

FY2021 Draft Work Programme and Budget Co-regulatory Forum

DATE: 29 November 2019



Agenda

- Summary of year-to-date
- Proposed Work Programme
- Funding
- Questions/discussion

Summary of year-to-date

- GIC working with Government and industry to help address NZ's energy sector issues and climate change goals
- Security of gas supply
- Information disclosure remains a focus
- Supply/demand study published
- Progress on other FY2020 GIC work:
 - CCM review
 - Follow-on work arising out of anticipated GTAC implementation
 - Statutory roles (CCM, reconciliation, market admin etc)

FY2021 Planning process starts early

October 2019	Board notes Indicative Work Programme & Budget
November	Industry initial engagement (Co-regulatory Forum)
December	Board approves Consultation Paper for Work Programme and Levy
January/February 2020	Industry submissions
February	Board approves Levy Recommendation
March	Recommendation to Minister for Levy Regulations



Proposed Work Programme

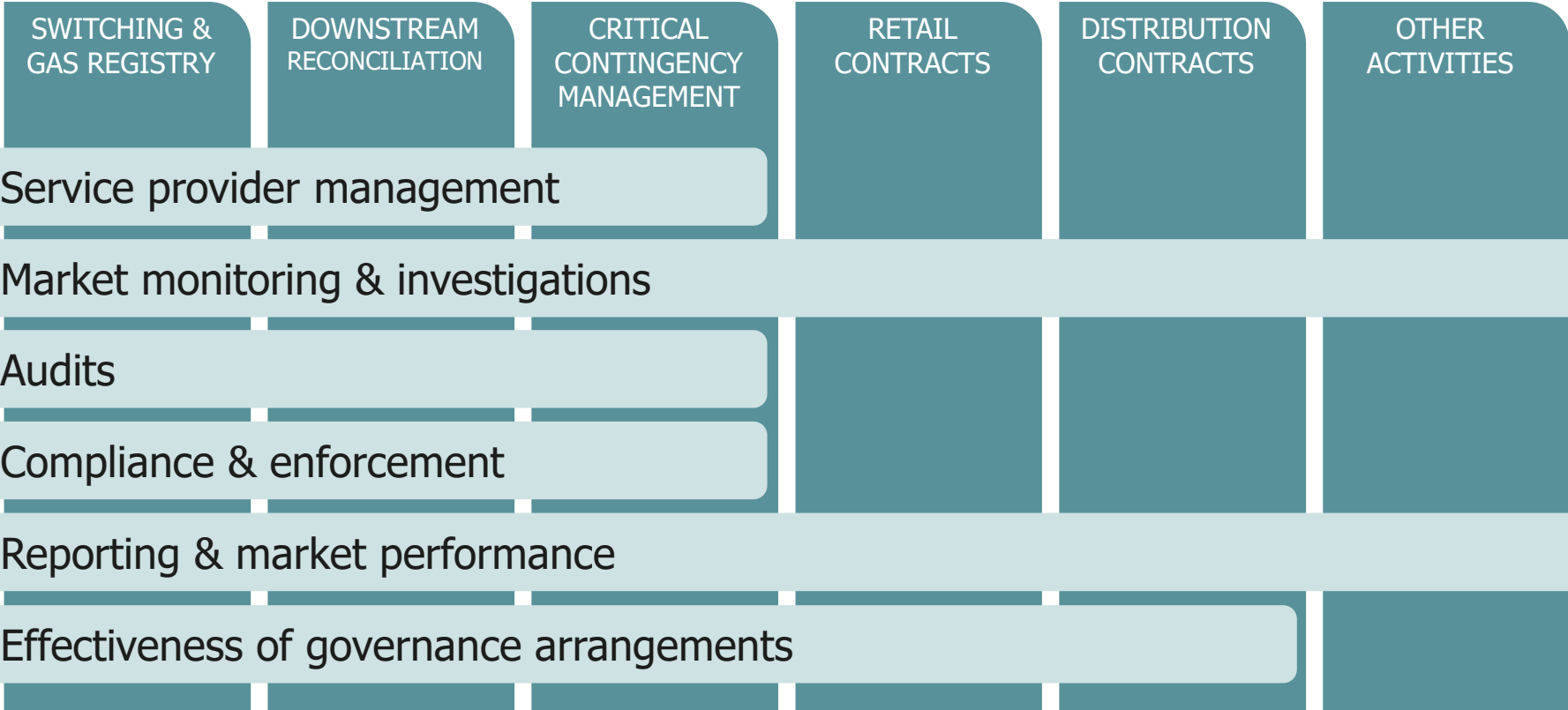
Key work programme – Changing energy markets

- Strategic shift in long term energy supply and demand including:
 - Policy work
 - Analysis
 - Engagement across Government
 - Climate change
 - Hydrogen

Key work programme – Information disclosure

- Workstream initiated last year at Minister's request
- At issue is having sufficient information readily available to support an efficient wholesale gas market
- Problem assessment consultation open now
- Any intervention would be developed and implemented in FY2020
 - Note that a regulatory solution depends on changes to the Gas Act

Statutory accountabilities and established activities



D+1

- Maintain status quo while GTAC is bedded in
- Shippers will continue to receive benefit of GIC D+1 allocations until we assess its longer-term value under GTAC
- Prepare for possible amendments to Downstream Reconciliation Rules

Advanced gas metering

- Genesis/Vector announce that they will begin an advanced gas meter rollout mid-2020 to Genesis customers
- GIC will reassemble the TARMAC working group to consider what changes might be required to the systems and rules for the gas registry/switching/reconciliation (short term and long term view)
- Work beginning now but expected to ramp up in FY2021

Critical contingency management

- Review of Critical Contingency Management Regulations prompted by:
 - Anticipated go-live of GTAC
 - MBIE's review of penalty provisions in Gas Act
 - Experience with the regulations – refinements identified
- Summary of submissions and Recommendation to Minister in 2020
- Then, work with MBIE and PCO on amendments to regulation
- Implementation

Other GTAC-related activities

- Amending insolvent retailer drafting instructions
- Maintaining oversight of gas metering, gas quality and transmission security and reliability, and addressing any work that arises from the expected introduction of a single transmission code.

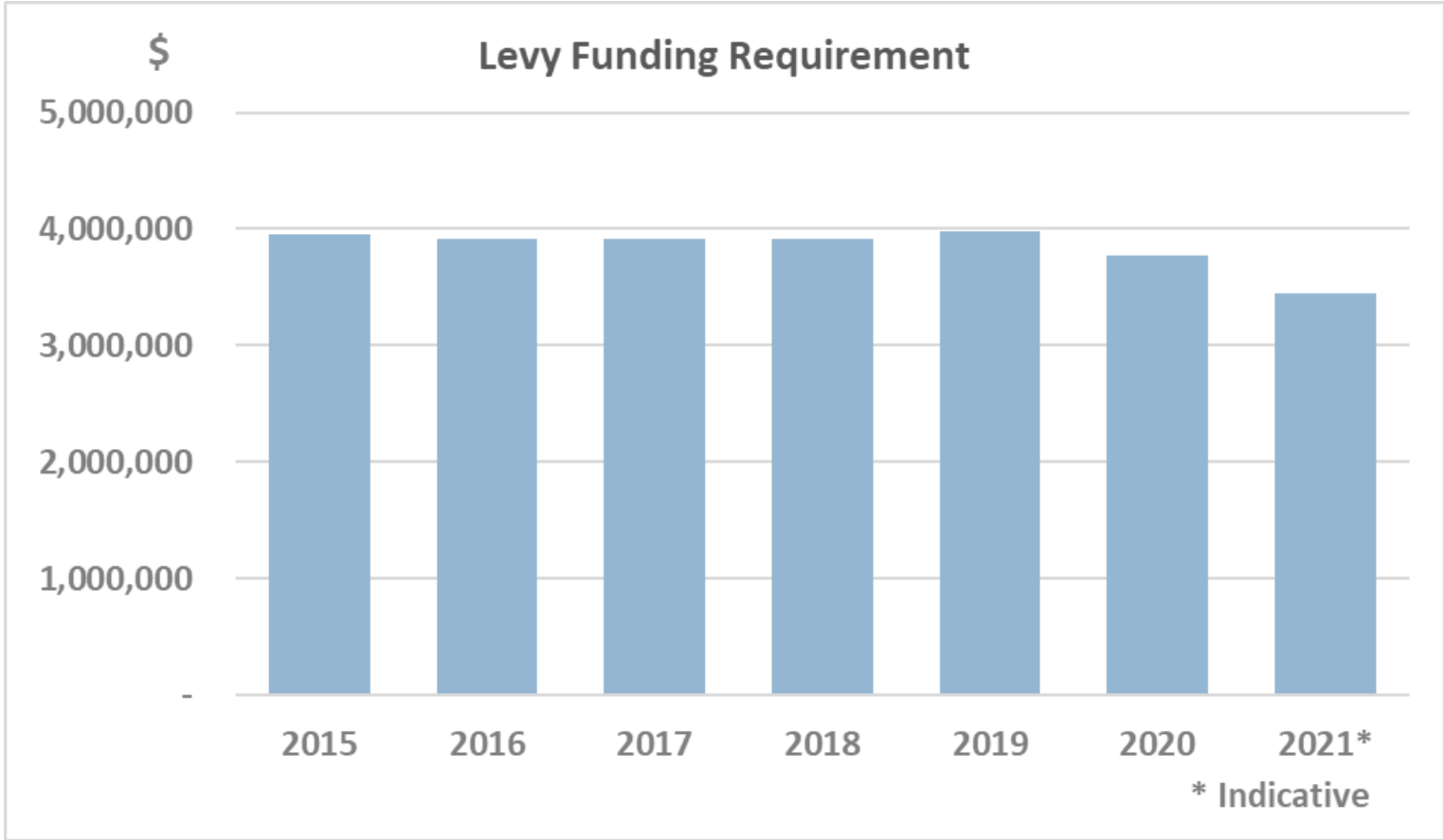
Funding

Two main sources of funding: Market fees and Levy

- Market fees:
 - Provided for in gas governance rules and regulations;
 - Cover costs of service providers, and other direct costs relating to the monitoring of rules/regulations;
 - Formal estimate of market fees published two months before the beginning of the financial year, so placeholder included in FY2021 budget;
 - GIC required to wash-up at year end and either invoices any under-recovery, or provides credits for over-recoveries.
- Levy:
 - Covers direct cost of workstreams and non-operational expenditure;
 - Two components of the levy: wholesale and retail;
 - Wholesale levy paid by industry participants on purchases from gas producers;
 - Retail levy paid on number of ACTIVE-CONTRACTED ICPs in the registry;
 - Wholesale/retail component of levy reflects the weighting of the work programme, which changes from year to year;
 - GIC Board practice has been to return any over recovery and/or underspend.

Projected FY2021 expenditure

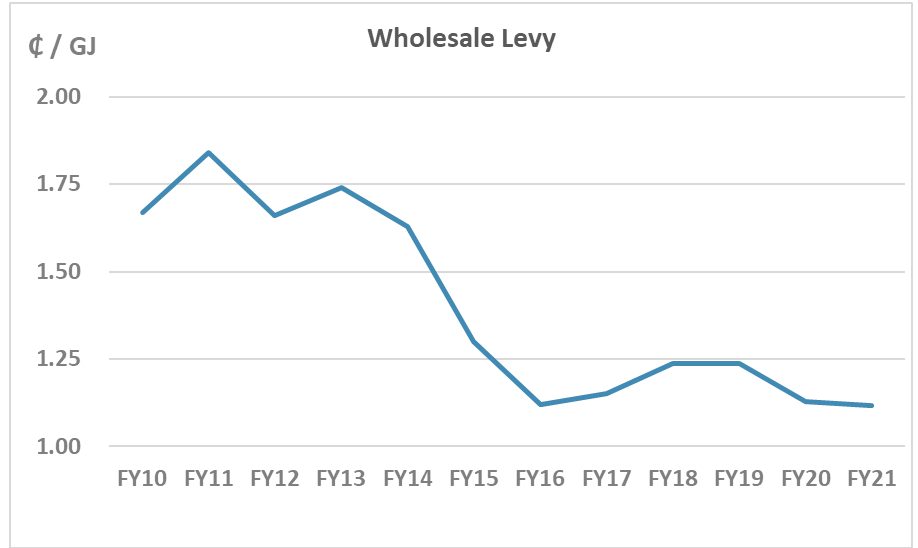
Levy Funding Requirement		Market Fees		TWPC
\$3,450,182		\$1,436,000 (placeholder)		\$4,886,182
8.6% decrease from FY2020 (\$3,774,336)	+	Market fees estimated in April 2020	=	6.6% decrease from FY2020 (\$5,232,336)



Comparison of FY2020 and FY2021

	FY2021 (indicative)	FY2020 (published)	Variance
Levy Funding requirement	\$3,450,182	\$3,774,336	-\$324,154
Wholesale volume estimate	175PJ	180PJ	
Wholesale Levy	1.1164c/GJ	1.1279c/GJ	-0.0115
Retail Levy	\$5.16/ICP	\$6.12/ICP	-0.96

Prior year levies





Thank you