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Co-regulation of the  
Gas Industry: What's  
happening?

National Power Conference

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- What are the drivers for regulatory change?
- What changes have been made?
- How is co-regulation different?
- How does the Gas Industry Co fit in?
- How will this affect the electricity sector?

[www.gasindustry.co.nz](http://www.gasindustry.co.nz)



# What are the drivers for change ?

- Market circumstances
  - Need to change policy settings to encourage market entry
- Current contractual arrangements not meeting needs
  - Voluntary codes are difficult to develop and enforce
- Government asked industry to make changes
  - Industry requested regulatory backstop



# What changes have been made?

- In 2004, the Government amended the Gas Act
  - Policy objectives set out
  - Minister given wide powers
  - New co-regulatory model
- Government also issued a new Government Policy Statement on Gas Governance

# What are the objectives?

- Gas Act amendments & GPS set out overall policy objective
  - *To ensure that gas is delivered to existing and new customers in a safe, efficient, fair, reliable, and environmentally sustainable manner*
- Other policy objectives include:
  - Promoting competition
  - Providing access to infrastructure
  - Maintaining incentives for investment
  - Downward pressure on prices
  - Managing risks relating to security of supply
  - Ensuring that services reflect customer preferences

# What does the co-regulator do?

- Principal role is to deliver the GPS priorities
- Can recommend rules
  - Wholesale matters, Minister is restricted to recommendation from the co-regulatory body
  - Retail matters, the Minister must give the co-regulator the opportunity to make recommendations
- Can also recommend industry based agreements
- Report to Minister on gas sector and delivery of GPS

# How is co-regulation different?

## Comparison of Frameworks

<b>Co-regulator</b>	<b>Electricity Commission</b>	<b>Commerce Commission</b>
Private company with specialised constitution	Crown entity	Independent Crown Entity
Directors appointed by industry voting	Commissioners appointed by the Minister	Commissioners appointed by the Minister
Independent and industry directors	Commissioners independent of the industry	Commissioners independent of the industry
Responsible for developing pan-industry arrangements No other roles	Oversees existing rulebook. Other roles	Applies statutory framework to individual companies
Recommendatory power	Recommendatory power	Regulatory power



# Who is the Gas Industry Co ?

- Set up to be the co-regulator
- Approved by Government

<b>Industry Shareholders</b>
Contact Energy
Genesis Energy
Mighty River Power
OMV New Zealand
Powerco
Shell
Swift Energy
Wanganui Gas
Vector / NGC

<b>Directors</b>
Rt Hon James Bolger, ONZ
Robin Hill
Mark Verbiest
Denis Clifford
Ajit Bansal (Shell)
Mark Franklin (Vector)
Murray Jackson (Genesis)



# What is it working on now?

## Priority tasks

- Wholesale Market
- Contingency Arrangements
- Gas Processing
- Open Access
- Switching & Reconciliation
- Consumer Issues

# How does it operate?

**Regulatory Process** – can take up to two years on a complex issue

	Analysis & options def.	Consult on high level	Detailed design	Consult on arrangement	Recommend to Minister	Implement
Wholesale Market	█					
NGCOP	█					
Gas Processing	█					
Open Access	█					
Switching	████████████████████					
Reconciliation	█					
Consumer Issues	██████████████████					

# How does this affect electricity sector?

- More attractive for new entrants
- Contracts better suited to electricity
- Greater clarity around management of emergency events
- Improved retail arrangements for suppliers and consumers



- Minister has been given a wide mandate to regulate the gas industry to meet the principal objective
- Co-regulatory regime developed to support the new mandate
- Gas Industry Co's core role is to deliver the GPS priorities
- Number of work streams underway, but processes take time to implement

