



Submission to GIC on Gas Industry Co FY2021 – dated 10 February 2019

From the Major Gas Users Group

Question	Comment
<p>Q1: Do you have any comments on the process for developing Gas Industry Co's Work Programme and Levy?</p>	<p>The GPS explicitly acknowledges the critical role of gas in achieving the Government’s objective of maintaining security of energy supply as the country makes the transition to a sustainable energy future. We think therefore that the GIC has a role and mandate to set out clear strategies for promoting gas at competitive prices as the country makes that transition.</p> <p>The intention and/or reasoning behind some elements of the proposed programme are not immediately clear when set against a wider strategy for gas that would explain their significance. This creates a lack of clarity, which is reinforced by whether an activity is considered Contingent or Forecast. For example Gas Quality refers to GIC participating in a 2020 review of the gas quality standard NZS 5442. Gas quality is relevant for potential new energy technologies entering the transmission system but that is not made explicit in describing the workstream.</p> <p>By setting clear strategies for promoting gas this can then explain the significance of elements that would be combined in a specific work programme. This approach would also allow some</p>

	<p>contingent work to be made more firm as it dictated. This would be a useful approach to being more pro-active for the future of gas that could include hydrogen, biomethane and potentially LNG import.</p> <p>A similar comment applies to review of the Critical Contingency Management Regulations where it is stated a Review is being undertaken. More specific detail around what is proposed in the context of GIC's process for changes to regulations/rules etc would be useful.</p>
<p>Q2: Do you consider there to be any other items that should be included in the Company's intended Work Programme for FY2021? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS</p>	<ol style="list-style-type: none"> 1. We support the elements in the work programme regarding updating the Gas Supply/Demand scenarios. In particular we think given the current uncertainties around supply (including deliverability), more frequent and focussed review would be helpful. GIC developing reports that have a shorter-term focus is a good initiative (page 8). Now that GIC has a gas outage notification process GIC could usefully create a way to show, six monthly for example, a view of gas supply deliverability based on the outage noticed. 2. More frequent focus would be for the benefit of the wider gas market as well, not just for the impact of gas supply on electricity security. At a time where supply looks to be seriously constrained MGUG would support GIC taking a more active role in monitoring the wholesale market to ensure that it is working efficiently, and that outcomes in a

	<p>constrained market do not lead to any distortion in pricing that undermines confidence in the market.</p> <p>3. We also believe that GIC’s work stream for Information Disclosure should consider the impact of other legislation, specifically the Crown Mineral Act (CMA), in providing greater information symmetry between producers and consumers on future gas supply. As the workstream has developed GIC has assured that this issue would be dealt with by MBIE, with GIC acting as a further advocate on behalf of the gas industry to ensure the concerns around asymmetry are made clear in the context of the gas market and the Gas Policy statement. We consider the role of other legislation (specifically the impact of review of the CMA on information disclosure) should be pursued by GIC with MBIE. This could be considered as part of the Information Disclosure workstream although we think it would be more effective for GIC to adopt an approach similar to what it has proposed for responding to the Electricity Price Review, where it would liaise with MBIE as the responsible agency for the CMA.</p>
<p>Q3: Do you consider there to be any items that should be excluded from the Company's intended Work Programme for FY2020?</p>	<p>No</p>
<p>Q4: We are particularly interested in industry comment on the forecast gas volumes - do stakeholders consider the projection reasonable? If not, what would they consider an appropriate gas volume estimate to be?</p>	<p>These seem reasonable and are consistent with MBIE projections.</p>

Q5: Do you have any comment on the proposed levy rates for FY2021

A key part of the levy setting process over recent years has been maintaining downwards pressure on cost. This is appropriate but should be subjected to review.

We believe GIC should take a more proactive approach in promoting gas when it develops its work programme and levy. We recognise that to be an effective champion may require increased resources to develop the programme. We note that GIC has lost a significant element of experience in staff changes over the last 12 months. We'd argue that the GIC should be mindful that its resource capability as regulator is not compromised, and that it has an appropriate level of experience within the organisation to ensure that its capability remains adequate for its role.



Yours sincerely

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