

Quarter ended 30 June 2014

FROM THE CHIEF EXECUTIVE

Our latest [Statement of Intent \(SOI\)](#), for the planning period 2015-17, is out and the requisite [Levy Regulations](#) for the 2015 financial year (FY2015) came into force on 1 July.

These cornerstone elements of the unique co-regulatory governance model of the gas industry provide the framework for Gas Industry Co to maintain its work with industry stakeholders in fulfilling policy and strategic objectives for the sector.

FY2015 is something of a consolidation year, in which we continue substantial activity in areas of statutory accountability and in progressing previously-committed work streams.

The strategy and work programme set out in the SOI, and the levy that funds aspects of it, result from our consultation process and the high level of consensus with stakeholders on the issues requiring priority attention. As always, we retain a strong strategic focus on aligning our work with the policy objectives and outcomes set by Government through the Gas Act 1992 and the Government Policy Statement on Gas Governance.

As the industry continues to evolve, so too does the nature of our work streams. Our work on gas processing facility access has been brought to a satisfactory conclusion and substantial activity in the areas of the Critical Contingency Management Regulations review and insolvent retailer arrangements are largely in place. Other issues, including gas transmission capacity allocation arrangements and the balancing regime, are ongoing.

Overall, the SOI presents a picture of an industry in generally good health and well advanced in meeting the Government and consumer expectations of it. Key infrastructure and market efficiency issues are being actively addressed.

In the gas market itself, we are seeing changing usage patterns, with substantially higher demand for methanol production and declining gas requirements for electricity generation. Driven by Methanex's return to full production capability at its Taranaki methanol plants, annual gas demand is heading back to over 200 petajoules for the first time in over a decade.

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The implications of these changes – particularly when viewed in the context of greater demand-side concentration and the potential for new major gas discoveries – are among the industry's most significant challenges.

While the future shape of the gas market in New Zealand is a matter of speculation – albeit with a degree of informed speculation – it is important that the industry collectively is thinking about possible scenarios and is prepared for them. Gas Industry Co's strategy, therefore, includes an intelligence-gathering process to enrich the industry's information pool and facilitate discussions that will assist stakeholders' policy and business decisions.

Aspects of this strategy are seen in the recent release of two Gas Industry Co-commissioned reports. One, by John Kidd of Woodward partners and issued in May, looks at [*Commercialisation issues, opportunities and challenges in the event of substantive gas-rich exploration success in New Zealand*](#). In this time of unprecedented investment in finding and developing New Zealand's petroleum resources, including gas, it is of value to meditate on such fundamentals as whether a major offshore gas discovery in, for example, the Great South Basin, could be marketed domestically and, if New Zealand became an gas exporter, the impact on price if our currently isolated gas market was to become linked to international LNG prices.

The other release is a draft report by Concept Consulting, [*Long Term Gas Supply and Demand Scenarios*](#), on which we are seeking stakeholder feedback. The Concept Consulting study updates its [*Gas Supply and Demand Scenarios 2012-2027*](#) report of March 2013.

These reports are further summarised on page 6 of this Quarterly Report.

Having reissued [*The New Zealand Gas Story*](#) in April this year, Gas Industry Co remains committed to it ensuring this publication retains its topicality as an up-to-date information source for industry and wider public readers. We are shortly commencing a series of presentations of the *Gas Story*, aimed at making it accessible to a wider audience. Details of presentations scheduled for Wellington and Auckland are available on our [website](#) and we are looking at further sessions to meet demand.

Steve Bielby
Chief Executive

Industry Performance Highlights

This Quarterly Report includes Gas Industry Co's regular *Industry Performance Report* (**page 9**). Highlights are:

- The annual rate of gas customer switching is about 18%, slightly above the average churn rate of about 17 percent at the beginning of the 2013/14 year.
- Over 70 percent of switches are completed within seven business days, longer than the average of 5.3 business days reported in June 2013.
- 48 percent of residential customer sites have switched retailer at least once in the past five years; 63 percent of small commercial and 73 percent of large commercial sites have switched at least once.
- Average annual unaccounted-for gas (UFG) remains consistent at 1.1 percent.
- As measured by the Herfindahl–Hirschman Index (HHI), the gas retail market in all regions has become less concentrated due to new retailers entering the market and smaller retailers increasing their market shares.
- Genesis is the largest retailer by customer share; it is also the largest retailer in the residential and large industrial markets. Nova Energy has the largest share of commercial customers.
- Nova, Genesis, and OnGas are the largest retailers by gas volumes, reflecting their focus on the industrial and commercial consumers.
- Following Trustpower's entry in late 2013, all nine retailers now trade at a number of gas gates. Nearly 99 percent of gas consumers are connected to a gate where least six retailers trade,

Information gateway provides links to industry participants

Gas Industry Co's website now includes a comprehensive industry directory that points to a wide range of industry and industry stakeholder-related information. The [Information Gateway](#) has been developed at the request of some industry participants for Gas Industry Co to provide a central contact database.

The *Information Gateway* does not provide information itself; rather it points visitors, by way of links, to relevant sections of participants' websites.

Gas Industry Co sees the *Information Gateway* as a natural extension to other initiatives – such as [The New Zealand Gas Story](#) – it has taken to improve the gas sector information pool. Like the New Zealand Gas Story publication, the directory can be readily updated or expanded over time to take aboard new information or suggested developments.

GTIP Update – Transmission access options workshop

Stakeholders will have another opportunity to discuss gas transmission access options at a workshop on 31 July 2014.

The intention to hold a workshop was flagged in Gas Industry Co's [Analysis of Submissions](#) received on its December 2013 Options Paper [Transmission Access: Options for Improvement](#). As reported in our previous [Quarterly Report](#), the *Analysis* revealed general support for proposed initial changes that are common to all options, but wide-ranging views on the six options presented for improving transmission access arrangements. Most submitters have suggested that combinations of the options need to be considered, and one has proposed a new option involving a hybrid regime of contract carriage of gas to large end-users and common carriage arrangements to all other users.

The 31 July workshop will update stakeholders on transmission access-related solutions being addressed by industry participants, before further discussing the 'regulatory counterfactual' options that Gas Industry Co is progressing under its policy development processes as a fall-back should the industry initiative prove unsuccessful. The workshop follows a similar session in February 2014, which enabled stakeholders to discuss and refine the options before finalising their submissions.

The pursuit of gas transmission access arrangements is part of the [Gas Transmission Investment Programme](#) (GTIP), which comprises a set of projects administered by Gas Industry Co with the assistance and oversight of industry participants.

It is designed to:

- ensure that existing and future gas transmission assets are used efficiently.
- establish the need for gas transmission investment.
- develop an effective pathway for efficient gas transmission investment to take place.

A core GTIP workstream is the Transmission Access and Capacity Pricing Project, which is aimed at ensuring transmission access arrangements promote dynamic efficient outcomes. Improvements in these arrangements have been considered by (PEA) – a group of industry and consumer representatives – which presented a range of recommendations in its [Second Advice Report](#) to Gas Industry Co in July 2013.

The PEA did not consider it necessary to make radical market changes, but proposed a number of improvements, including closer harmony, through 'evolutionary convergence', between the contract carriage-based Vector Transmission Code (VTC), and the common carriage arrangements applying to the Maui pipeline through the Maui Pipeline Operating Code (MPOC).

VTC and MPOC signatories accepted Gas Industry Co's invitation to develop an industry plan to improve access arrangements using the guiding principles developed by the PEA. As reported in our previous [Quarterly Report](#), the Expert Working Group convened to develop the gas industry's response has presented its first report, [Gas Industry Expert Working Group Quarterly Report, to 31 March 2014](#) to Gas Industry Co. It records the development of a work plan to focus efforts and priorities, and agreement on a set of guiding principles as well as evaluation criteria for considering solutions.

Gas Industry Co supports the industry process, but considers that the problems identified by the PEA are important enough for Gas Industry Co to continue to develop a regulatory counterfactual design for implementation if the industry process falters.

Bridge Commitments update

The [Bridge Commitments](#) are a series of commitments made by the majority of shippers and aimed at addressing concerns about competition on the North Pipeline in the shorter-term, while longer-term solutions are developed. They have been in place since August 2011. There were no capacity offers on the Gas Transmission Exchange (GTX) during the quarter, and Gas Industry Co has received no reports of capacity availability

constraining retailers' ability to respond to competitive tenders. Together, these factors continue to suggest there is no current shortage of capacity on the North Pipeline and that capacity issues are not impeding customer switching and competition.

European gas balancing practices evaluated

A description of balancing practices in four European jurisdictions has been added to a growing suite of reports designed to promote discussion of gas transmission gas balancing improvements in New Zealand.

In its report, [*Gas Balancing in Selected European Jurisdictions*](#), Concept examines the commercial arrangements around balancing in northwest Europe:

- Great Britain's national market
- Ireland's single gas market for the Republic of Ireland and Northern Ireland
- Belgium's national market
- The UK-Belgium subsea interconnector IUK

The report notes that each has its own characteristics and the balancing arrangements differ.

The Great Britain system has many sources of supply and flexibility, while the Irish system is smaller, has limited sources of flexibility within Ireland, but can access the flexibility of the Great Britain market. The Belgian system serves the gas market in Belgium and is a significant transit route for gas flows between the Netherlands, France, Germany and Great Britain, while the Interconnector IUK, one of two joining the Great Britain market to northwest Europe, can flow in both directions.

The report provides high level information on incentives for parties to match physical flows to their nominations, distinctions between balancing gas and gas traded on other markets, balancing agent activity, balancing gas cost recovery, imbalance tolerances, cash-out methodologies and cash management associated with commercial imbalances.

The report, commissioned by Gas Industry Co, is one of three produced by different parties so far this year to help inform discussions as the New Zealand gas industry continues its search for solutions to long-standing gas transmission balancing issues that stretch back more than six years. The others are:

- [*Gas Balancing: International Benchmarks and Good Practices*](#), produced in February 2014 by the gas market operator, emsTradepoint (then trading as emTrade).
- [*The Types of Pipeline Balancing and Related Concerns*](#), produced by Maui Development Ltd (MDL) in April 2014.

Gas Industry Co has invited industry stakeholder comment on all of these reports.

Report highlights opportunities and challenges from major new gas find

A discussion paper – [*Commercialisation issues, Opportunities and challenges in the event of substantive gas-rich exploration success in New Zealand*](#) – has found a potential abundance of both wherever a major new find is located.

It concludes, however, that the nature of the commercialisation and public policy challenges and opportunities would differ markedly between the North and South Islands. While the North Island has an established gas infrastructure network connecting a mature market of consumers, the South Island has no natural gas infrastructure and is a blank sheet of paper in terms of planning, commercialisation and public policy scenarios.

Much has changed since the Maui field came on stream in 1979, and a large new gas discovery would present the country with a number of issues, opportunities and challenges, including the possibility of gas exports in the form of liquefied natural gas (LNG).

Policy discussion around a major North Island discovery would likely balance economic development with the risks of market disturbance, in particular through the potential for an export parity-induced price shock. The focus for the South Island would be broader and centre on options to maximise overall benefits to New Zealand.

Produced by John Kidd of sharebroker Woodward Partners, the paper was released on 13 May 2014, along with a [presentation](#) to industry stakeholders. It draws on recent international experience as well as discussions with a number of stakeholders to present key first-principle issues and opportunities that New Zealand would need to consider in the event of a major gas find.

It was commissioned by Gas Industry Co to coincide with an active round of exploration and production activity, and as part of our strategy to facilitate discussion about New Zealand's preparedness for a large new gas discovery.

Feedback sought on gas supply and demand study update

Gas Industry Co has issued a draft study [*Long term gas supply and demand scenarios*](#) for public feedback. The report commissioned, by Concept Consulting, updates and extends Concept's [*Gas Supply and Demand Scenarios 2012-2027*](#) report issued in March 2013.

The latest study analyses the main drivers for historical gas price and supply outcomes, and the factors likely to drive future outcomes. The study's aim is to give stakeholders a broader understanding of key issues, which can be incorporated into their decision-making processes. It has two components

- a written report examining possible market state scenarios for future gas supply and demand. Three market supply scenarios – tight, moderate and plentiful gas supply - are examined. Gas demand by sector is projected for the petrochemical production and electricity generation, and for other gas uses combined. As peak demand is relevant to pipeline capacity and investment decisions, the report also projects peak demands for each scenario.
- an Excel-based model¹ that analyses historical demand patterns and can be used to test future scenarios. It allows users to input their own assumptions regarding growth rates and to construct scenarios based on their views of such factors as gas supply, electricity generation demand, and carbon price.

Feedback on the report and model is invited by 15 August 2014. Submitters are particularly asked for their views on whether there are any omissions or inaccuracies in the report, the reasonableness of the assumptions, and their suggestions on other aspects they consider could be usefully added to the model.

¹ The model consists of an Excel file and a supporting Access database. The files are compatible with Excel 2007 (and above) and Access 2007 (and above). Instructions for accessing the files can be found [here](#).

Critical contingency management exercise

A critical contingency exercise – ‘Exercise Evolution’ - on 25 June 2014 simulated a rupture of the Maui pipeline north of the Frankley Rd interchange, combined with a short duration unplanned outage at Pohokura Production Station.

Conducted by the Critical Contingency Operator (CCO), Core Group, the exercise ran from 8:00am to 4:00pm. It was designed to test transmission system owners’ (TSO) critical contingency management plans (CCMPs) and the currency of contact details for both TSOs and retailers.

The exercise also involved the curtailment of Band 3 industrial and commercial consumers, which triggers a new external communications requirement on asset owners and retailers.

In its [post-exercise report](#), the CCO notes that, with the exception of some transmission system information requirements, the CCMPs were effective in achieving the purposes of the Gas Governance (Critical Contingency Management) Regulations 2008 (CCM Regulations). The exercise did not identify a need for any immediate amendments to the CCM Regulations, CCMPs, the communications plan or information guide. However, the CCO has made 21 largely minor recommendations it believes could improve the effectiveness of the various plans and guidelines, as well as some critical contingency processes.

Exercises are held annually unless there is an actual critical contingency event.

Distribution contracts substantially align with principles

The [second independent assessment](#) of distribution services contracts between gas distributors and retailers released in May 2014 has found ‘Substantial’ overall alignment with a set of 18 contract principles.

The assessment was conducted under the [Gas Distribution Contracts Oversight Scheme \(Distribution Scheme\)](#) by independent assessor Elwood Law. It evaluated distributors’ published standard gas distribution services contracts – or Gas Use of System Agreements - as at 1 March 2014

The non-regulatory Distribution Scheme was introduced in 2012 and is aimed at ensuring the core terms and conditions in distributors’ contracts with retailers are clear and reasonable, promote market efficiency and enhance consumer outcomes.

The first assessment under the Distribution Scheme, in March 2013 resulted in a technical ‘Nil’ outcome as distributors had not published new contract arrangements, reflecting the principles, by that date. However, Elwood Law’s assessment of the overall alignment with the principles of the distributors’ then draft contracts at the time was ‘Moderate’.

The second Assessment Report noted that improvements to those draft contracts in response to feedback had elevated the overall alignment to ‘Substantial’.

In this regard, the outcome of the Distribution Scheme assessment has been similar to that for the separate Retail Gas Contracts Oversight Scheme (Retail Scheme) introduced in 2010. Successive annual assessments also saw consistent improvements against the Retail Scheme’s benchmarks.

Coming up...

July	August	September
31 st – GTIP Workshop Issue Switching Rules Statement of Proposal	7 th - Wellington presentation, NZ Gas Story 15 th – Auckland Presentation, NZ Gas Story Compliance threshold regime consultation Options Paper – Downstream Reconciliation	Release of Gas Industry Co 2014 Annual Report

Performance Measures Quarterly Report for the period ending 30 June 2014

1 Summary

This Report provides an update on the performance measures that Gas Industry Co monitors on a regular basis. The purpose of these measures is to track the performance of the Gas (Switching Arrangements) Rules 2008 (the Switching Rules), the Gas (Downstream Reconciliation) Rules 2009 (the Reconciliation Rules), and the Gas Governance (Critical Contingency Management) Regulations 2008 (CCM Regulations), both in terms of activity related to these statutes and the competitive outcomes that they foster. The Report also tracks transmission balancing actions, as a means of informing Gas Industry Co's work on this issue.

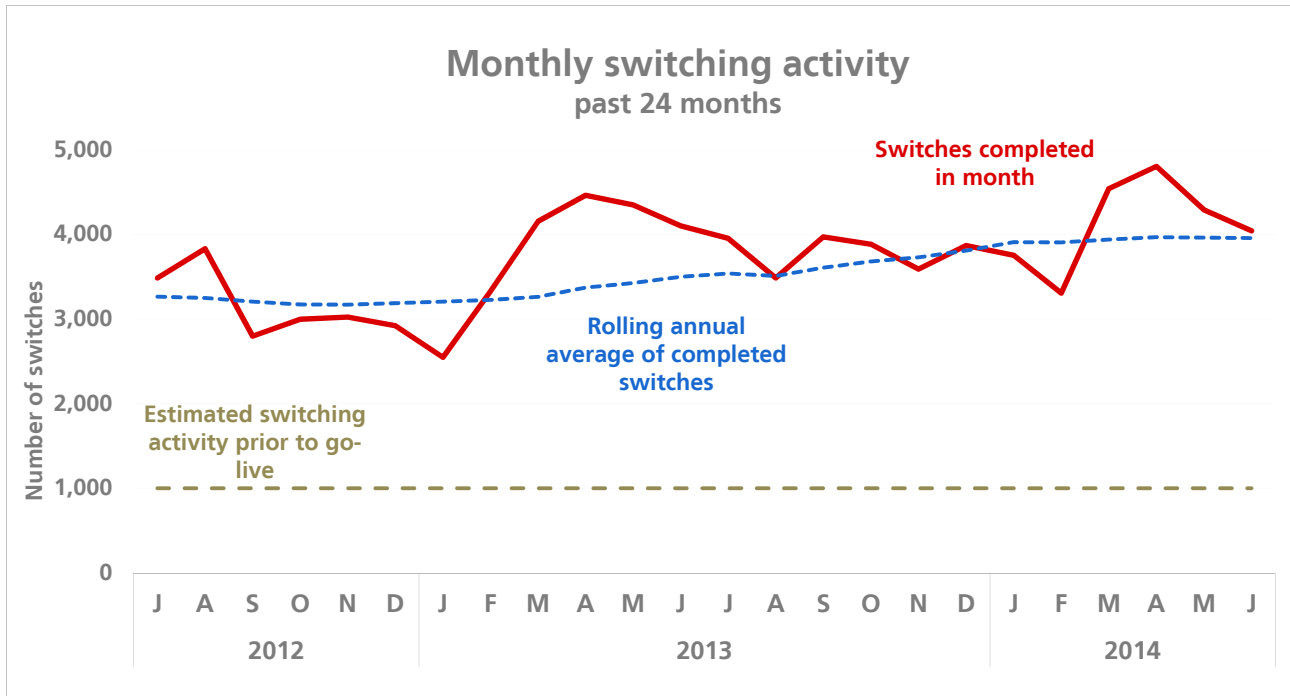
Explanatory details about the charts can be found in the Appendix to this report.

Highlights of the Report:

- The annual rate of switching is about 18%.
- Over 70% of switches are completed within seven business days.
- 48% of residential customer sites have switched retailer at least once in the past five years; 63% of small commercial and 73% of large commercial sites have switched at least once.
- Average annual unaccounted-for gas (UFG) is about 1.1%.
- Genesis is the largest retailer by customer share; it is also the largest retailer in the residential and large industrial markets. Nova Energy has the largest share of commercial customers.
- In all regions, the gas retail market has become less concentrated in the past five years, as measured by the Herfindahl–Hirschman Index (HHI), due to new retailers entering the market and smaller retailers increasing their market shares.
- In terms of market share by gas volumes, Nova, Genesis, and OnGas are the largest retailers, reflecting their focus on the industrial and commercial sectors of the gas market.
- Due to the entry of Trustpower late in 2013, there are now a number of gas gates where nine retailers actively trade. Nearly 99% of gas customers are connected to a gate where least six retailers trade, demonstrating that gas retailers generally are competing throughout the North Island.

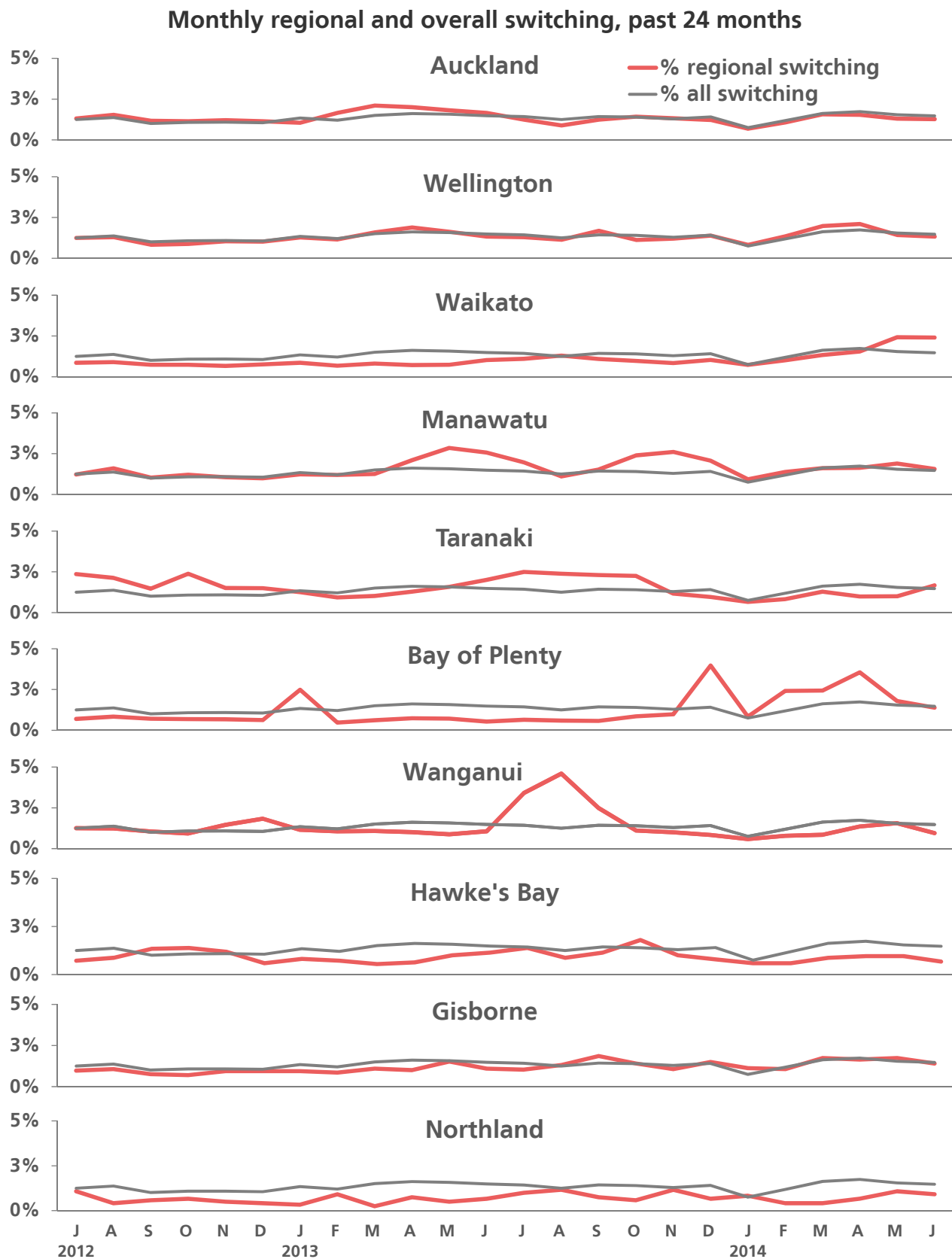
2 Switching performance measures

Chart 1: Monthly switching activity



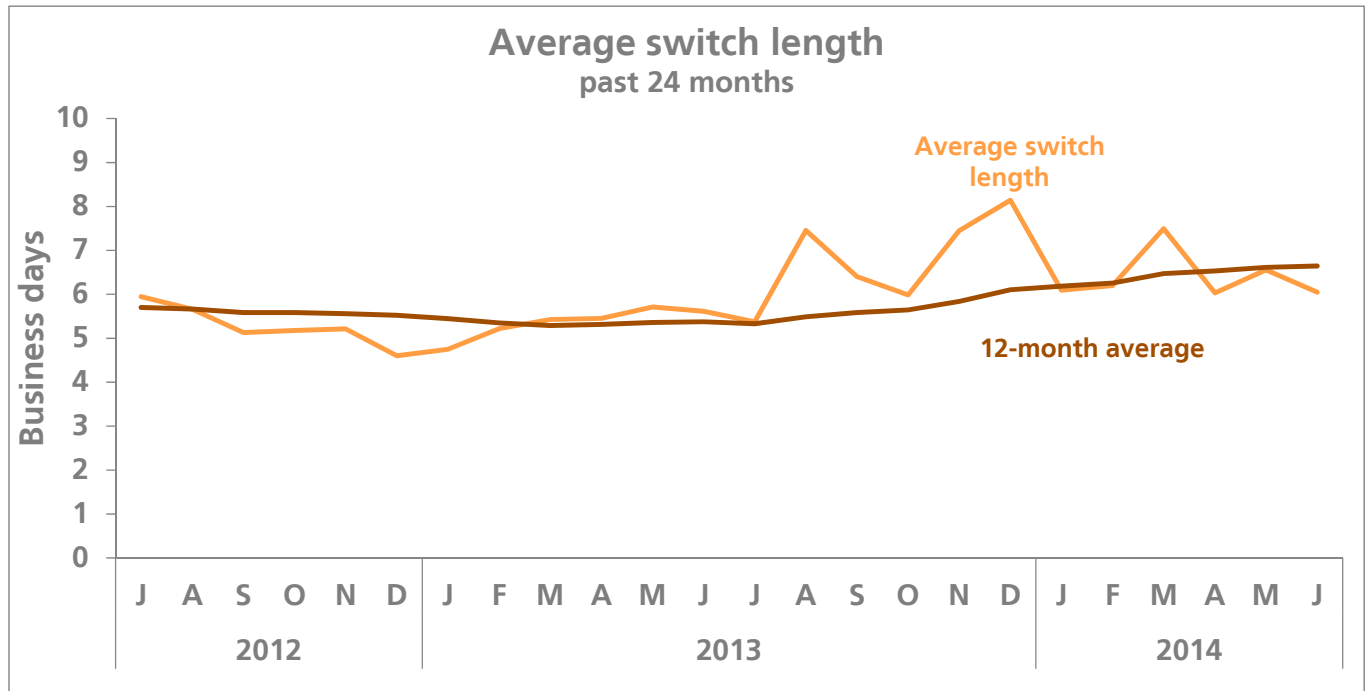
- The churn rate for the 12 months to June 2014 is 18.0%.

Chart 2: Regional switching activity



- Higher than average switching rates in Bay of Plenty and Wanganui appear to be the result of targeted retailer campaigns.

Chart 3: Time to process switches

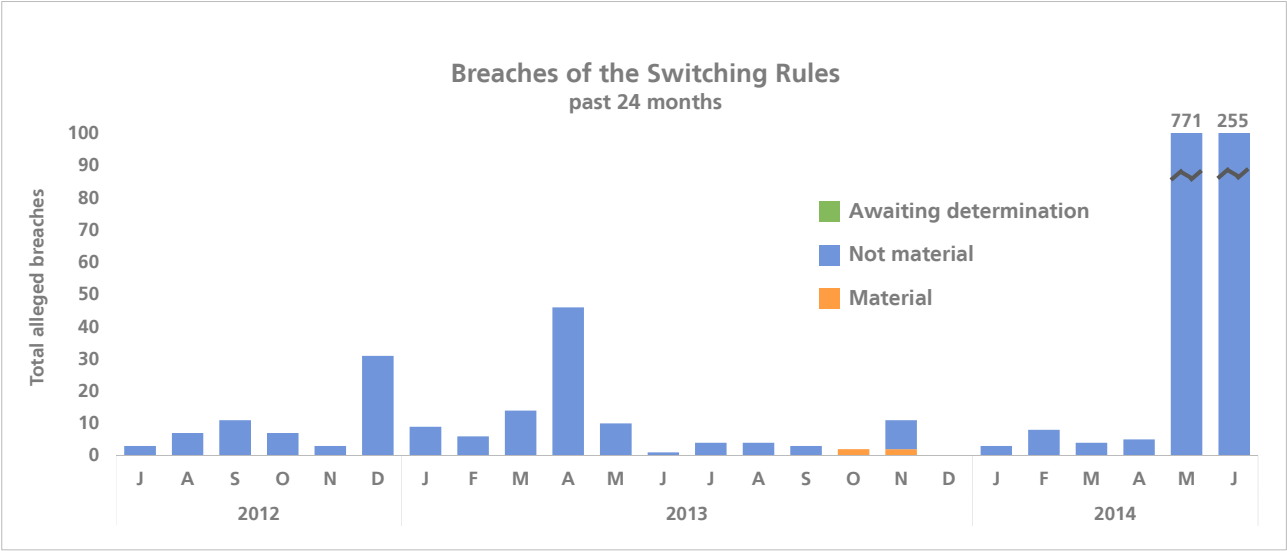


- Average switching time stands at about 6.6 days.
- The spikes in switching time in the second half of 2013 may be related to changes in the electricity registry and electricity retailers' systems, which could have had a follow-on effect on gas switching for dual-fuel retailers.

Chart 4: Distribution of switching length



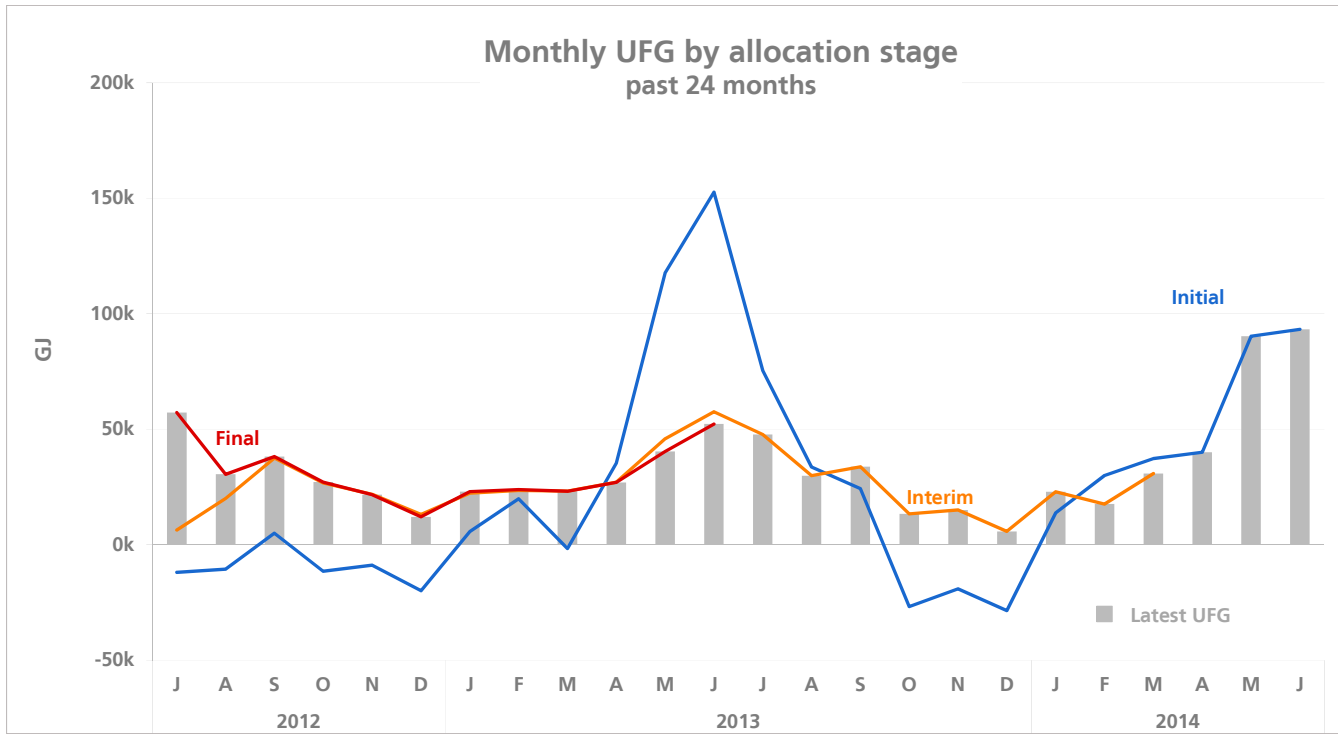
Chart 5: Number and severity of breaches of the Switching Rules



- Most of the breaches in May and June of this year relate to delays in responding to switching notices by a retailer when it was in the midst of its IT upgrade.

3 Allocation and reconciliation performance measures

Chart 6: Volumes of unaccounted-for gas (UFG)



- UFG has been below 100,000 GJ in both May and June of this year, in contrast to last year.

Chart 7: Percentage of UFG

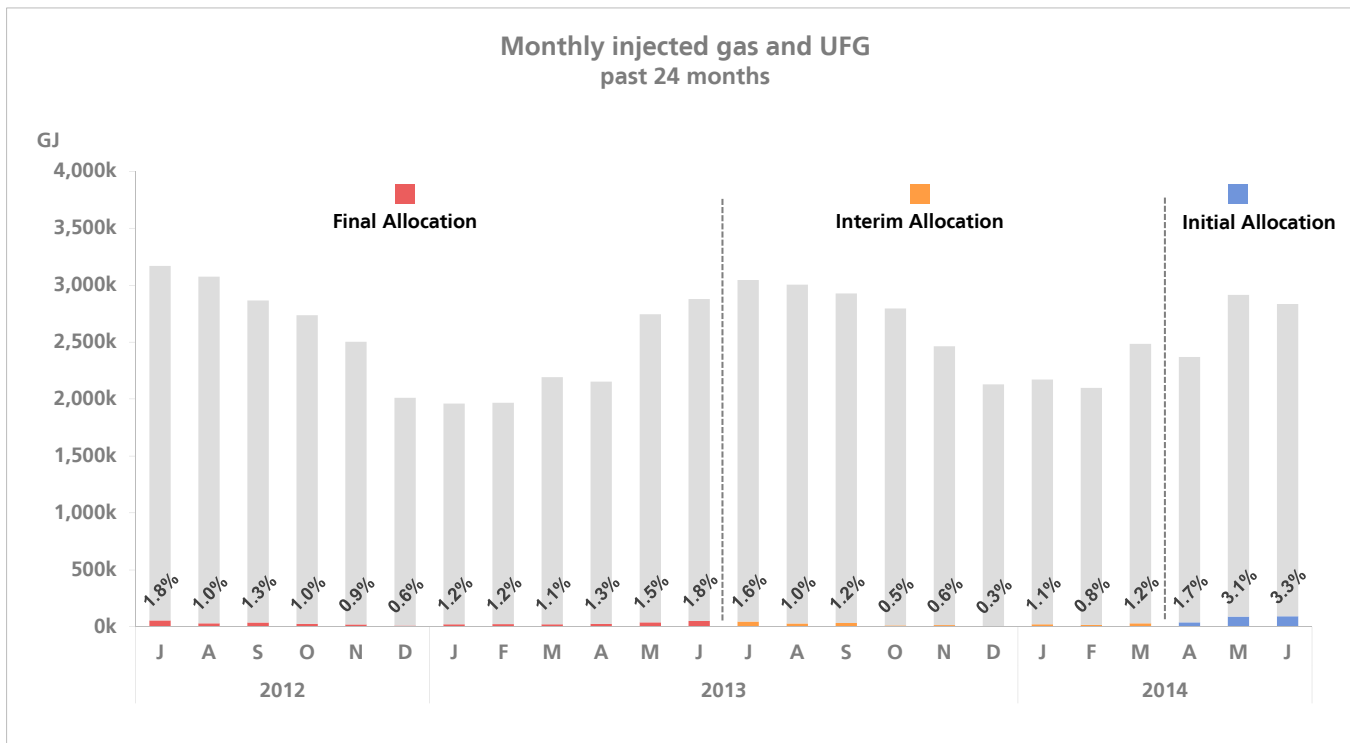
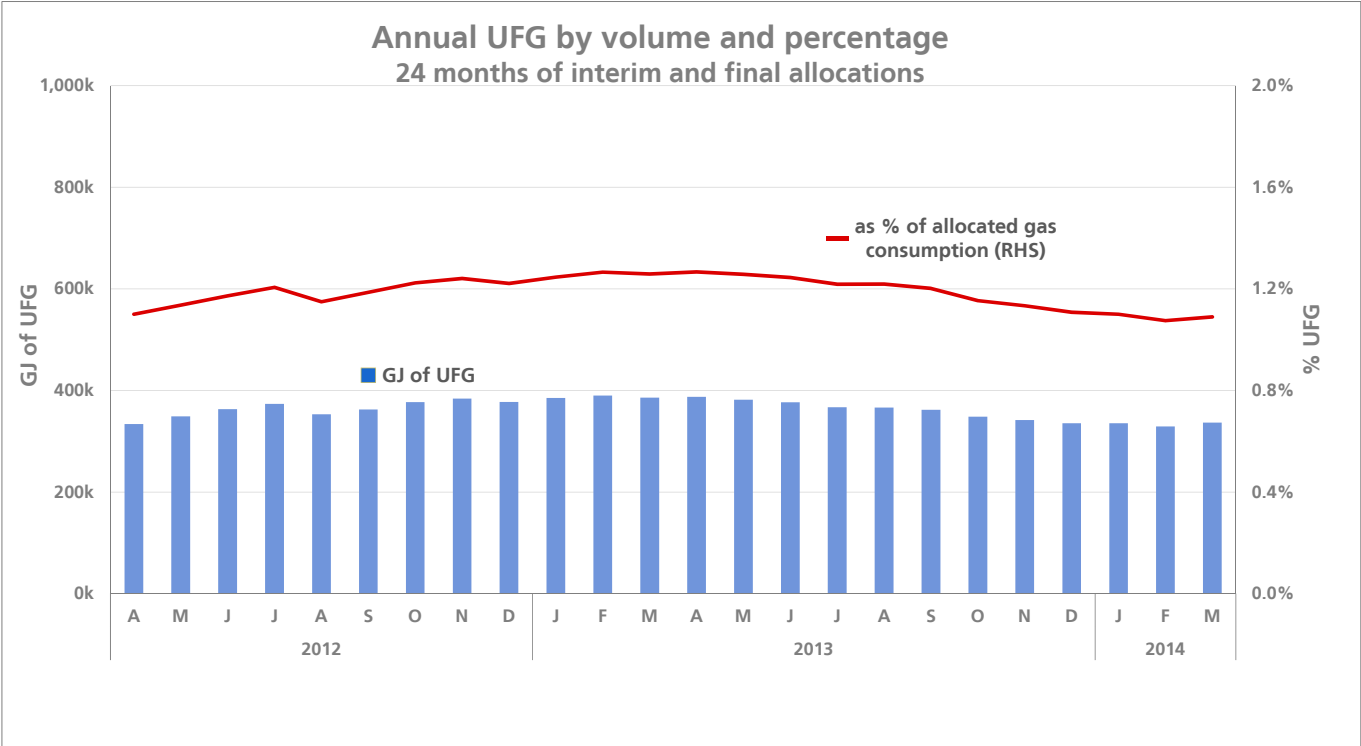
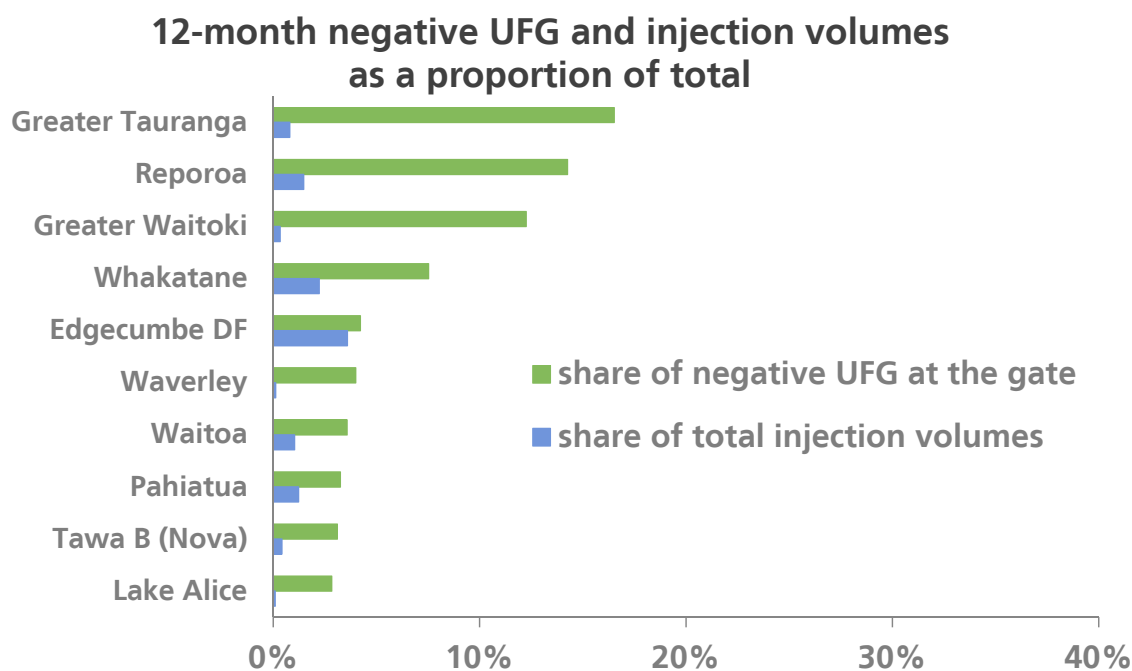
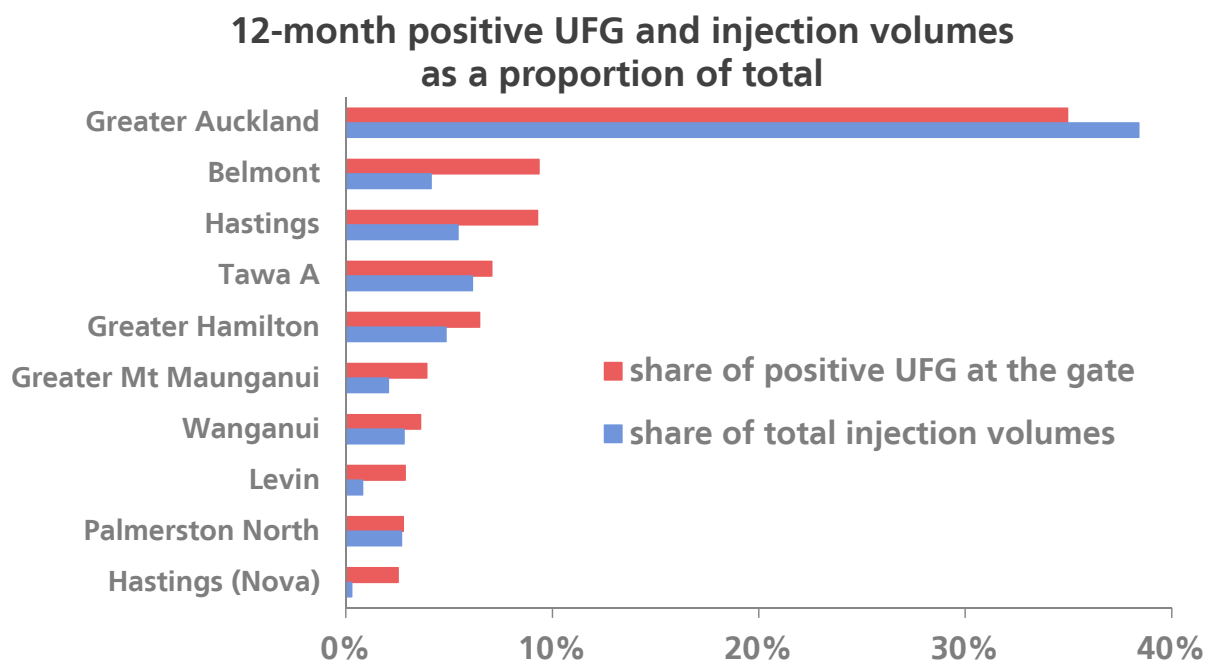


Chart 8: Rolling 12-month UFG



- Annual UFG stands at about 1.1%, using interim and final allocation data.

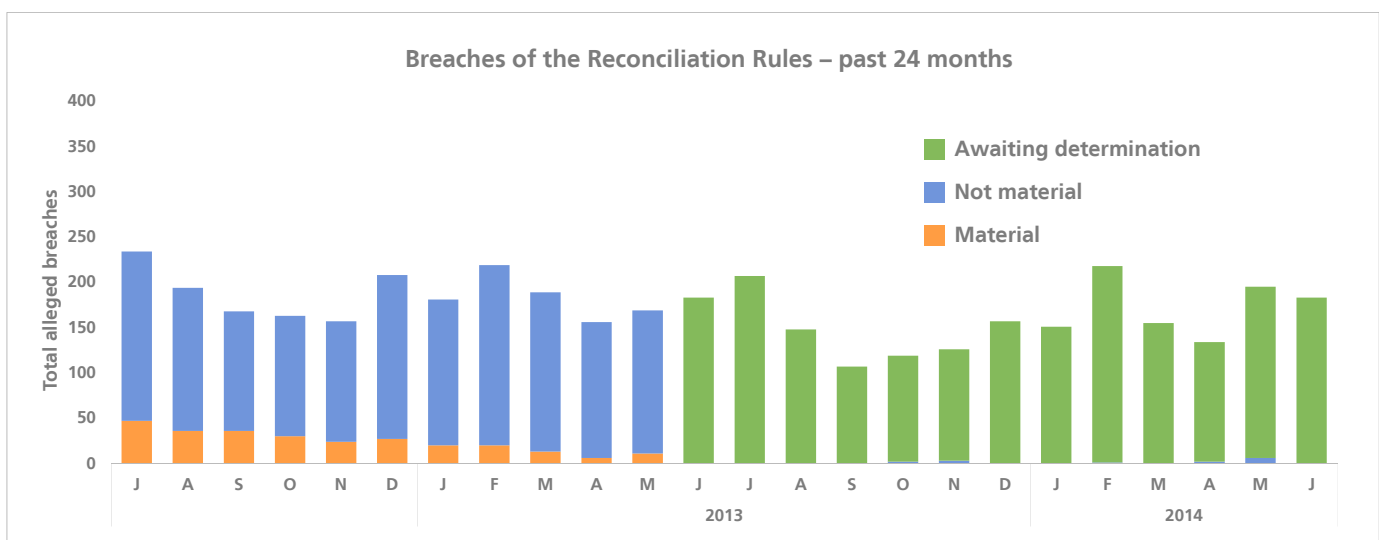
Chart 9: Gas gates where UFG is the highest



- These charts show the gates that experience the largest share of total UFG, compared to their share of total gas gate deliveries at shared gas gates. These charts use 12 months of the most recent interim and final allocation data available: in this case, April 2013 to March 2014.

- The 10 gates shown in the top chart account for 83% – about 355,000 GJ – of the positive UFG experienced over the past 12 months.
- The 10 gates shown in the bottom chart account for about 71% (about 65,000 GJ) of the negative UFG experienced in the past 12 months. Six of the gas gates shown – Reporoa, Whakatane, Edgecumbe DF, Waverley, Waitoa, and Pahiatua – have been determined to be global one-month gates, since, among other things, they have a high proportion of industrial load. The global one-month methodology assigns a share of the actual UFG experienced in a month to industrial consumers, in contrast to the usual calculation method, which assigns industrial load an annual average amount of UFG.

Chart 10: Number and severity of breaches of the Reconciliation Rules



- Over 99% of alleged breaches of the Reconciliation Rules in the past year have occurred in relation to rule 37 – the rule that requires initial consumption information submitted by retailers to be within a percentage of accuracy of the consumption information submitted for the final allocation.

Audits commissioned

Event audits

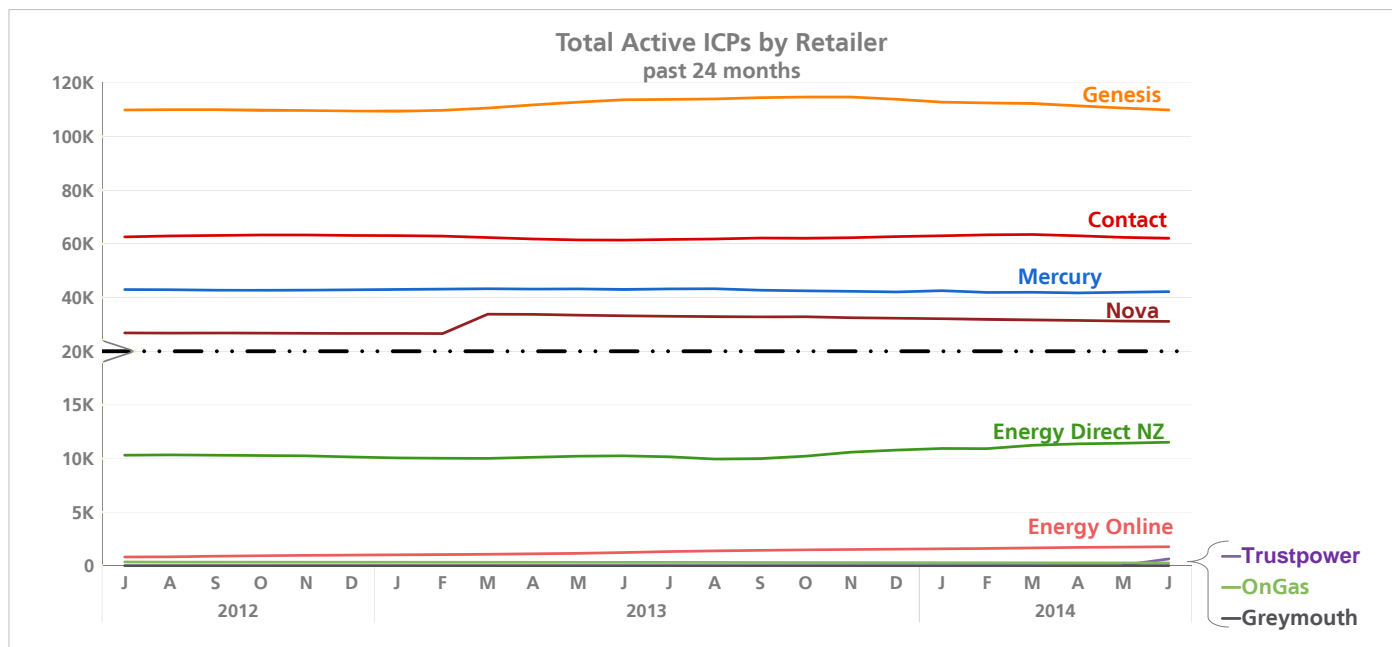
There have been no incidents requiring that event audits be commissioned in the past quarter.

Performance audits

A second round of retailer performance audits has been commissioned under the Reconciliation Rules. To date, OnGas's performance audit has been completed and published on the Gas Industry Co website. The audit report for Contact Energy's system change has also been completed and published.

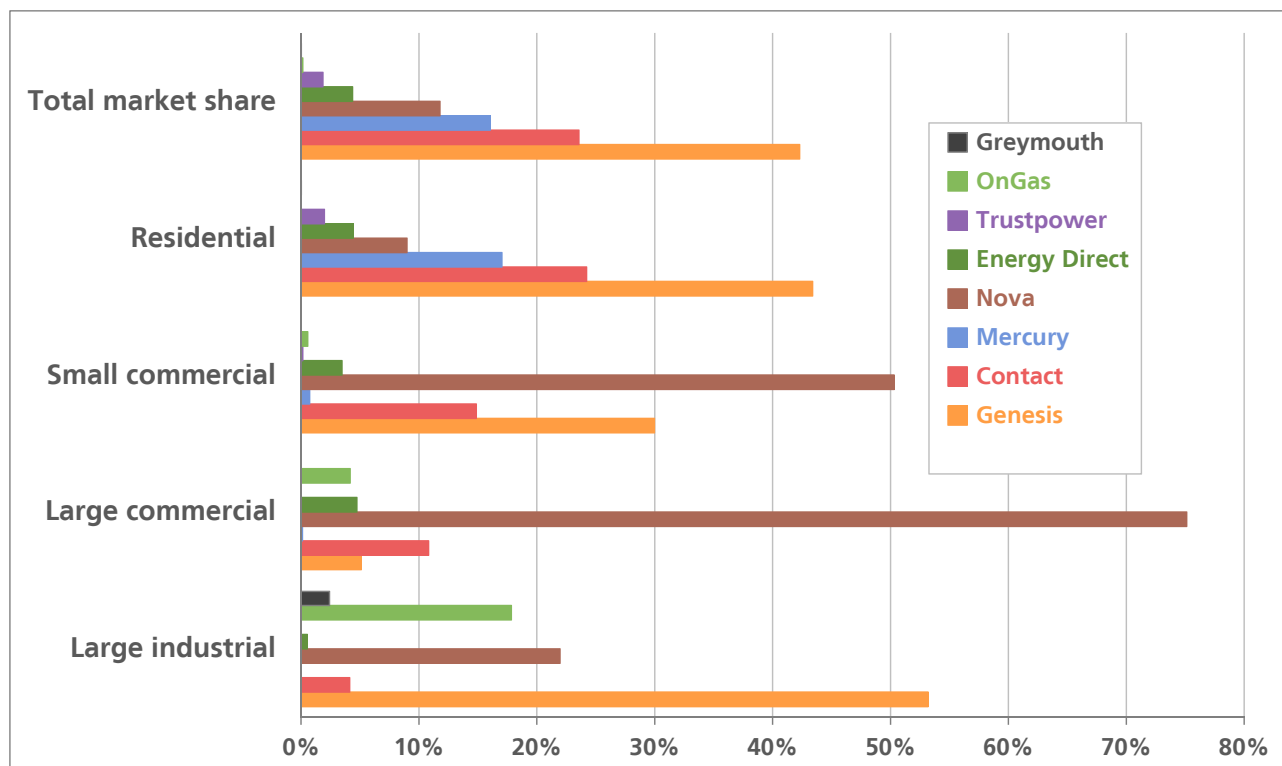
4 Market competition performance measures

Chart 11: Market share of ICPs by retailer



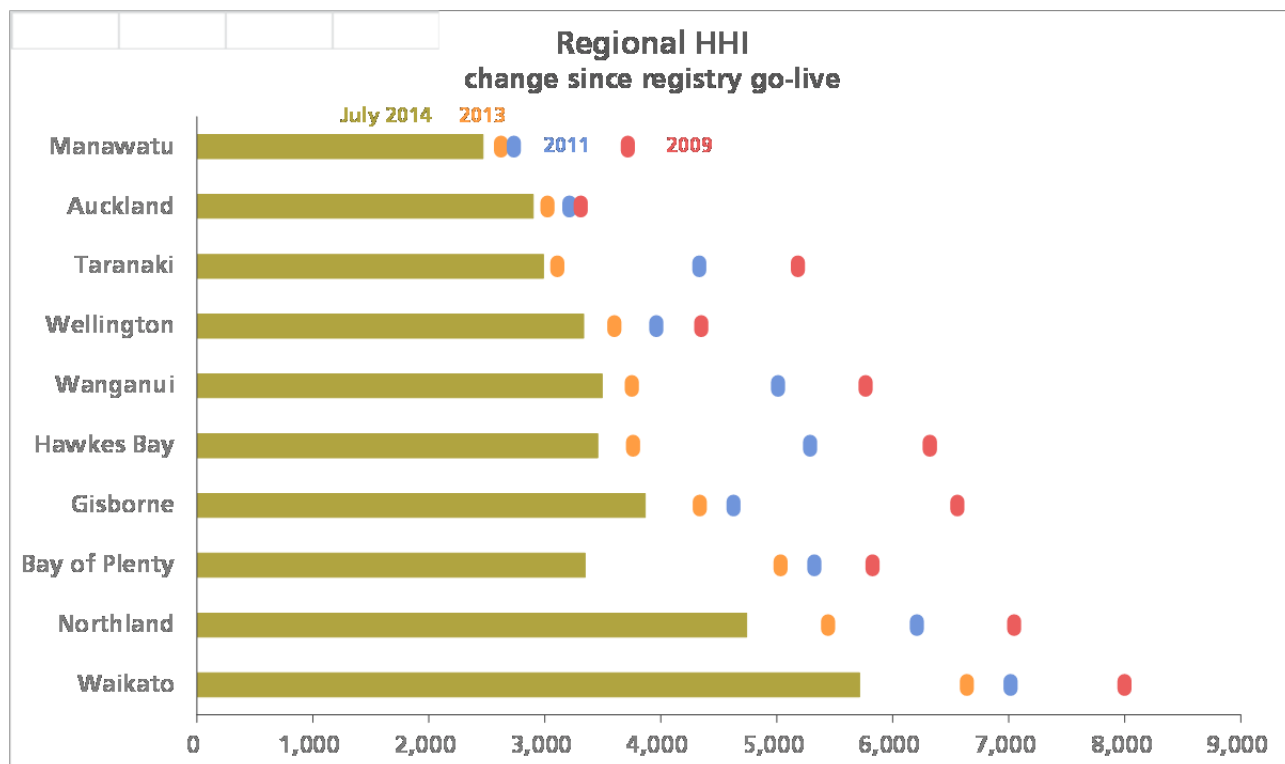
- In November 2013, Trustpower entered the retail gas market under its own brand, following the company's acquisition of Energy Direct in July 2013.
- There are 10 distinct retail brands, owned by eight different retail companies (Energy Online is owned by Genesis Energy).

Chart 12: Market share by customer segment



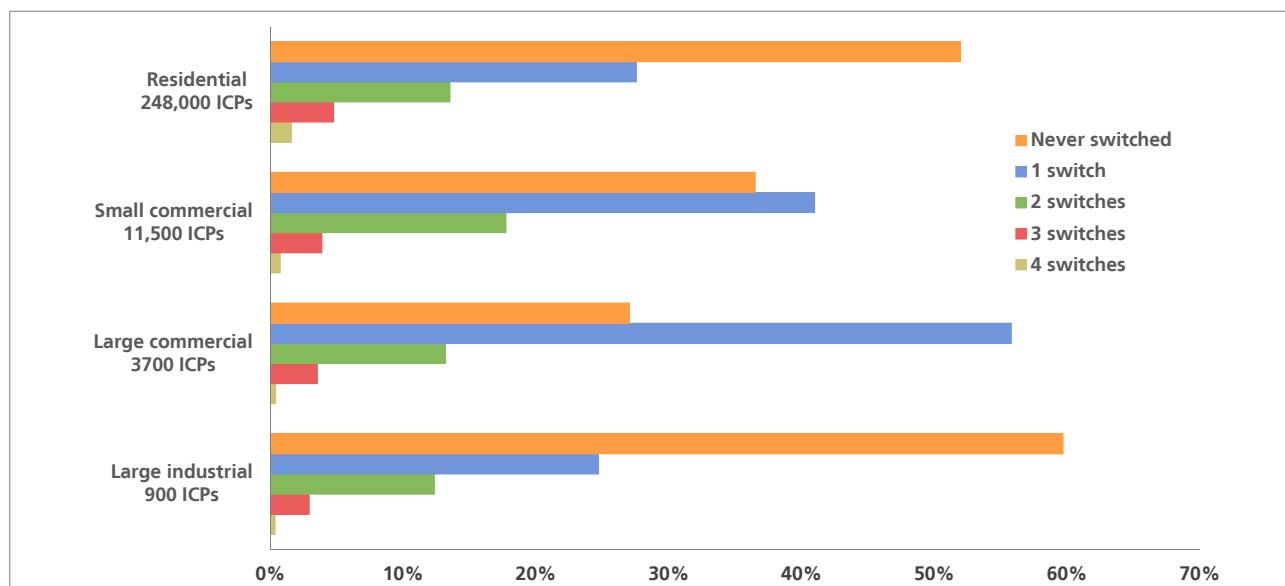
- In this chart, customer segment is determined by the load shedding category listed on the gas registry for each customer site. Note that retailers have been undertaking data clean-up of this category since the amended CCM Regulations went live in March, and a large number of ICPs have been reclassified since April's report.
- Charts 11 and 12 show that Genesis has the largest share of customers overall and is the largest retailer in the residential and large industrial markets.
- Nova Energy has the largest share of commercial customers.

Chart 13: Herfindahl–Hirschman Index (HHI)



- The HHI has decreased in all regions since 2009, indicating that the retail market is becoming less concentrated across the North Island.

Chart 14: Switching by customer sites since 2008

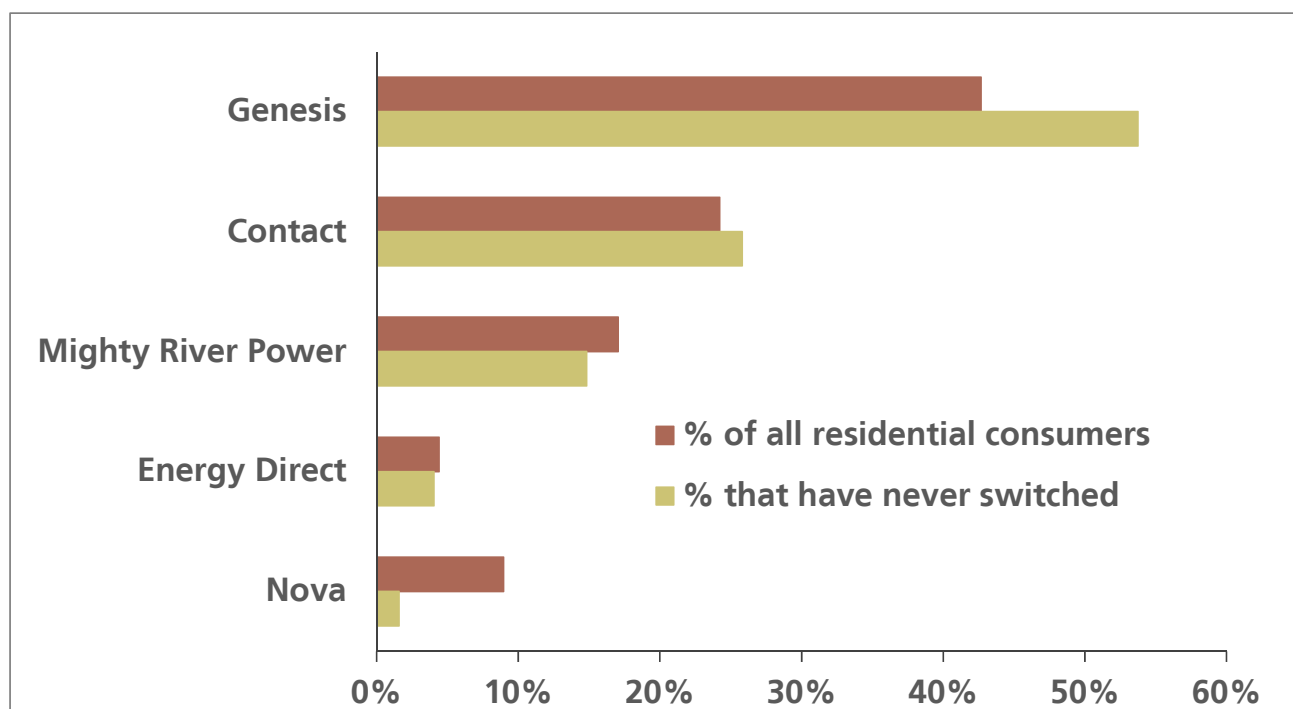


As with **Chart 12**, customer sites in this chart and **Chart 15** are categorised based on the load shedding category recorded in the gas registry.

- 48% of residential customer sites
- 63% of small commercial sites
- 73% of large commercial sites; and
- 40% of large industrial sites

have switched retailer at least once in the past five years (since March 2009).

Chart 15: Residential customer sites that have never switched



- Of the 52% of residential consumer sites that have not switched retailer in the past five years, over half are Genesis customers – a proportion larger than Genesis’s market share of residential customers.

Chart 16: Switching activity by retailer

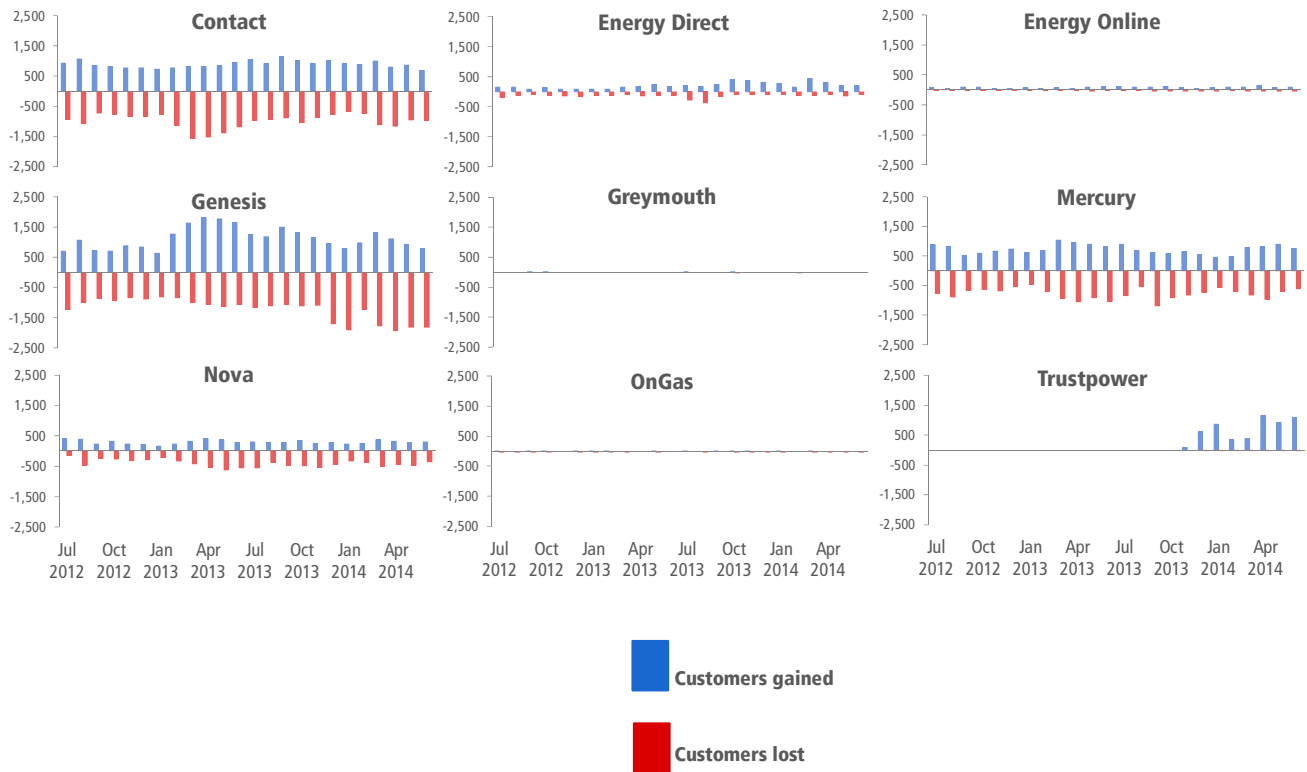
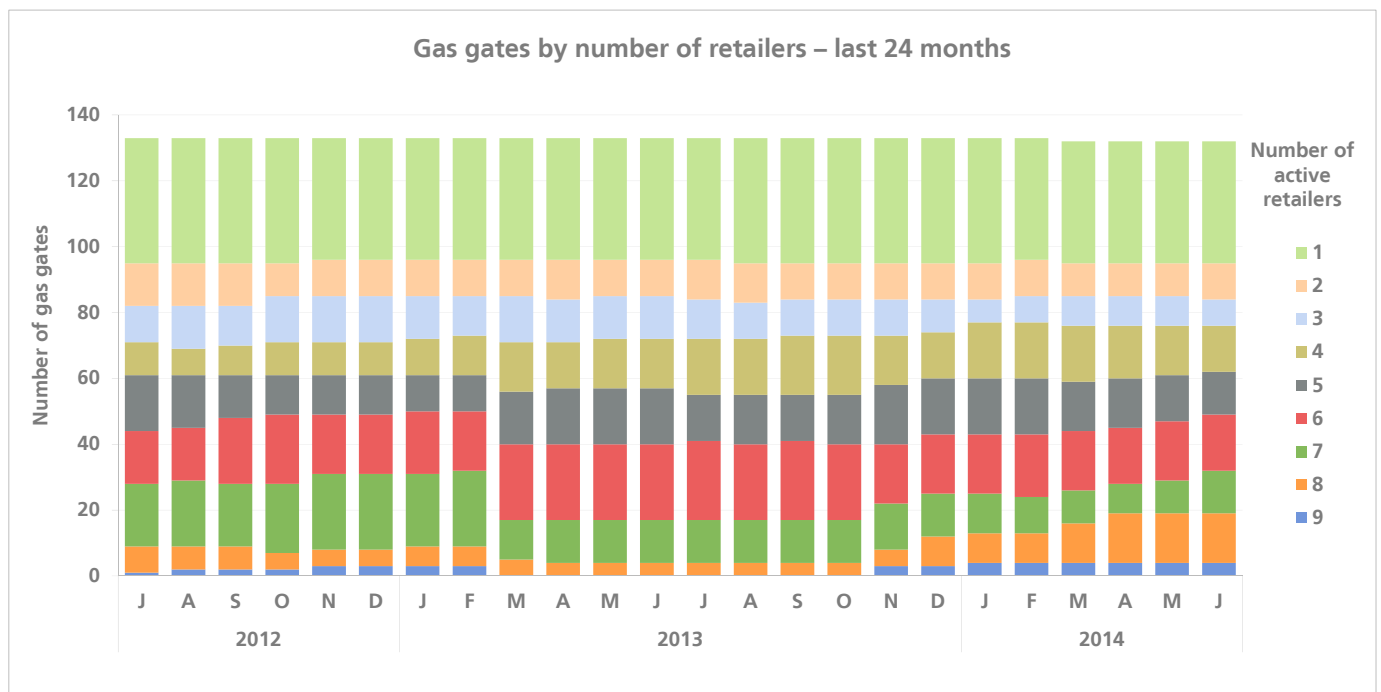
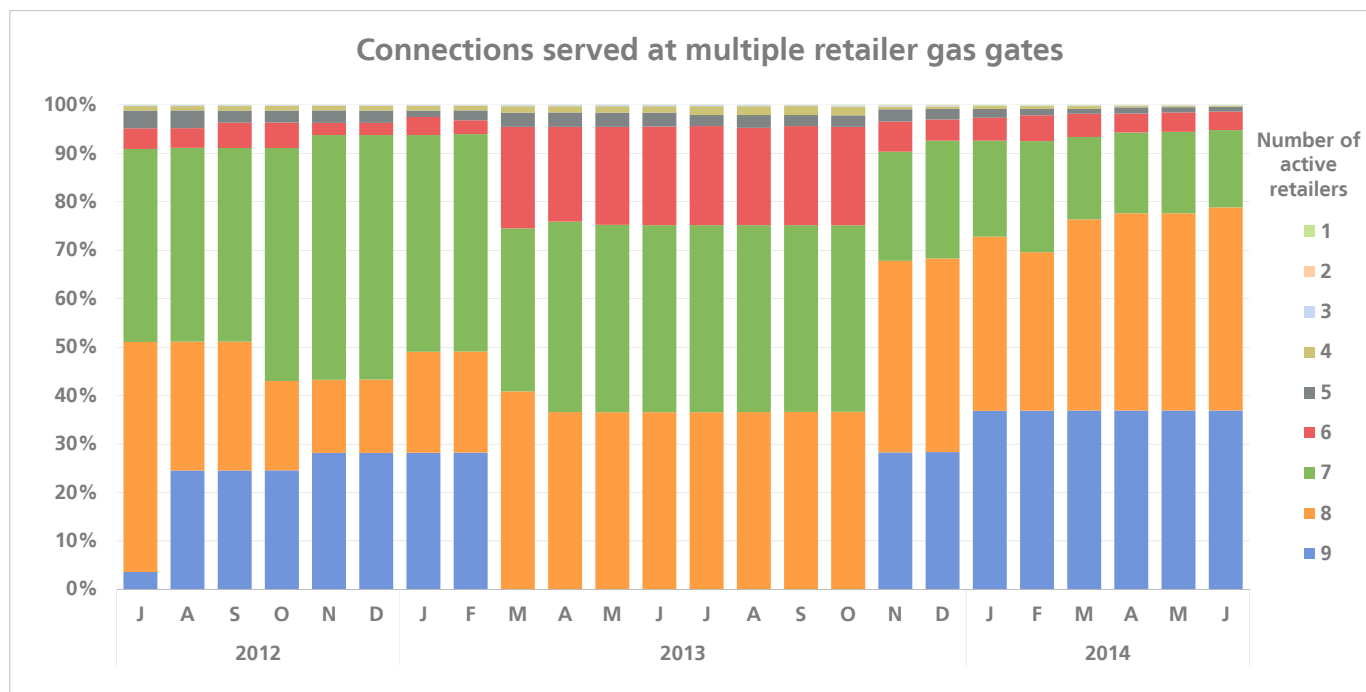


Chart 17: Gas gates by number of retailers



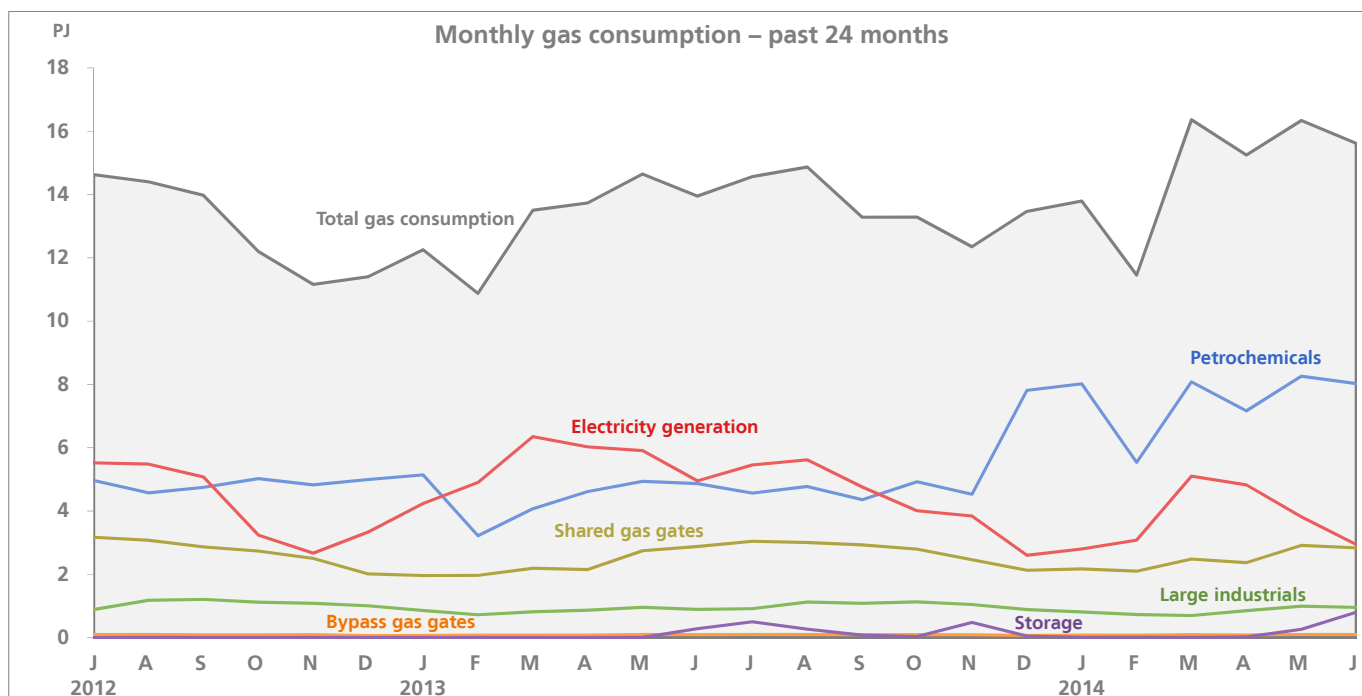
- Trustpower's entry into the retail gas market means that there are now nine retailers active at some gas gates.

Chart 18: Connections served by multiple retailers



- Nearly 99% of gas customers are connected to a gate where least six retailers trade.

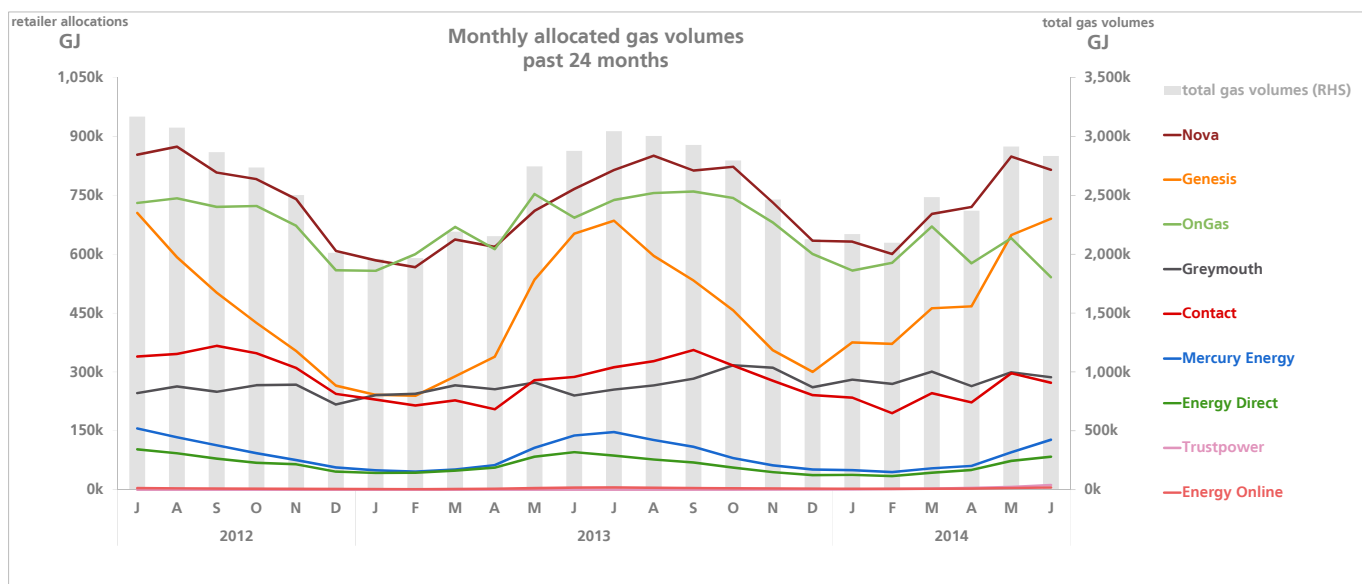
Chart 19: Total gas volumes



- Gas used for petrochemicals has increased since the end of last year due to the restart of Methanex's Waitara Valley plant and increased capacity at its Motunui site.

- Gas used for electricity generation has declined, relative to this time last year.

Chart 20: Allocated gas volumes



- As of June 2014, Nova had the largest share of allocated gas volumes, followed by Genesis and then OnGas.
- The data are from a mix of allocation stages: Final through June 2013; Interim for July 2013 through March 2014; and Initial for April 2014 through June 2014.

Chart 21: Balancing gas volumes

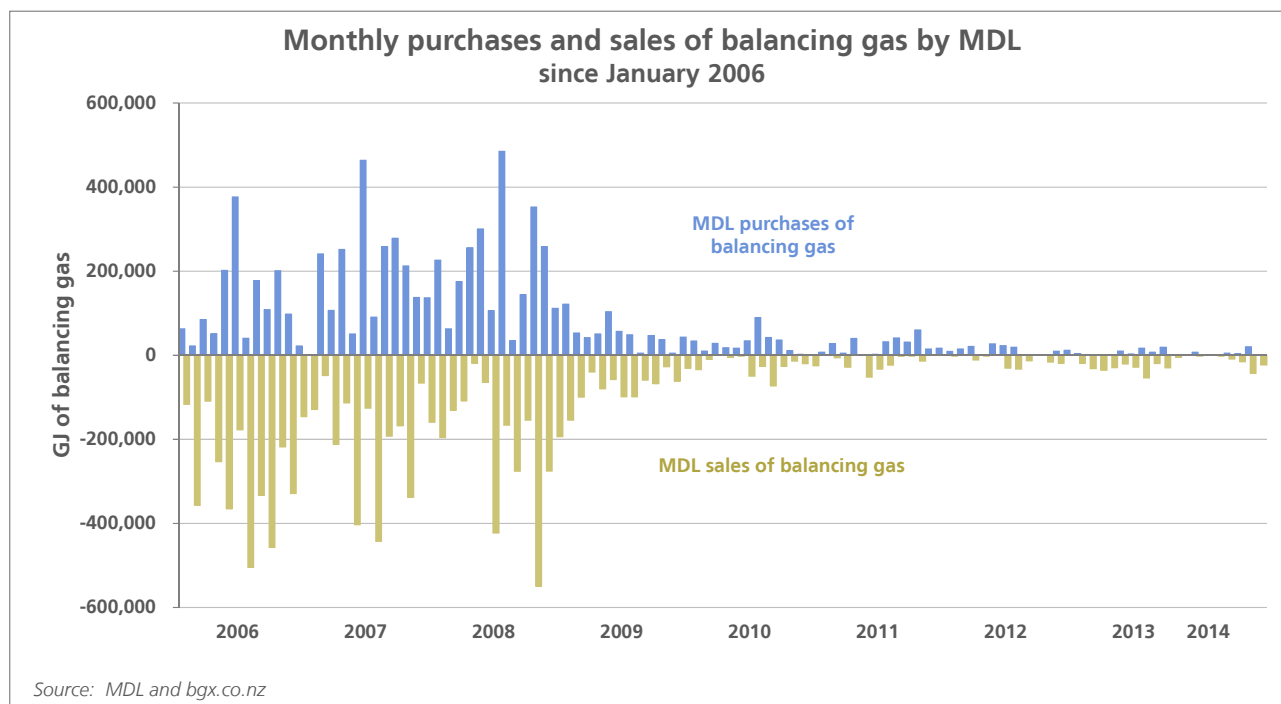
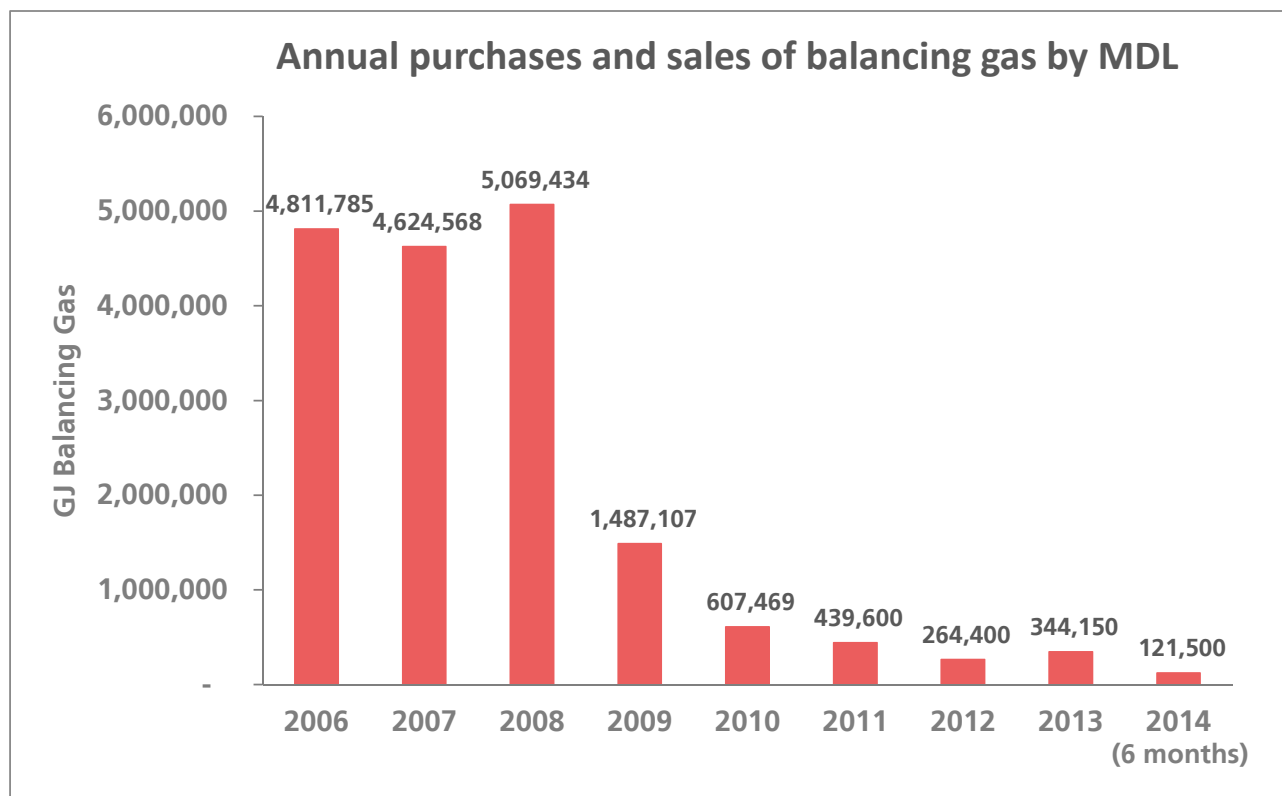


Chart 22: Annual volumes of balancing gas



- On average, balancing gas volumes purchased by MDL have decreased over 90% from pre-2009 levels.

5 Critical Contingency Management performance measures

The Critical Contingency Operator (CCO) conducted its annual exercise, termed "Exercise Evolution" on 25 June 2014. The purpose of the exercise was to test the Critical Contingency Management Plans (CCMPs) prepared by Vector and MDL, the transmission system owners. The CCO concluded that the CCMPs were effective in achieving their regulatory purpose, with the exception of some regulation 38 requirements, which relate to information provision. The CCO's report of the exercise can be accessed from the CCO website: <http://www.cco.org.nz/publications>.

There were no critical contingencies in the previous quarter.

Glossary

Critical contingency	A state of emergency on the transmission system characterised by falling or extremely low gas pressures. In such situations, the critical contingency operator has the authority to require consumers to stop using gas in order to balance the system, as set out in the Gas Governance (Critical Contingency Management) Regulations 2008.
Direct connect consumers	Large industrial consumers who are supplied gas directly from the transmission system via a dedicated gas gate.
Distribution system	System of lower pressure pipelines conveying gas from the transmission system to customer sites.
Gas gate	A place where gas leaves the transmission system. Gas gates can (most commonly) lead to distribution systems, which supply a number of different customers. Some gas gates are direct connects, meaning that they supply a single large industrial customer. A few gas gates supply private gas networks, which supply the customers of a single retailer.
Herfindahl–Hirschman Index (HHI)	Measure of market concentration. Generally, markets in which the HHI is between 1,500 and 2,500 are considered moderately concentrated. Markets with an HHI of greater than 2,500 are considered highly concentrated. For more information, see the Appendix.
ICP	Installation Control Point: the point where a customer installation is connected to the distribution system. Used to describe a customer site.
Move switch	A switch where the retailer supplying gas to a consumer site is changed to another retailer at the request of an incoming tenant or homeowner.
Reconciliation	The processes by which the volume of gas leaving the transmission system is allocated on a gate-by-gate basis to retailers with customers at those gates; governed by the Gas (Downstream Reconciliation) Rules 2008. Reconciliation is done on a monthly basis, and each consumption month is calculated three times: in the month immediately after consumption month (<i>initial allocation</i>); four months after consumption month (<i>interim allocation</i>); and 13 months after consumption month (<i>final allocation</i>).

Registry	Database of information on customer sites, including metering information, associated gas gate, and responsible retailer. Used to facilitate efficient and accurate switching.
Standard switch	A switch where a gas customer decides to switch the retailer that supplies their existing location.
Switching	The processes by which the retailer supplying a customer site is changed to another retailer, governed by the Gas (Switching Arrangements) Rules 2008.
Transmission system	System of high pressure pipelines that convey gas from gas processing facilities to a distribution system or to a direct connect customer.
Unaccounted-for gas (UFG)	The difference between the amount of gas leaving the transmission system and retailers' estimates of their consumers' consumption. It is made up of technical losses on the system, metering inaccuracies, and retailer estimation errors. For more information, see the Appendix.

Appendix – Explanatory notes

1 Introduction

This appendix provides context and additional information about the industry performance measures contained in the body of the report. Section numbering is consistent with the main report.

2 Switching performance measures

All of the switching charts include only switches that occurred on open-access distribution networks; switches from open-access to bypass networks (or vice versa) would not be recorded as a switch in the gas registry. The charts also exclude bulk transfers of customers associated with events such as retailer amalgamation or the purchase of a retail customer base. Specifically, the charts exclude the transfer of E-Gas customers to Nova Energy in November 2010 and the amalgamation of Auckland Gas (June 2011) and Bay of Plenty Energy (March 2013) with Nova Energy.

Chart 1: Monthly switching activity

Prior to the gas registry going live in March 2009, there were approximately 1,000 switches per month, and the annual churn rate was approximately 4.8%.

Since registry go-live, switching rates have more than tripled to an average of between 3,000 and 4,000 per month. The churn rate (defined as the number of switches in 12 months divided by the total number of gas consumers) has varied in that time from 14% to nearly 18%. By comparison, electricity switching rates vary from about 16% to about 20%.

For context, the chart below shows customer switching trends since March 2009, when the registry went live.

Monthly switching since March 2009

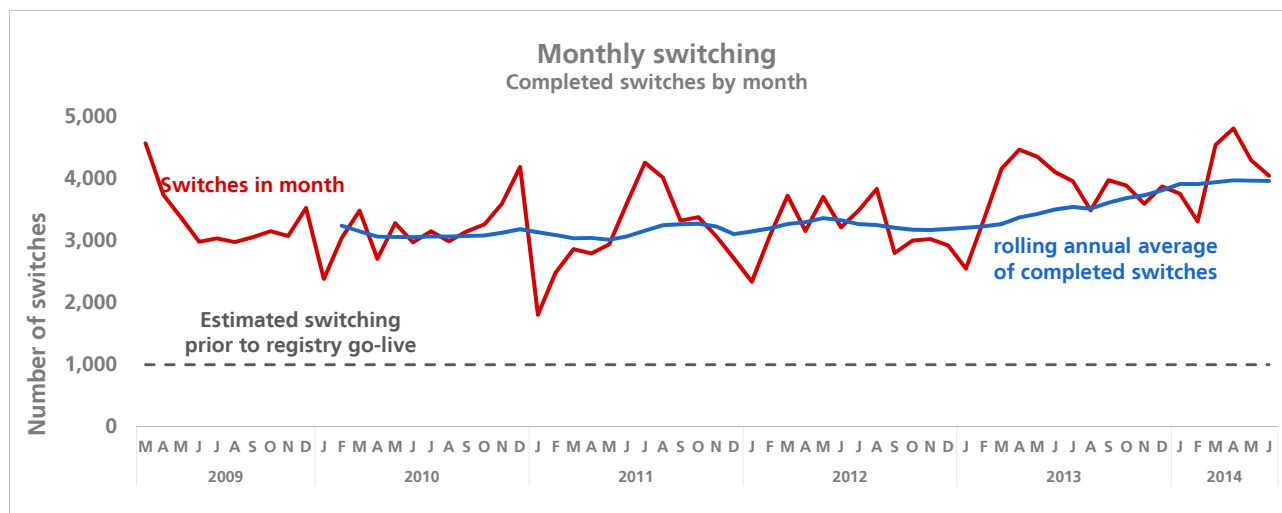


Chart 2: Regional switching activity

These charts compare regional switching rates with total switching rates. The grey line is the same in all the charts and shows the number of switches in a month as a percentage of active customer sites (that is, customer sites that either have a contract with a retailer or that recently had a contracted consumer but is temporarily vacant) across all North Island gas consumers. The data include both move switches (where a property is switched at the request of an incoming tenant or homeowner) and standard switches (where a gas customer decides to switch the retailer that supplies their existing location). As that grey line shows, monthly switching generally involves between about 0.7% and 1.6% of total North Island gas customers in a month.

The red line in each chart shows the number of switches in that region as a percentage of ICPs in that region. Auckland and Wellington switching rates tend to be similar to the North Island rates, since a large proportion of gas customers are located in those regions. Differences emerge in the smaller regions.

Chart 3: Time to process switches

The time to process switches has fallen markedly since the commencement of the Switching Rules and the associated inception of the gas registry. Prior to those events, switching could take weeks or months to complete. Once the registry went live, switching times dropped to about 10 days, and since then, switching times have dropped further, to an average of about five or six business days.

Chart 4: Distribution of switching length

These charts show the distribution of switching length since the start of the gas registry by calendar year. Since the start of the registry, switches have tended more and more to occur either in zero or one day; or in seven days. Switches taking zero to two business days generally are move switches (where a property is switched at the request of an incoming tenant or homeowner), while the majority

of switches taking seven business days are standard switches (where a gas customer simply decides to switch the retailer that supplies their existing location). The Switching Rules stipulate that, for a standard switch, the new retailer can request a switch date that is not less than seven business days after the inception of the switch, and in most cases this request must be honoured by the existing retailer. This provision may explain the large proportion of switches being completed in seven business days.

Chart 523: Number and severity of breaches of the Switching Rules

Most breaches of the Switching Rules are alleged by the registry operator. In the first year after the inception of the Switching Rules, there were about 450 switching breaches alleged per month. Since then, the number of breaches alleged has declined by two orders of magnitude.

3 Allocation and reconciliation performance measures

Under the Reconciliation Rules, the amounts of gas that retailers estimate their customers have used are subtracted from the amounts of gas leaving the transmission system. The difference is UFG, which arises from technical losses on the system, metering inaccuracies, and retailer estimation errors. UFG imposes a cost on the market: it is gas that retailers are allocated and must pay for, but cannot sell. Tracking UFG is a way of monitoring these costs and the efficiency of the retail market. This transparency should assist the industry to take steps to reduce UFG where it is efficient to do so.

The chart compares total UFG quantities by consumption month and allocation stage (initial, interim or final). The grey bars show UFG based on the most recent data available.

Changes in UFG from one allocation stage to another are largely due to mass market retailers' consumption submissions becoming more accurate at later allocation stages. UFG tends to be most extreme at the initial allocation stage: in summer, UFG tends to be negative due to retailers' overestimations of customer consumption; and in winter, UFG tends to be positive due to retailers underestimating consumption. Generally, UFG volumes diminish considerably from the initial to the interim allocation stages. The final allocation stage reflects further minor adjustments to retailers' data, which can result in slightly more or less UFG, as shown by the orange and red lines in the chart below.

For context, the chart below shows UFG trends since October 2008, when the Reconciliation Rules went into effect.

Chart 6: Volumes of unaccounted-for gas (UFG)

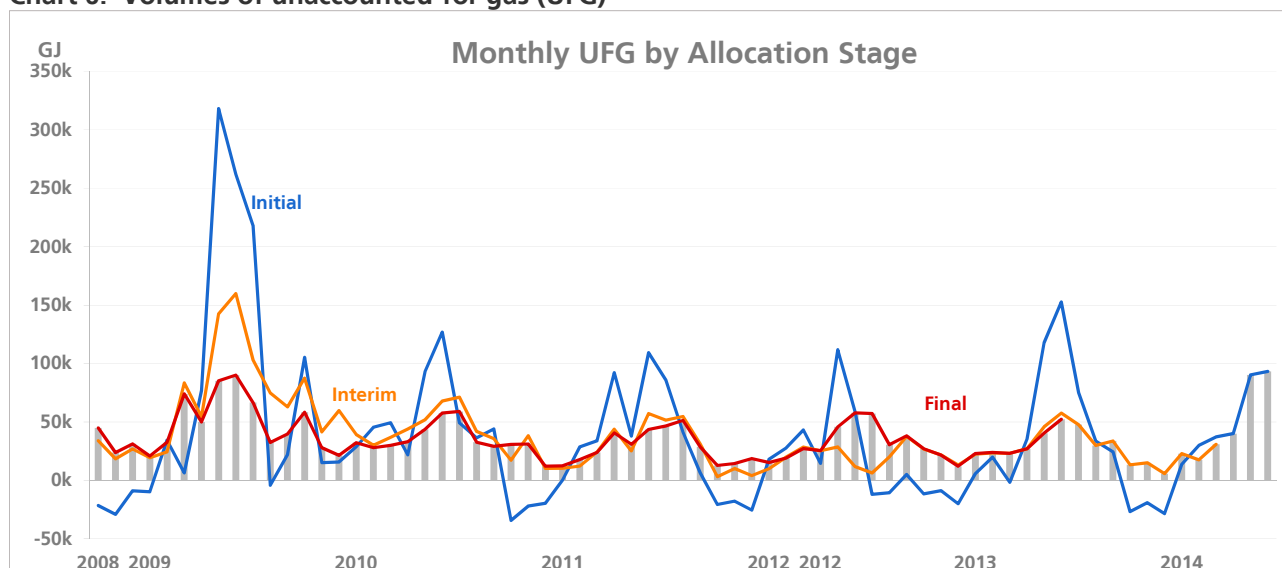


Chart 7: Percentage of UFG

This chart shows the amount of UFG in comparison with the total amount of allocated gas consumed each month. The grey bars show gas consumption at allocated gas gates, while the coloured bars show UFG volumes, by allocation stage. The labels show the percent of UFG as a proportion of total allocated gas.

Chart 8: Rolling 12-month UFG

Another way to think about UFG is the amount recorded over a 12-month period. This chart shows rolling 12-month UFG figures, both as a GJ total and as a percentage of gas consumed. That is, each data point shows the amount of UFG recorded for that month and the preceding 11 months. As initial data are often inaccurate, the chart includes only consumption months for which interim or final data are available. The figures in the chart are based on the best data available at the time of publication.

For the first year after the Reconciliation Rules came into effect, annual UFG was about 2%. Average UFG now varies from about 1.1% to 1.4%.

Chart 9: Gas gates where UFG is the highest

These charts show the gates with the largest volumes of positive and negative UFG over 12 months, according to the most recent final and interim data.

The first chart shows the 10 gas gates that had the highest volume of UFG, in terms of the percentage of total positive UFG experienced over the same time period. As a comparison, the chart also includes the percentage of total gate injections each gate represents; that is, the proportion of total gas consumption that is drawn from those gates.

The second chart shows negative UFG compared with gate injections.

Chart 10: Number and severity of breaches of the Reconciliation Rules

Most breaches of the Reconciliation Rules are alleged by the allocation agent. Over 90% of alleged breaches of the Reconciliation Rules in the past year relate to rule 37 – the rule that requires initial consumption information submitted by retailers to be within a percentage of accuracy of the consumption information submitted for the final allocation. It has proven efficient for the market investigator to attempt to reach settlements in yearly batches of rule 37 breaches.

4 Market competition performance measures

Chart 11: Market share of ICPs by retailer

This chart shows the number of active contracted customer sites associated with each retailer over the past two years, as recorded by the gas registry.

Chart 12: Market share by customer segment

This chart shows market share by customer type, as shown in the gas registry. Note that, because of the small size of its customer base, Energy Online's customer share is combined with its parent company, Genesis.

Chart 13: Herfindahl–Hirschman Index

The Herfindahl–Hirschman Index (HHI) is one way of measuring market concentration by using size and number of competing firms. The index ranges from 0 to 10,000. A low score indicates a low level of market concentration, which arises when there are a large number of small firms in the market, each with a small proportion of market share. Conversely, an HHI score of 10,000 represents a market with a single retailer. The measure is used because market concentration is often inversely related to market competition; that is, the more retailers there are, and the more that market share is spread among them, the greater the competition for customers is thought to be.

As a point of reference, the United States Department of Justice considers markets in which the HHI is between 1,500 and 2,500 to be moderately concentrated. Markets with an HHI of greater than 2,500 are considered highly concentrated.²

The bars in the chart shows the HHI of the retail gas market as at January 2014; for comparison, the HHI for 2009, 2011, and 2013 are also shown. In all regions, the HHI has decreased, indicating that the retail gas markets in these regions have become less concentrated.

² <http://www.justice.gov/atr/public/guidelines/hhi.html> accessed 1 May 2014.

Until 1992, when the new Gas Act disestablished local exclusive franchise areas, gas retailing occurred through local vertically-integrated monopolies. With the consequent onset of retail competition, these former monopoly providers became 'incumbents', subject to competing retailers vying for customers in their areas. (A similar change occurred in the electricity sector). In most regions, there is still a dominant retailer, but the decrease in HHI shows that they have become less dominant in the past four years. With the introduction of the Switching Rules, new retailers have entered the market and smaller retailers have increased their market share.

Chart 14: Switching by customer sites since 2008

This chart shows the proportion of active contracted customer sites by the number of times they have switched in the past five years, broken down by customer type as shown in the registry.

Chart 15: Residential customer sites that have never switched

This chart shows, for the residential customer sites that have not switched retailer in the past year, the proportion served by each retailer, compared to that retailer's market share of residential customers.

Chart 16: Switching activity by retailer

This chart shows the numbers of ICPs gained and lost by retailers over the past two years. The blue bars show the number of customers gained by the retailer each month, and the red bars show the numbers of customers lost.

As shown by these charts, although the net changes in number of customer ICPs may not change significantly from month to month for some retailers, there is a lot of underlying switching activity, particularly for the mass market retailers Contact, Genesis, and Mercury.

Chart 17: Gas gates by number of retailers

This chart shows, by month, numbers of gas gates by the number of active retailers. In this case, an active retailer means a retailer that has at least one active contracted ICP at that gas gate. About 32 gas gates are direct connect gates, meaning that they serve only one customer, generally a large industrial customer, and can have only one retailer active at that gate.

The majority of gas gates – 100 at last count – serve multiple customers. The greater the number of retailers that trade at a gas gate, the greater is the potential competition for customers.

Chart 18: Connections served by multiple retailers

This chart plots the proportion of gas customers who are served from the gas gates in the chart above; that is, customers served at gas gates where multiple retailers trade. This chart shows, for example, that while all nine retailers are active at only a handful of gas gates, those gates tend to be the largest ones, since about 37% of all gas customers are connected at these gates.

This chart shows the March 2013 step change caused by the amalgamation of Bay of Plenty with Nova and the entry into the gas retail market by Trustpower in November 2013.

Chart 19: Total gas volumes

This chart shows the total amount of gas consumed over the past two years by all gas users. The top grey line shows total consumption; the coloured lines provide a breakdown by type of use.

The red line shows the seasonal peaks and troughs in gas used for thermal electricity generation.

Consumption for petrochemicals is shown in blue.

The tan line shows the amount of gas used by customers connected to shared gas gates. This represents the majority of commercial and residential customers. There is a seasonality trend to the consumption, higher in winter and lower in summer.

The green line represents volumes of gas used by large industrials, including steel, wood products, dairy processing, and oil refining.

The purple line shows the volumes of gas going to storage.

The orange line represents gas used by consumers connected to the private pipelines owned by Nova.

Gas used by consumers connected to distribution pipelines is allocated by retailer and shown in the next chart.

Chart 20: Allocated gas volumes

This chart shows the gas volumes allocated to retailers at shared gas gates over the past two years, i.e. gas gates connected to a network that supplies multiple customers. This includes gas consumed by industrial, commercial, and residential customers, but it excludes gas volumes from direct connect gas gates; that is, from gas gates that supply a single customer directly from the transmission system. For this reason, gas volumes supplied through direct connect gas gates to such industrial sites as thermal power stations, the oil refinery, and paper and chemical factories are not included in the chart.

The grey bars in the chart show total volumes of allocated gas (using the right-hand scale); company volumes are denoted by coloured lines and use the left-hand scale. The bars show the seasonality of gas consumption: higher in winter and lower in summer, and many of the retailers show similar patterns in their allocated volumes. Nova Energy is the largest retailer by allocated volumes, followed by OnGas. Genesis, the third largest retailer by volume, has a load profile that peaks in winter and troughs during the summer. Contact, Mercury, and Energy Direct all show similar – but less pronounced – winter peaking patterns. Greymouth's share of allocated gas, in contrast, is relatively steady throughout the year, reflecting its position as largely a supplier to industrial loads.

5 Balancing gas

The volume of gas in a pipeline relates to the gas pressure in the pipeline and needs to be maintained below the safe operating pressure limit for the pipeline and above the minimum required to maintain the supply of gas to consumers. On the Maui pipeline, pressures will rise or fall as parties who inject gas into the pipeline over- or under-inject and as parties who receive gas from the pipeline under- or over-take relative to their respective scheduled volumes. When a transmission owner, or operator, manages the gas inventory in a pipeline, it is referred to as *secondary* or *residual balancing*. Maui Development Limited (MDL) buys and sells balancing gas in order to manage gas volumes and thus maintain gas pressure within safety and operational limits.

Prior to 2008, secondary balancing services were essentially free to holders of legacy Maui gas contracts, but changes implemented at the end of 2008 to the Maui Pipeline Operating Code, together with the arrangements in the Vector Transmission Code, mean that the costs associated with secondary balancing are generally recovered from pipeline users. In 2009, MDL instituted the Balancing Gas Exchange, an online platform that displays pipeline balance conditions and enables parties physically interconnected to the Maui pipeline to post offers to buy and sell balancing gas. These two changes appear to have provided gas transmission customers with an incentive to self-balance and greater information on which to base their balancing decisions.

The outcome is the significantly reduced volumes of gas needed to be purchased or sold by MDL to balance the Maui pipeline since 2009.

Chart 2124: Balancing gas volumes

This chart shows the purchases and sales of balancing gas by MDL by month since January 2006.

Chart 22: Annual volumes of balancing gas

This chart uses the same data as chart 21, but the data are shown as annual volumes of total purchases and sales.

Strategic Progress: Quarterly Report 1 April – 30 June 2014

This report provides an update of progress towards Gas Industry Co's strategic goals. These reflect the Government's objectives and outcomes for the gas industry, as set out in the Gas Act 1992 and the April 2008 Government Policy Statement on Gas Governance, as implemented through the Company's FY2014-2016 Statement of Intent.

Project	Rationale	Activity	Status
Strategic Goal: Efficient Use of, and timely investment in infrastructure			
Transmission Pipeline Balancing	<ul style="list-style-type: none"> Improved industry arrangements. Gas industry participants and new entrants are able to access transmission pipelines under reasonable terms and conditions. 	<ul style="list-style-type: none"> Assess balancing market developments. Provide advice to Minister on balancing market developments as appropriate. Formal balancing update provided to Minister on 16 April 2013 	<ul style="list-style-type: none"> Way open for implementation of back-to-back balancing following GIC Final Recommendations supporting changes to MPOC and VTC. Implementation in the hands of MDL and Vector and is awaited.

Project	Rationale	Activity	Status
Interconnection	<ul style="list-style-type: none"> Improved industry outcomes. Gas industry participants and new entrants are able to access transmission pipelines under reasonable terms and conditions. 	<ul style="list-style-type: none"> Monitor two new interconnection arrangements on each open access transmission pipeline (Vector, MDL). Review transmission pipeline interconnections and consult on any issues by the end of 2013. Investigate the extent, if any, of issues relating to access to private pipelines. 	<ul style="list-style-type: none"> Cheal and Sidewinder field (both TAG) interconnections to the Vector's Frankley Road pipeline and the McKee/Mangahewa (Todd Energy) interconnection to the Maui pipeline, have all been reviewed. We find that the pipeline owners' interconnection policies, processes and documentation are now comprehensive and worked effectively in these instances. A few issues were identified that we will be discussing directly with the relevant owners. The 'interconnections' of the NZX Limited gas trading market to the Maui pipeline and Transpower Limited gas trading market to the Vector pipeline have also been reviewed. We find the successful introduction of wholesale gas trading to be a significant step towards achieving Government's policy objective of efficient arrangements for short-term trading of gas. The Minister will be advised of progress in these areas.
Access to Processing Facilities	<ul style="list-style-type: none"> Statutory Role under Gas (Processing Facilities Information Disclosure) Rules 2008. 	<ul style="list-style-type: none"> Collect, monitor, and publish disclosed information. Recommend to Minister by 27 June 2013 as to continuance, amendment, or expiry of these Rules. 	<ul style="list-style-type: none"> All disclosures received and published on Gas Industry Co website. Minister has accepted GIC recommendation that regulated access to gas processing facilities is not necessary. The Gas (Processing Facilities Information Disclosure) Rules 2008 expired in June 2014.

Project	Rationale	Activity	Status
Strategic Goal: Build efficient, competitive, and confident gas markets			
Rule Changes	<ul style="list-style-type: none"> Improved industry governance through regular review of existing arrangements and recommending changes where appropriate. 	<ul style="list-style-type: none"> Maintain rule change registers. Review industry feedback on options paper on Reconciliation Rules review. Consult on Statement(s) of Proposal for changes to Reconciliation Rules. Review effectiveness of the Gas Governance (Critical Contingency Management) Regulations 2008 following any events/exercises. Consult on proposed changes to the Compliance Regulations. 	<ul style="list-style-type: none"> Work continues on phase 2 changes to the Reconciliation Rules dealing with allocation methodologies Phase 1 amendments took effect on 1 June 2013. CCM Regulations changes took effect 1 March 2014. Compliance Regulations changes took effect 1 March 2014. Preparation of a Statement of Proposal for proposed changes to the Switching Rules are well advanced. Consultation paper is being prepared on proposed changes to switching and reconciliation thresholds under the Compliance Regulations.
Gas Quality	<ul style="list-style-type: none"> Maintain an acceptable standard of gas quality. Ensure costs of gas quality incident are met efficiently. Achieve improved transparency on gas quality incidents. 	<ul style="list-style-type: none"> Ongoing review of industry arrangements for managing gas quality. Consider options for improving gas quality arrangements. 	<ul style="list-style-type: none"> GIC in liaison with industry working group is developing a Gas Quality Protocol aimed at giving stakeholders an understanding of how gas quality is managed and of the availability of information about gas quality.
Insolvent Retailer Arrangements	<ul style="list-style-type: none"> Following recommendation to revoke 2010 temporary Insolvent Retailer Regulations, consider whether generic regulatory solution is required to address retailer insolvency. 	<ul style="list-style-type: none"> Prepare Issues and options paper for industry consultation. 	<ul style="list-style-type: none"> Minister has accepted GIC recommendation that permanent backstop regulations are not necessary. Preparing Statement of Proposal on drafting instructions for backup regulations.

Project	Rationale	Activity	Status
Gas Distribution Principles	<ul style="list-style-type: none"> Improved industry outcomes. Gas industry participants and new entrants are able to access distribution pipelines on reasonable terms and conditions. Ensure consistency in distribution services arrangements. 	<ul style="list-style-type: none"> Monitor and report annually to Minister on status of distribution arrangements. Develop and publish distribution contract Principles. Encourage publication of network services agreements. First assessment of contracts conducted as at 1 February 2013. Arrangements not progressed as well as expected, but positive indication from industry as to completion. 	<ul style="list-style-type: none"> Report on second assessment of distribution contracts issued in May 2014. Overall alignment improves from 'Moderate' to 'Substantial'.
Transmission Change Requests	<ul style="list-style-type: none"> Contractual role pursuant to MoUs with MDL and Vector. Ensure ongoing relevance and efficiency of multilateral terms of access to transmission pipelines. 	<ul style="list-style-type: none"> Process MPOC change requests and VTC change request appeals as they are received in accordance with respective Memorandum of Understanding (MoU). 	<ul style="list-style-type: none"> GIC May 2014 Final Recommendation on the 14 February 2014 MPOC Change Request supported the proposed balancing-related amendments.
Compliance	<ul style="list-style-type: none"> Statutory role under the Compliance Regulations. Improved industry operations through provision of a compliance and dispute resolution process for industry participants. 	<ul style="list-style-type: none"> Oversight of Gas Governance (Compliance) Regulations 2008. 	<ul style="list-style-type: none"> Gas Industry Co continues to fulfil its role as Market Administrator under the Compliance Regulations. Breach activity has been low; a positive indicator of industry compliance.
Customer Issues	<ul style="list-style-type: none"> Enhanced consumer benefits through complaints process for small gas customers. 	<ul style="list-style-type: none"> Liaise with the Electricity & Gas Complaints Commission (the approved complaints scheme), and other relevant regulators to remain aware of consumer complaint issues. 	<ul style="list-style-type: none"> Regular liaison with Electricity & Gas Complaints Commission and other relevant regulators. Gas-related inquiries and complaints statistics included in Gas Industry Co Annual Report.

Project	Rationale	Activity	Status
Retail Contracts	<ul style="list-style-type: none"> Enhanced consumer outcomes by providing clarity around the respective roles and obligations of consumers and industry participants involved in the supply of gas to small users. 	<ul style="list-style-type: none"> Administer the Retail Gas Contracts Oversight Scheme. Annual assessment of alignment of retail contracts with contract Benchmarks. Report to Minister on the results of the 2012 assessment. 	<ul style="list-style-type: none"> Third assessment (published in November 2012) increased retailers' overall rating from 'moderate' to 'substantial' alignment with the benchmarks. Gas Industry Co advised the Minister of deferral of the 2013 assessment pending a Scheme review. Submissions on Consultation Paper generally support continuation of the Scheme, with modifications, rather than replacement with regulated regime. Statement of Proposal for scheme modifications issued 6 January 2014. Submissions closed 17 February, submissions analysis issued on 3 April, and final advice sent to Minister.

Project	Rationale	Activity	Status
Transmission Pipeline Capacity	<ul style="list-style-type: none"> • Improved consumer outcomes by addressing short and long-term competition issues arising from the North Pipeline capacity constraint. • Enhanced industry/consumer outcomes by improved level, and quality, of information on which to base business/energy use decisions. 	<ul style="list-style-type: none"> • Address by regulatory and/or non-regulatory options any lessening of competition due to transmission constraints. • Implement the Gas Transmission Investment Programme (GTIP). • Improve the quality and availability of pipeline security standards and supply/demand information. • Promote changes to commercial and regulatory arrangements so the GTIP objectives can be met. 	<ul style="list-style-type: none"> • Submissions analysis on PEA's Second Advice and GIC's companion GTIP status update report acknowledged good GTIP progress, but divided on what direction the project should now take. On GIC's invitation Transmission System Owners are leading industry initiatives in accordance with PEA's future path proposals. In parallel, GIC is continuing with policy development which, depending on industry progress, may lead to Statement of Proposal. A further workshop is scheduled for 31 July 2014. • Analysis of submissions on GIC's counterfactual transmission access Options Paper issued May 2014. • Continued monitoring of information provided by signatories to the 'Bridge Commitments', designed to address short-term issues. • Continued monitoring of Gas Transmission Exchange (GTX) - one of the seven Bridge Commitments.

Project	Rationale	Activity	Status
Strategic Goal: Deliver effectively on accountabilities			
Downstream Reconciliation	<ul style="list-style-type: none"> • Statutory role under Reconciliation Rules. • Improved industry arrangements and consumer outcomes through the objective of fairly allocating, and reducing, unaccounted-for-gas (UFG) and its associated costs. 	<ul style="list-style-type: none"> • Oversight of Gas (Downstream Reconciliation) Rules 2008. 	<ul style="list-style-type: none"> • Gas reconciliation performed each month. • Long-term UFG has flattened out at approximately 1%.
Switching and Registry	<ul style="list-style-type: none"> • Statutory Role under Switching Rules 2008. • Efficient retail market and improved consumer outcomes by facilitating market contestability through customer switching between retailers. 	<ul style="list-style-type: none"> • Oversight of Gas (Switching Arrangements) Rules 2008. 	<ul style="list-style-type: none"> • Customer switching facilitated through Rules and Gas Registry processes. • Switching statistics report issued monthly.
Performance Measures	<ul style="list-style-type: none"> • Improved industry and consumer outcomes through the provision of public information on industry performance. • Monitor the effectiveness of governance arrangements. 	<ul style="list-style-type: none"> • Determine and publish information on each gas governance arrangement that has been implemented. 	<ul style="list-style-type: none"> • Performance measures computed and reported quarterly.

Industry Facilitation	<ul style="list-style-type: none"> • Facilitate nexus between industry and Government. • Maintain informed industry participants and other stakeholders. 	<ul style="list-style-type: none"> • Facilitate, influence and communicate with the industry and Government. • Liaise with other regulatory bodies, agencies and associations with responsibilities and interests encompassing the gas industry. 	<ul style="list-style-type: none"> • NZ Gas Story fully updated and issued April 2014. • Regular liaison with MBIE, Electricity Authority, and other relevant regulators.
Critical Contingency Management	<ul style="list-style-type: none"> • Statutory role under Gas Governance (Critical Contingency Management) Regulations 2008. • Improved industry outcomes through increased market confidence in industry's ability to manage critical events. 	<ul style="list-style-type: none"> • Manage Critical Contingency Operator (CCO) via service provider agreement. • Review effectiveness of the Regulations following any events/exercises. • Operate critical contingency pool following an event. 	<ul style="list-style-type: none"> • CCO activities monitored and reviewed quarterly. • Critical contingency management exercise, 'Exercise Evolution', conducted on 25 June 2014.