's strategy includes our core theme of "facilitating the role of gas in New Zealand's energy future". Our core theme recognises that:

- Gas Industry Co's roles are broader than only providing governance;
- Gas has a role in New Zealand's energy future;
- Gas Industry Co has a role in supporting the energy transition;
- Gas includes gases of increasing importance in our energy ecosystem (hydrogen/biogas); and
- Gas Industry Co's regulatory roles are designed to either provide greater security of supply or oversight of competition and markets.



## 1.4 Gas Industry Co's Values

Gas Industry Co's values are:

*Collaboration: We work together with integrity, to achieve our goals*

We do this by:

- working together on shared goals;
- sharing and seeking knowledge and experience;
- appreciating each other's differences; and
- having a positive attitude.

*Impartiality: Our decisions are transparent, fair, and based on evidence*

We do this by:

- maintaining the political neutrality and objectivity required to enable us to work with current and future governments;
- carrying out the functions of the Company unaffected by personal beliefs;
- ensuring our actions are not affected by personal interests or relationships; and
- supporting the Company's outcomes through robust, unbiased, evidence-based advice.

*Inclusiveness: We treat others with respect, listening to all views, and engaging openly*

We do this by:

- treating everyone with fairness, kindness, and respect;
- being honest and trustworthy;
- giving and receiving honest feedback; and
- being open to all ideas/seeking advice.

*Excellence: We strive for quality in everything we do*

We do this by:

- owning our work and our development;
- being committed – giving 100% to everything we do;
- being professional and responsive; and
- being reliable – we are a safe pair of hands.

**Q1:** *Do submitters agree with Gas Industry Co's assessment of the strategic context?*

## 2. Developing the Proposed Work Programme



### 2.1 Work Programme and Levy Setting Process

Gas Industry Co's work programme is developed in a consultation process with industry participants and other stakeholders that commences with an annual Co-Regulatory Forum. This Consultation Paper takes into consideration feedback received on the draft work programme at the Co-regulatory Forum held on 30 November 2023.

Co-Regulatory Forum presentation slides can be found [here](#).

Following the Co-Regulatory Forum, this Consultation Paper is published. Submissions on the Consultation Paper are considered in preparing:

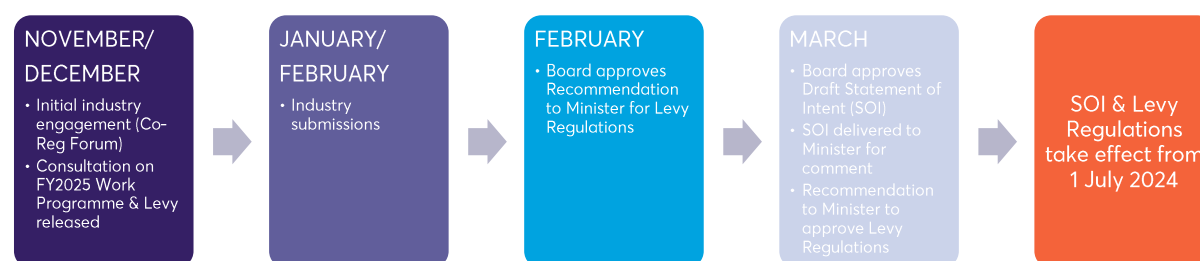
- The Statement of Intent (SOI) for the next financial year (with indicative activity for the subsequent two years in the three-year planning period covered by the SOI); and
- A formal recommendation to the Minister for regulations authorising the levy on industry participants for the ensuing year.

Pursuant to section 43ZZD of the Gas Act, the Minister may accept or reject Gas Industry Co's formal recommendation to make levy regulations. However, in circumstances where the Minister is satisfied that the levy is reasonable, Gas Industry Co has consulted on the levy, and the requirements of sections 43ZZB to 43ZZE of the Gas Act have been met, the Minister must accept the recommendation. Following cabinet and vice-regal approvals, this process culminates in annual levy regulations being promulgated.

Development of a given financial year's work programme starts early in the preceding year to ensure appropriate consultation with stakeholders. Gas Industry Co forecasts the expected or planned endpoint of current year activity to determine what further work, if any, might be necessary for each workstream into the following year.

Consistent with Gas Industry Co's statutory role, the FY2025 work programme, like that for FY2024, focusses on Gas Industry Co's core market governance role under existing rules/regulations and continuing key multi-year programmes.

The diagram below outlines the process undertaken to develop the work programme and levy:



**Q2:** Do submitters have any comments on the process for developing Gas Industry Co's FY2025 Work Programme and Levy?



## 3. Proposed FY2025 Work Programme



### 3.1 Work Programme Prioritisation

The proposed FY2025 work programme is grouped into the three classes of activities discussed in section 1.2 above, being:

- Gas Governance;
- Facilitating industry systems and processes; and
- Trusted Advisor to Government and Industry.

#### Flexibility and Cost Efficiencies

It is always possible that unplanned, unbudgeted work might need to be undertaken in any one year. This is in particular a result of the changing nature of the industry and the period that elapses between development of each year's proposal and its implementation. Gas Industry Co prefers not to budget contingency amounts to keep the levy at a reasonable level. If unplanned or unbudgeted work becomes a priority, Gas Industry Co will reassess its planned workstreams and/or milestones.

As with all public and levy-raising entities, Gas Industry Co aims to deliver value in both its operational workstreams and in the provision of support services to Gas Industry Co as a whole. There is a specific focus on delivering efficiency and value for money.

As well, Gas Industry Co has considered carefully how each line item in the work programme should be budgeted. Some areas are demand-driven, and it does not make sense to make full provision for each of these individually. Instead, Gas Industry Co makes a modest provision for these items and will manage within the global amount.

### 3.2 FY2025 Work Programme: Trusted Advisor to Government and Industry

#### Gas Transition Plan

In August 2023 MBIE released the Gas Transition Plan Issues Paper for consultation, along with a package of consultation papers, each addressing a different challenge in the energy transition. At the time it was announced, the government intended that the final Gas Transition Plan would form part of a broader energy strategy, guiding emissions reductions from gas in line with targets in emissions budgets, in legislation, and in New Zealand's international commitments.

Public consultation on the Issues Paper ran until 2 November 2023. Further work on the gas transition plan is expected in 2024, with an emphasis on progressing initiatives identified in the Issues Paper.

#### Forecast activities in FY2025

Recommendations from the final Gas Transition Plan may be implemented in FY2025. Recommendations may include any of the following:

- Blending of renewable gas into gas networks and measures to bring renewable gases into the natural gas market, such as tradeable renewable gas certificates and other market measures;
- New regulatory arrangements relating to CCUS;
- Measures to support and strengthen gas security of supply, including security for industrial use and electricity.

Recommendations arising from the Gas Transition Plan may require new gas governance arrangements or amendments to existing arrangements.

## **Energy Transition**

Gas Industry Co is dedicating significant resources to transition issues such as its work with MBIE on the Government's Gas Transition Plan.

The energy sector is in a period of change as it transitions to a lower carbon future. The pace of change and uncertainties over where intervention will be required make forward planning our work programme subject to amendment and revision. All forecast activities for FY2025 are subject to change due to the pending outcome of the Gas Transition Plan and the incoming government's decisions about its energy strategy. We have forecast activities for FY2025 with as much detail as currently possible, recognising that changes are likely to be sought.

### **Forecast activities in FY2025**

While work on issues relating to the gas transition will continue to be required in FY2025, further issues in the energy transition will overlap and complement the substance of the Gas Transition Plan. Examples of energy transition issues include:

- Investment in ongoing field development, and solutions to investment confidence issues identified in the 2021 gas market settings investigation, where those are not fully addressed in the Gas Transition Plan;
- Measures to ensure gas is available, including for electricity (where responsibility for markets involves collaboration between regulatory agencies);
- Consideration of whether additional or changed mechanisms are needed to ensure natural gas is available to industrial users in times of unexpectedly tight supply;
- Our regular supply and demand studies;
- Engagement with agencies responsible for achieving emissions reductions to ensure measures align with security of supply and emissions reductions plans in the gas sector.

## **3.3 FY2025 Work Programme: Gas Governance**

### **Review of Existing Levy Methodology**

The Gas Act provides for a levy on industry participants to fund the activities of Gas Industry Co (as industry body) pursuant to the Gas Act. The levy is implemented through annual regulations following industry consultation.

Gas Industry Co's existing levy method:

- Is based on a set of Levy Principles. In summary, those Principles are economic efficiency, beneficiary pays, rationality, simplicity, equity, and revenue sufficiency; and
- Has two components: a wholesale component and a retail component. These components are apportioned according to the cost allocated to each part of the annual work programme and apportioned among levy payers pro rata with either their wholesale levy volumes or ICP market shares. In years when the work programme focusses on retail issues, for instance, the retail levy rate will increase while the wholesale levy rate will decrease.

These arrangements have remained unchanged since 2007. However, forecast declining wholesale levy volumes are likely to lead to a scenario where wholesale levy rates would need to increase to an unsustainable level in order to continue to fund our work programme.

#### **Forecast activities in FY2025**

- Review Gas Industry Co's levy funding method, explore any viable alternatives, and consult with industry.

### **Critical Contingency Management**

The purpose of the Gas Governance (Critical Contingency Management) Regulations 2008 (CCM Regulations) is to achieve the effective management of critical gas outages and other security of supply contingencies without compromising long-term security of supply. The CCM Regulations provide for the appointment of a Critical Contingency Operation (CCO) and that role is responsible for determining, managing, and terminating critical contingencies, as well as associated activities such as stakeholder training and running exercises.

We are currently progressing a number of amendments to the CCM Regulations to improve the efficiency and effectiveness of those Regulations. These changes have been driven by experience with the Regulations and feedback on events and exercises.

#### **Forecast activities in FY2025**

- Support MBIE through the legislative change process; and
- Implement proposed changes to the CCM Regulations including consequential changes to existing industry processes.

### **Advanced Gas Metering**

In December 2023, Gas Industry Co released a Statement of Proposal on amendments to gas governance arrangements. The paper includes proposals to amend the Gas (Downstream Reconciliation) Rules 2008 (Reconciliation Rules), the Gas (Switching Arrangements) Rules 2008 (Switching Rules), and associated systems, to account for advanced gas metering infrastructure (AGMI) and the more timely and granular consumption data that it provides. Once submissions have been received and considered, we expect to make a Recommendation to the Minister to amend the rules, in the final quarter of FY2024. At the same time, we will engage with industry on rule drafting and detailed specifications for the implementation of the system changes. We expect the latter work to run into FY2025.

In addition to the proposals for rule amendments, our previous work identifying issues associated with the rollout of AGMI surfaced some non-regulatory work, for example consulting

on and publishing guidelines and information exchange protocols. We will continue to progress these non-regulatory items in FY2024 and aim to complete this work in FY2025.

### **Forecast activities in FY2025**

- Finalise rule drafting for changes to the Reconciliation Rules and Switching Rules;
- Document functional changes required to industry systems and processes;
- Go-live of amended rules and implementation of functional changes/begin transition period for other process changes; and
- Complete non-regulatory work arising that was prioritised by the AGMI working group from the AGMI issues paper.

### **Retail Gas Contracts Oversight Scheme**

In 2010, Gas Industry Co established a Retail Gas Contracts Oversight Scheme. This was designed to assess retailers' contracts with residential and small commercial/industrial consumers, against a series of Benchmarks and Reasonable Consumer Expectations. Reviews are undertaken by an Independent Assessor usually on a 3-yearly basis.

The last full assessment was undertaken in FY2023, with overall alignment of all published supply arrangements against the Benchmarks and Reasonable Consumer Expectations being 'substantial' – in line with previous assessments.

In FY2024 a review of the Scheme's Benchmarks and Reasonable Consumer Expectations was initiated in light of changes to industry processes (eg Consumer Care Guidelines) and legislative changes. Any resulting changes will be implemented following engagement with industry participants and prior to the next independent review of retailer alignment taking place.

### **Forecast activities in FY2025**

- Implementation (including further engagement on and consultation with industry participants as appropriate) of proposed amendments arising from FY2024 review of Benchmarks and Reasonable Consumer Expectations;
- Review new-entrant retail contracts, as requested; and
- Provide information to new entrant retailers to help them understand their obligations and the governance processes.

### **Gas Distribution Contracts Oversight Scheme**

In 2012, Gas Industry Co established the Gas Distribution Contracts Oversight Scheme. This is an industry agreed scheme which assesses standard contracts between gas distributors' and gas retailers against a set of principles.

Gas Industry Co appointed an Independent Assessor in FY2014 who found that contracts offered by distributors exhibited 'substantial' alignment with the set of principles agreed upon.

Following the 2014 assessment, Gas Industry Co's assessments would be undertaken on an exceptions basis (as contracts are revised or replaced). In our most recent survey of distributors in 2020, no material changes had been made to distribution agreements since 2014. Firstgas is in the process of finalising a new distribution contract which we expect to be subject to review in accordance with the Scheme.

### **Forecast activities in FY2025**

- Complete an assessment of Firstgas's new distribution contract; and
- Action any changes to the Scheme that are necessary to improve its effectiveness and to ensure that the principles continue to be appropriate.

### **Downstream Reconciliation/D+1**

The purpose of the Reconciliation Rules is to establish a set of uniform processes that enable fair, efficient, and reliable downstream allocation, and reconciliation of downstream gas quantities. The Reconciliation Rules provide for the appointment of the allocation agent, who is responsible for operating the allocation system to perform allocations. The allocation agent role is currently performed by EMS, a subsidiary of Transpower.

The Statement of Proposal on amendments to gas governance arrangements includes changes to the Reconciliation Rules that:

- codify the downstream aspects of D+1 in order to transition away from pilot arrangements;
- improve the accuracy of D+1 allocations by requiring retailers to install telemetry on certain sites and provide daily data to the allocation agent where possible;
- amend allocation group definitions and allocation methodologies to account for AGMI-metered customers;
- pave the way for renewable gas injection into distribution networks by making sure all gas quantities are appropriately metered and reconciled;
- make other minor and technical amendments to ensure the smooth and effective operation of the rules.

The process following the Statement of Proposal is outlined in the Advanced Gas Metering section. As mentioned above, we expect the project to implement these proposals to begin in FY2024 and continue throughout FY2025.

### **Forecast activities for FY2025**

- Complete regulatory process to codify D+1 in the Reconciliation Rules; and
- Ensure alignment of allocation system and processes with market changes (D+1, advanced metering, renewable gases).

### **Switching and Registry**

The purpose of the Switching Rules is to establish a set of gas switching and registry arrangements that enable consumers to choose, and alternate, efficiently, and satisfactorily between competing retailers. The Switching Rules provide for a centralised database, the gas registry, which stores key technical parameters about every customer installation and facilitates and monitors each customer switch from initiation through to completion.

The Switching Rules provide for the appointment of the registry operator. In addition to business-as-usual activities, Gas Industry Co will carry out an appointment process in preparation for the expiry of the current Gas Registry Operator contract in 2025.

### **Forecast activities in FY2025**

- Procurement process and execution of new service provider agreement for Gas Registry Operator contract (current contract expires in February 2025);
- Assess the ongoing performance of the Switching Rules (including changes necessitated from the rollout of Advanced Gas Meters);
- Monitor and report on switching statistics;
- Make determinations under the Switching Rules as required;
- Commission performance and event audits as required; and
- Follow up on any issues identified in the switching audits.

### **Compliance and Enforcement**

The Gas Governance (Compliance) Regulations 2008 (Compliance Regulations) provide for monitoring and enforcement of the other gas governance rules and regulations. The compliance arrangements are designed as an efficient, low-cost means of determining or, where appropriate, settling breaches of rules/regulations that raise material issues.

### **Forecast activities in FY2025**

- Perform Market Administrator role;
- Assess ongoing performance of the Compliance Regulations;
- Assist Investigator and Rulings Panel as required; and
- Monitor compliance trends for indications of regulatory inefficiency.

### **Statement of Intent and Annual Report**

The Gas Act requires that the industry body provide its Annual Report to the Minister within three months of the end of the financial year (the Minister then tables it in the House of Representatives). Similarly, annual Statements of Intent (SOI) are required to be submitted to the Minister for comment prior to being finalised and published.

### **Forecast activities in FY2025**

- Prepare and publish the SOI to meet statutory timeframes;
- Provide the draft SOI to the Minister for comment prior to publication; and
- Prepare and publish the Annual Report and meet requirements for tabling in Parliament.

### **Other Reporting**

Gas Industry Co is required by the Gas Act to report on the present state and performance of the gas industry. It does this through a number of publications, including Switching Statistics, Quarterly Report and Industry Performance Measures.

### Forecast activities in FY2025

- Prepare and publish Switching Statistics and Industry Performance Measures; and
- Continue engagement and communications for interested stakeholders.

## 3.4 FY2025 Work Programme: Facilitating Industry Systems and Processes

### Information Disclosure

In 2018 Gas Industry Co commenced a workstream to assess the level of information disclosure in the industry and to consider options to address any issues found, including disclosure of gas production and storage facility outage information. A Statement of Proposal was consulted on, and the conclusion from this work was that the regulatory objective was unlikely to be satisfactorily achieved by any reasonably practicable means other than through regulation.

In FY2022 Gas Industry Co made a recommendation to the Minister, with the Gas (Facilities Outage Information Disclosure) Rules 2022 subsequently coming into effect on 1 April 2023. These rules provide for:

- The disclosure of information regarding an unplanned outage or planned outage at a gas production facility or a gas storage facility; and
- The disclosure of information to the industry body to enable it to monitor compliance with these rules.

### Forecast activities in FY2025

- Review performance of the Gas (Facilities Outage Information Disclosure) Rules 2022 including disclosing party compliance.

### Guidelines to enhance consumer outcomes

Gas Industry Co developed new guidelines for the gas industry to enhance consumer outcomes in response to the recommendations arising from the Electricity Price Review for the electricity industry. The Guidelines are as follows:

- **Gas Consumer Care Guidelines** set out guidelines for gas retailers in helping residential gas consumers who may experience insufficient access to gas or payment difficulties.
- **Gas Saves and Winbacks Guidelines** provide guidance for gas retailers in managing the saves and winbacks behaviour.
- **Guidelines for Raising Awareness of Utilities Disputes and Powerswitch** provide guidance for gas retailers and gas distributors to raise consumer awareness of the services provided by Utilities Disputes and Powerswitch through their customer communications.

In August 2023, we assessed dual-fuel retailer alignment with these Guidelines.

### Forecast activities in FY2025

- Review retailer feedback on the Guidelines and consider whether any changes are appropriate; and
- Assess retailer and distributor alignment with the Guidelines in August 2024.



## Gas Transmission

The Gas Act and GPS provide for Gas Industry Co to have oversight of access to, and use of, gas transmission pipelines.

### Forecast activities in FY2025

- Consider any emerging issues regarding the suitability of transmission arrangements during the energy transition;
- Monitor asset management plans for gas transmission and report on any significant matters;
- Assess any proposed changes to the transmission codes, including changes arising from Firstgas's consideration of its approach to transmission pricing; and
- Review transmission pipeline interconnections as required, address any concerns regarding reasonable access, and amend the Guidelines as required.

**Q3:** *Do you consider there to be any other items that should be included in Gas Industry Co's intended Work Programme for FY2025? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.*

**Q4:** *Do you consider there to be any items that should be excluded from Gas Industry Co's intended Work Programme for FY2025? Please provide reasons for your response.*



## 4. Funding of Operations



### 4.1 Sources of Funding

Gas Industry Co has two main sources of funding to meet the total costs of delivering on the Work Programme and other aspects of its role as the industry body – the levy and market fees.

#### Levy

The levy funds the industry body's costs that are not covered by market fees, including the direct costs of workstreams and non-operational expenditure for the business.

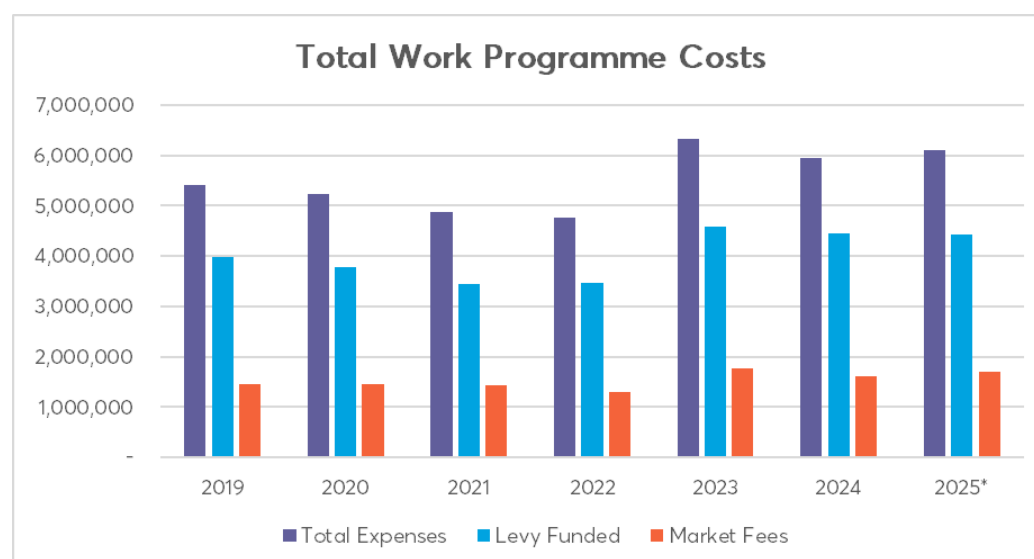
#### Market Fees

Established gas governance rules and regulations include provision to recover costs directly required to meet Gas Industry Co's obligations under those arrangements (referred to as 'market fees'). These cover the contractually agreed costs of any service providers (particularly the Allocation Agent, the Registry Operator and the Critical Contingency Operator) and any other expected direct costs related to the monitoring of those arrangements.

A formal estimate of market fees for each set of rules or regulations is published two months before they apply with each new financial year commencing on 1 July. Market fees collected are applied to actual expenses incurred for each set of rules or regulations. Any shortfall or excess fees are invoiced/credited to the market fee payers in a year-end 'wash-up'.

### 4.2 Total Work Programme Costs

Gas Industry Co expects the FY2025 levy funding requirement to be \$4,422,758 (\$4,455,703 in FY2024), and market fees to be \$1,694,566 (\$1,621,000 in FY2024<sup>1</sup>). Added together, this results in total work programme costs for FY2025 of \$6,117,324 (\$5,943,453 in FY2024), as illustrated in the diagram below.



<sup>1</sup> This is the formal estimate for FY2024 which differs from the placeholder number included in the Consultation on Gas Industry Co FY2024 Work Programme and Levy (\$1,487,750).

Combining all of the above, the levy funding requirement for FY2025 can be calculated as follows:

Description	\$
<b>Gas Governance</b>	3,254,416
Comprising: Review of Existing Levy Methodology; Critical Contingency Management; Advanced Gas Metering; Retail Gas Contracts Oversight Scheme; Gas Distribution Contracts Oversight Scheme; Downstream Reconciliation/D+1; Switching and Registry; Compliance and Enforcement; Statement of Intent and Annual Report; Other Reporting.	
<b>Facilitating Industry Systems and Processes</b>	1,327,459
Comprising: Information Disclosure; Guidelines to Enhance Consumer Outcomes; Gas Transmission.	
<b>Trusted Advisor to Government and Industry</b>	1,535,449
Comprising: Gas Transition Plan; Energy Transition.	
<b>Total Work Programme Costs</b>	6,117,324
<b>Less: Approximate Market Fees</b>	1,694,566
<b>Levy Funding Requirement</b>	4,422,758

### 4.3 Proposed Levy Method and Rates

Gas Industry Co's existing levy method:

1. Is based on a set of [Levy Principles](#). In summary, those Principles are economic efficiency, beneficiary pays, rationality, simplicity, equity, and revenue sufficiency; and
2. Has two components: a wholesale component and a retail component. These components are apportioned according to the cost allocated to each part of the annual work programme and apportioned among levy payers pro rata with either their wholesale levy volumes or ICP market shares. In years when the work programme focusses on retail issues, for instance, the retail levy rate will increase while the wholesale levy rate will decrease.

These arrangements have remained unchanged since 2007.

Based on the TWPC above, the levy rates for FY2025 would be:

1. Wholesale levy: 1.5952c/GJ (up from 1.4326c/GJ in FY2024, a 11.35% increase); and
2. Retail levy: \$6.53/ICP (down from \$6.54/ICP in FY2024, a 0.19% decrease).

The 11.35% increase in the FY2025 wholesale levy is driven by a 150 PJ draft gas volume assumption (down from 170 PJ in FY2024). The trend in both wholesale and retail levies is illustrated in the graphs below:



#### Assumptions:

- The draft gas volume assumption for FY2025 is 150 PJ (down from 170 PJ in FY2024). This is based on soundings from industry and external consultants and has led to a 11.35% increase in the wholesale levy for FY2025.
- The ICP assumption of approximately 311,000 is based on the current number of ACTIVE-CONTRACTED entries in the gas registry adjusted for average monthly growth.

Q5: Gas Industry Co is particularly interested in industry comment on the forecast gas volumes - do stakeholders consider the 150 PJ projection reasonable? If not, what would they consider an appropriate gas volume estimate to be? **NOTE – any submissions provided in response to this question will be treated as confidential and will not be published.**

Q6: Do you have any comment on the proposed levy rates for FY2025?

## Appendix A – Recommended format for submissions



To assist Gas Industry Co in the orderly and efficient consideration of stakeholders' responses, a suggested format for submissions has been prepared. Respondents are also free to include other material in their responses.

Question	Comment
Q1: Do submitters agree with Gas Industry Co's assessment of the strategic context?	
Q2: Do submitters have any comments on the process for developing Gas Industry Co's FY2025 Work Programme and Levy?	
Q3: Do you consider there to be any other items that should be included in Gas Industry Co's intended Work Programme for FY2025? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.	
Q4: Do you consider there to be any items that should be excluded from Gas Industry Co's intended Work Programme for FY2025? Please provide reasons for your response.	
Q5: Gas Industry Co is particularly interested in industry comment on the forecast gas volumes - do stakeholders consider the 150 PJ projection reasonable? If not, what would they consider an appropriate gas volume estimate to be? <b>NOTE – any submissions provided in response to this question will be treated as confidential and will not be published.</b>	
Q6: Do you have any comment on the proposed levy rates for FY2025?	

## About Gas Industry Co

Gas Industry Co is the gas industry body and co-regulator under the Gas Act. Its role is to:

- Develop arrangements, including regulations where appropriate, which improve:
  - the operation of gas markets;
  - access to infrastructure; and
  - consumer outcomes;
- Develop these arrangements with the principal objective to ensure that gas is delivered to existing and new customers in a safe, efficient, reliable, fair, and environmentally sustainable manner; and
- Oversee compliance with and review such arrangements.

Gas Industry Co is required to have regard to the Government's policy objectives for the gas sector, and to report on the achievement of those objectives and on the state of the New Zealand gas industry.

**SUBMISSIONS CLOSE:**  
9 February 2024

**SUBMIT TO:**  
[consultations@gasindustry.co.nz](mailto:consultations@gasindustry.co.nz)

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