

10 February 2020

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Dear Susan

Submission on the GIC's Proposed FY2021 Work Programme and Levy

Introduction

1. This is Vector Limited's (Vector) submission on the Gas Industry Company's (Gas Industry Co) consultation paper on its proposed FY2021 Work Programme and Levy, released on 17 December 2019. We acknowledge Gas Industry Co's face-to-face engagement with industry participants on its proposal prior to the release of the consultation paper through the Co-Regulatory Forum on 29 November 2019 in Wellington.
2. Vector generally supports Gas Industry Co's proposed Work Programme and Levy for FY2021. We commend the fiscal restraint exercised by Gas Industry Co, evidenced by the proposed 6.6% reduction in indicative Total Work Programme Costs for FY2021 relative to FY2020.
3. We set out below our responses to the consultation questions.
4. No part of this submission is confidential. Vector's contact person for this submission is:

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Responses to consultation questions

Q1: Do you have any comments on the process for developing Gas Industry Co's Work Programme and Levy?

5. Vector is generally satisfied with the process for developing Gas Industry Co's Work Programme and Levy, which has been tested and refined over the past years.

Q2: Do you consider there to be any other items that should be included in Gas Industry Co'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.

Gas Downstream Reconciliation Rules

6. As part of any review of the *Gas (Downstream Reconciliation) Rules 2008*, we suggest that a review of the thresholds between Allocation Group 1 and Allocation Group 2 customers be

prioritised to facilitate the introduction of a requirement on all time-of-use meters to be on telemetry. We consider a phased approach to be appropriate with, say, a requirement on all loads >50TJ to be on telemetry within the first year. Based on previous industry discussions, retailers have generally agreed to this threshold change.

7. The above change will contribute to the delivery of more accurate and timely gas consumption information, improving market efficiency and reducing transaction costs for market participants and consumers.

Gas Switching Rules

8. We suggest that Gas Industry Co consider the implications of the Electricity Authority's proposal to prohibit 'saves and win-backs', following the recent recommendation of the Electricity Price Review Panel, on the *Gas (Switching Arrangements) Rules 2008*. Alignment of the two regimes would be a desirable outcome, delivering efficiency gains for both the gas and electricity markets, including lowering transaction costs for dual-fuel providers.

Advanced gas metering

9. In light of the impending deployment of advanced gas meters by Vector Metering to Genesis Energy customers, we suggest that Gas Industry Co consider the following aspects of this new type of technology/service, among others:
 - a. development of the appropriate provisions relating to advanced metering in the *Gas Downstream Reconciliation Rules* (e.g. reporting requirements), the *Gas Switching Rules* (e.g. any additional information that needs to be captured in the Gas Registry), and other relevant rules for the gas sector; and
 - b. discussions with industry participants on any necessary updates to Gas Industry Co's *Gas Quality Requirements and Procedures Document* and *Gas Measurement Requirements and Procedures Document* to reflect this new form of metering.

Hydrogen

10. Vector is on record as supporting the enactment of the *Climate Change Response (Zero Carbon) Amendment Act 2019* as a way of providing businesses and consumers certainty around New Zealand's pathway to a low emissions future. As a leading technology solutions company with a vision of *creating a new energy future*, Vector is well placed to promote and enable solutions that use renewable energy.
11. We therefore welcome Gas Industry Co's intention to:
 - a. monitor any work undertaken in relation to hydrogen being used in gas pipelines;
 - b. review arrangements in other international jurisdictions in preparation for updating any rules and regulations (which we assume would cover health and safety, among other aspects); and
 - c. update any rules and regulations needed to support hydrogen (which we suggest Gas Industry Co undertake in conjunction with other relevant regulators).

Timing of public consultation

12. In the interest of transparency, we suggest that Gas Industry Co ensure that all interested parties have sufficient, and the same amount of, time to respond to public consultations (e.g. at least four to six weeks for major issues).

13. We do not have any issues with the use of targeted consultations, particularly where these facilitate free and frank discussions with the relevant participants, e.g. consulting with selected industry participants on Concept Consulting's draft *Long Term Gas Supply and Demand Scenarios – 2019 Update*.
14. However, once a document is released for public consultation, it should be made on the assumption that other prospective submitters may be as interested as the parties already consulted, and therefore should have a similar opportunity (i.e. the same amount of time) to provide comments. This is becoming more relevant with the entry of new (non-traditional) service providers that are contributing to the expansion of, and creation of new, energy markets.

Q3: Do you consider there to be any items that should be excluded from Gas Industry Co's intended Work Programme for FY2021? Please provide reasons for your response.

15. We do not propose the removal of any items from Gas Industry Co's proposed Work Programme for FY2021.
16. We would like to see Gas Industry Co prioritise initiatives that would ensure the smooth transition to the new Gas Transmission Access Code arrangements, and the necessary changes to the *Gas Downstream Reconciliation Rules* to cater for advanced gas metering.

Q4: Gas Industry Co is 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?

17. We consider the forecast gas volumes to be reasonable for levy-setting purposes for FY2021.

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

18. We welcome Gas Industry Co's proposed wholesale and retail levy rates for FY2021 which represent reductions of 1.02% and 15.69%, respectively, over the FY2020 levy rates.

Concluding comment

19. Vector is happy to discuss any aspects of this submission with Gas Industry Co.

Yours sincerely
For and on behalf of Vector Limited



Richard Sharp
Head of Pricing and Regulatory Compliance