

# Analysis of Submissions on Consultation: Gas Industry Co FY2025 Work Programme and Levy



In December 2023, Gas Industry Co released its *Consultation on Gas Industry Co FY2025 Work Programme and Levy (Consultation Paper)* in respect of the proposed strategy, work programme and levy for FY2025. This ensures we continue to have a programme that is the product of robust industry consultation. The *Consultation Paper* was prepared after taking into consideration feedback received at the Co-regulatory Forum held at Gas Industry Co’s offices on 30 November 2023. Industry submissions were requested by 9 February 2024.

This document summarises submissions received, including providing comments in response from Gas Industry Co where appropriate.

## Parties Submitting

- |                                  |  |
|----------------------------------|--|
| OMV New Zealand Ltd (OMV)        | Clarus   |
| Major Gas Users Group (MGUG)     | Nova Energy (Nova)                             |
| Genesis Energy Limited (Genesis) | Bluecurrent (formerly Vector Metering)         |
| Vector Limited (Vector)          | Fonterra Co-operative Group Limited (Fonterra) |
| Powerco Limited (Powerco)        | Energy Resources Aotearoa (ERA)                |

Q1: Do submitters agree with Gas Industry Co's assessment of the strategic context?		
Submitter	Comment	Gas Industry Co Response
Nova	No comment on Q1.	
OMV	Yes, although the strategic context for your work programme will change with the new government. We believe an increased emphasis on energy security can be expected from the coalition government.	Noted.
Fonterra	Fonterra would like the GIC to extend its strategic context assessment to incorporate the external drivers that end users are experiencing that feed into the future demand for gas. For example: <ul style="list-style-type: none"> <li>The new consenting requirements for process heat equipment that require the development of GHG reduction plans as part of the consent application</li> </ul>	Noted. Where appropriate, and within our regulatory ambit, Gas Industry Co will incorporate these drivers into our strategic context.

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	<p>and result in approval for a maximum 10 year consent for existing equipment;</p> <ul style="list-style-type: none"> <li>The Commerce Commission's recent accelerated depreciation of gas pipelines will result in a doubling of gas transmission and distribution charges approaching \$10/GJ by 2035 which is equivalent to the historic gas price;</li> <li>As noted by GIC in its own market updates, the inequality of future supply information in the market makes it difficult for end users to price future gas contracts in advance of existing contracts expiring.</li> </ul>	
<b>Vector</b>	<p>We agree with Gas Industry Co's assessment of the strategic context.</p> <p>Gas Industry Co's role as trusted advisor to Government and the industry will be particularly important as we await the release of the Gas Transition Plan. We acknowledge the good work Gas Industry Co has already done in this area and the ongoing engagement Gas Industry Co will have in relation to the Gas Transition Plan.</p>	Noted.
<b>Powerco</b>	No comment on Q1.	
<b>Genesis</b>	Yes, in particular the GIC's assessment of the importance of 'investment confidence' to the future direction of the gas sector in New Zealand. GIC has a role working with other relevant government bodies, notably MBIE, to provide industry with policy and regulatory clarity and certainty.	Noted.
<b>ERA</b>	<p>We agree with the GIC's assessment, in particular the hypothesis that intermediary changes to the FY2025 Work Programme will be needed once we have better clarity about the new Government's intentions for gas transition issues and strategy.</p> <p>We note there is no mention of activities to promote or investigate options for improving New Zealand's gas storage. This could be an area for investment and has been signalled by MBIE in its advice to the new Government as an option for long-term energy security and could potentially help to manage the dry-year risk. For that reason, it may be worth including in your list of transition activities.</p>	Noted. In relation to improving gas storage, Gas Industry Co recognises the value storage can provide to the wider energy sector. Gas Industry Co does not 'promote'; however we will work with peer regulators to ensure that gas storage options are being considered.

**Q1: Do submitters agree with Gas Industry Co's assessment of the strategic context?**

Submitter	Comment	Gas Industry Co Response
	<p>While the gas production sector has relatively stable levels of demand, there is no doubt that gas consumers will need increased flexibility from suppliers, particularly as the electricity market moves to higher levels of renewable generation. As well as placing pressures on the likes of Methanex to respond to the potential for gas shortfalls during low hydro storage conditions, there needs to be more emphasis given to gas balancing on a 24/7 basis when gas-fired peakers respond to meet peak electricity demand.</p> <p><i>There are positive and negative signals in the gas market currently</i></p> <p>Positive signals since the change in Government include its:</p> <ul style="list-style-type: none"> <li>a) intent to remove the ban on new exploration of offshore gas fields;</li> <li>b) intent to remove the 100% renewable electricity by 2030 target;</li> <li>c) intent to revisit the perpetual liability on Crown Mineral permits in the context of decommissioning;</li> <li>d) stopping of the NZ Battery project and Lake Onslow pumped hydro scheme and refocusing on systemic security of supply issues; and</li> <li>e) acceptance (including from MBIE in its briefing to the incoming Minister of Energy) that gas is a critical fuel for the energy transition;</li> </ul> <p>And more broadly:</p> <ul style="list-style-type: none"> <li>a) there has been a growing acceptance internationally, including at COP28, that gas is an important fuel for securing stable energy supplies; preferable to more polluting fuels like coal, and is especially important for supplying electricity peaking in highly renewable systems.</li> <li>b) there has been a rejection of language like 'phasing out' of fossil fuels in favour of 'transitioning away from';</li> <li>c) new gases (hydrogen, biogas) are increasingly being acknowledged as longer-term complementary fuels, which could, over time, extend the life of gas transmission and reticulation systems; and</li> </ul>	<p>We agree 7-day a week balancing is preferable and have sought to remove barriers to this occurring. We note Firstgas intends to achieve this outcome and we will continue to facilitate and encourage this work.</p>

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	<p>d) we understand there are several permitted gas exploration activities ready to go and investment ready to support these within the New Zealand jurisdiction.</p> <p>Should the political and investment confidence be somewhat restored by the above signals, there is still a chance that New Zealand may be able to avoid an abrupt and unplanned decline in critical gas supply to the market.</p> <p>Negative signals are larger in magnitude and growing. They include:</p> <ul style="list-style-type: none"> <li>a) lower than expected gas reserves revealed in 2023 data from MBIE;</li> <li>b) an uncertain geopolitical context, in particular the conflict in Europe/Russia and the Middle East;</li> <li>c) loss of investor confidence since 2017 because of the offshore exploration ban and other policies that undermine investment in the gas sector; and</li> <li>d) increasing overseas competitors with lower regulatory barriers for gas exploration.</li> </ul> <p>To address these signals, there is a need for coordinated, long-term regulatory certainty. The role for the GIC is to continue its vital governance and regulatory work with MBIE and the sector to clarify the settings needed to increase gas supply security and investor confidence.</p>	
<p><b>Bluecurrent</b></p>	<p>Bluecurrent broadly agrees with Gas Industry Co's assessment of the strategic context for its proposed Work Programme and Levy for FY25.</p> <p>Gas plays an important role in ensuring an orderly transition to a highly renewable energy future. Gas supports electricity generation, when required particularly during dry winters, and remains a fuel of choice for many small consumers and those with limited fuel alternatives.</p> <p>As a metering service provider, Bluecurrent is highly conscious of the critical role that advanced gas meters play in ensuring an orderly transition of the gas</p>	<p>Noted.</p>

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	sector. Data generated by advanced gas meters enables greater market efficiency and transparency, providing end consumers greater control over their energy costs and helping ensure energy affordability during the transition. It also helps facilitate the emergence of markets for renewable gases, enabling investors, market participants, and consumers to make more informed decisions as they navigate the energy transition. As such, advanced gas metering is an important component of any gas transition strategy or plan.	
Clarus	No comment on Q1.	
MGUG	In general, the strategic context describes the current view well.  Missing in the strategic context, is the uncertainty of alignment between various policy makers and regulators as to the future of gas in New Zealand. While we share the GIC's view that there is a significant role for gas in balancing the energy trilemma trade-offs, that view seems only partly shared and to varying degrees from other government agencies, and across the political spectrum. We suspect that long term policy ambiguity and volatility towards gas will continue to weigh on the sector across the political cycles and will continue to dampen investment confidence.	Noted.

Q2: Do submitters have any comments on the process for developing Gas Industry Co's FY2025 Work Programme and Levy?		
Submitter	Comment	Gas Industry Co Response
Nova	No comment on Q2.	
OMV	See Q4 below. Acknowledging that potentially significant revisions may be needed to the "Trusted Advisor" work programme, we suggest a process for seeking feedback on such changes is arranged.  We note the co-regulatory forum did not seem particularly effective in providing the steering discussion sought by GIC. This may have been a result of time constraints, the IT difficulties experienced in the forum, lack of preparation time	Noted. Any revisions to the work programme during the year are communicated to industry via News Bulletins. Due to the nature of our operations Gas Industry Co often has to pivot to deal with matters such as Minister requests which may not have been included in the work programme (or budget), sometimes

**Q2: Do submitters have any comments on the process for developing Gas Industry Co's FY2025 Work Programme and Levy?**

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	<p>for participants other than GIC, or simply the online format providing limited interaction opportunities.</p> <p>We suggest that circulation of an early draft of your consultation paper would be valuable and would provide useful rich detail and context that is unavoidably absent in your Forum slidepack.</p>	<p>necessitating the reprioritisation of work programme deliverables. Where appropriate we will seek industry feedback on these matters, but we do not reconsult on changes to the work programme during the year.</p>
<b>Fonterra</b>	No comment on Q2.	
<b>Vector</b>	<p>Vector generally agrees with the process for developing Gas Industry Co's Work Programme and Levy. It is a well-established process based on the principles of economic efficiency, beneficiary pays, rationality, simplicity, equity, and revenue sufficiency.</p>	Noted.
<b>Powerco</b>	<p>Powerco appreciates GIC's approach to industry engagement in developing the FY25 work programme and levy proposal. We support the proposed work programme and associated funding proposal. We acknowledge the critical role for GIC in both the current and future regulatory settings supporting investor confidence and security of supply in New Zealand's energy future.</p>	Noted.
<b>Genesis</b>	No comment on Q2.	
<b>ERA</b>	No comment on Q2.	
<b>Bluecurrent</b>	<p>Bluecurrent generally agrees with the process for developing Gas Industry Co's FY25 Work Programme and Levy. This process is well-established and has been guided over the years by the principles of economic efficiency, beneficiary pays, rationality, simplicity, equity, and revenue sufficiency.</p> <p>We note Gas Industry Co's intention of reviewing the existing levy methodology, in the context of forecast declining wholesale levy volumes. We support such a review, in principle, and believe that the above principles would still largely apply, together with any additional principles to support new objectives that further benefit end consumers (e.g. enabling an orderly gas sector transition and</p>	Noted.

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	ensuring any levy methodology changes will not drive increases in end consumers' gas bills).	
Clarus	No comment on Q2.	
MGUG	No. We appreciate the opportunities to be involved to shape the GIC work programme.	Noted.

**Q3: Do you consider there to be any other items that should be included in Gas Industry Co's intended Work Programme for FY2025? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.**

Submitter	Comment	Gas Industry Co Response
Nova	<p>Nova agrees with the Gas Industry Company's (GIC's) assessment of its role. Nova is concerned, however, that the transitional pressures on supply and demand are arising faster than previously anticipated, and there is a need for an increased focus on the reliable supply and transmission of gas. A key finding in the Gas Supply and Demand Study commissioned by the GIC concludes that "The current commercial environment is providing challenges for bringing new natural gas supply to market and demand may not be met".</p> <p>While the issues highlighted in the report are not within the GIC's control, a dry hydro inflow sequence this winter could result on pressure on gas supplies to meet the needs of thermal electricity generation. Gas production and demand is a 24/7 operation and balancing gas production and transmission to balance the demands of gas-fired peaker operations is difficult when wind generation impacts so significantly on net generation requirements on an hour by hour basis.</p> <p>It is for this reason that Nova is calling for an increased focus by the GIC on ensuring that gas balancing can be managed on a 7-day a week basis. The delays to providing D+1 reconciliation data on a daily basis has had a significant cost to shippers and needs to be addressed. In a tight hydro situation, electricity</p>	Noted. We agree 7-day a week balancing is preferable and have sought to remove barriers to this occurring. We note First Gas intends to achieve this outcome and we will continue to facilitate and encourage this work.

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	<p>prices can be expected to be very high at peak demand times and the pressure will be on for generators to use what gas is available in the transmission network. Under those circumstance, mismatches between injection and offtake will become very expensive.</p> <p>It is critical therefore to introduce D+1 and gas balancing to 7-days a week as soon as possible. The forecast activities FY2025 are not sufficient to meet this urgency.</p>	
<b>OMV</b>	No.	
<b>Fonterra</b>	Yes. Fonterra would like the GIC to start the discussion on regulatory framework for gas distribution decommissioning and how that would be signalled in advance to enable a managed and controlled transition.	Gas Industry Co does not agree that work on gas distribution decommissioning is necessary at this stage but would welcome the opportunity to discuss further.
<b>Vector</b>	<p>Vector does not believe there is a need to include any other work items in the already full Work Programme proposed for FY2025. The comprehensiveness of the Gas Transition Plan' s coverage would also help ensure that any unforeseen issues could be captured under the Plan in the immediate or longer term.</p> <p>We make the following comments or suggestions in relation to some of Gas Industry Co's ongoing and proposed work streams set out in the consultation paper:</p> <p><u>Energy Transition</u></p> <p>Assuming work on it continues under the new Government, we expect the Gas Transition Plan to provide clear signals, and hence greater certainty, on the transition pathway(s) for gas pipeline networks. Long-lived regulated assets with a declining demand profile require long-term planning that, under existing arrangements, is driven by regulatory reset periods and we encourage Gas Industry Co to continue to coordinate closely with the Commerce Commission as they reset default price-quality paths for gas pipeline businesses. This would</p>	Noted.



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	<p>help ensure that the risks for gas pipeline networks are addressed in an efficient manner, and in the long- term interest of consumers.</p> <p><u>Advanced gas metering</u></p> <p>We suggest that the AGMI Group's work/agenda continue to progress so that the benefits of advanced gas meters are delivered to the market and consumers in a timely manner. These benefits include, for example, more efficient market reconciliation processes from fewer estimated consumption data and more timely/frequent reading for consumers, e.g. monthly reading/bill instead of every three months.</p>	<p>Gas Industry Co has established an advanced gas meter workstream and is currently consulting on changes to gas governance arrangements in response to the roll out of advanced gas meters. These matters were identified as highest priority following consultation with an industry working group. Gas Industry Co expects other matters identified through consultation to be addressed through non-regulatory solutions that will be developed following the regulatory process.</p>
<p><b>Powerco</b></p>	<p>We appreciate the GIC is waiting on government direction about gas transition actions for the coming year. While this may alter the work programme, there are important activities for GIC to progress in FY25 notwithstanding the status of a GTP or other government programmes. This includes activities which are starting to move into GIC's role in gas governance:</p> <ul style="list-style-type: none"> <li>• A tradeable renewable gas certification scheme</li> <li>• Providing for renewable gas in contract reviews</li> <li>• Measures for CCUS</li> <li>• Solutions to support long term investment confidence including for security of supply (picking up the Real Options work could be a useful tool for advancing a whole-of-sector approach to options)</li> <li>• Supporting industry and government with consumer education about gas in the transition</li> </ul>	<p>Noted.</p>

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	<ul style="list-style-type: none"> <li>Agency engagement about the link between emissions reduction and security of supply.</li> </ul> <p>We also support the other work programme items identified such as CCM regulations, advanced gas metering, distribution contracts, downstream reconciliation, monitoring and compliance, enhancing consumer outcomes, and modelling and reporting.</p>	
<b>Genesis</b>	<p>We are supportive of measures to address any market barriers to the development of renewable gas, including tradeable renewable gas certificate or other market measures, and development of new regulatory arrangements relating to CCUS. We expect it will be critical to ensure any such arrangements for gas are part of cross-government, economy-wide policy or regulatory measures addressing CCUS, including changes to ETS settings. For example, it may make sense to align GIC's work to MfE's Carbon Removals Strategy.</p> <p>In addition to the items cited, we recommend the GIC investigate the extent to which the gas transmission system is and will remain fit for purpose in an increasingly renewable environment and therefore with a much more intermittent and peaky gas load. We believe there would be significant benefit in GIC analysis into this issue. One conclusion from this assessment may be that more investment in compression is required.</p> <p>We would welcome the GIC's involvement in measures to ensure gas is available, including for electricity generation. As we noted in our submission on MBIE's Gas Transition Plan Issues Paper, we do not see importation of LNG as a viable option. However, we would welcome the GIC's involvement in work to enhance the capacity and flexibility of gas storage, including work to support additional physical gas storage (as noted above), for example by commissioning a study into feasible fields that could provide a suitable gas storage facility.</p>	<p>Noted. We are seeking to work with peer regulators to ensure the full range of transition options are being considered.</p> <p>Gas Industry Co is conscious of issues which may arise as a result of the transition relating to investment in infrastructure and is monitoring these. However, the FY2025 work programme does not identify specific issues which fall within the scope of our regulatory role.</p> <p>Noted, we are continuing to engage with peer regulators to contribute to the energy sector security of supply challenges, within our regulatory mandates.</p> <p>In relation to LNG, in the scenario where industry cannot develop fields to meet demand,</p>

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		Gas Industry Co's view is that LNG is needed as the counterfactual for analysis purposes.
ERA	<p>The proposed prioritisation of activities should continue. Some of the strategic work will help inform options on measures for investor confidence, CCUS and biogas, for example.</p> <p>While we think it is unlikely, if you were faced with choices to cut back on activities down track, we think the strategic work could be deferred or outsourced in favour of the critical BAU regulatory work that only the GIC can do.</p> <p><b>Governance</b></p> <p>We support your work to review the levy, based on principles, and only caution that as the levy increases, so will costs. Continued or large increases will become less sustainable over time, and it may be prudent for a more holistic levy review in future that considers alternative mechanisms for funding the GIC's vital regulatory activities.</p> <p>We have no further comment on other governance activities proposed.</p> <p><b>Bringing trusted advice to Government and Industry</b></p> <p>We encourage your collaborative work with MBIE on the Gas Transition Plan, if it continues, or on gas transition issues generally. Having a strategic plan for gas in New Zealand's economy is important.</p> <p>Should new or alternative governing arrangements be proposed, we will work with you to form a response and gather feedback from gas sector stakeholders.</p> <p>On your activities to support the energy transition, we support these to the full extent that they remain economically viable without undue pressure on the levy rate.</p>	Noted.

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	<p>We are particularly supportive of your work in engaging with agencies responsible for achieving emissions reductions to ensure measures align with security of supply in the gas sector.</p> <p><b><i>Facilitating industry systems and processes</i></b></p> <p>We support your workstream to assess the level of information disclosure in the industry and consider options for addressing issues found.</p> <p>We caution against proposing information disclosure options that would result in undue, uncertain, and unnecessary costs on the gas industry and consumers.</p> <p>If disclosures provide helpful information at a system level for regulators and investors, attention should be directed to low cost, voluntary options that are agreeable to the sector, and contribute to data sets that are sharable to a wide range of stakeholders.</p> <p>On guidelines to enhance consumer outcomes, we support the development of guidelines that provide for gas retailers in helping their customers receive predictable prices and information about their gas supplies.</p> <p>On gas transmission activities, we have no comment.</p>	
<p><b>Bluecurrent</b></p>	<p><b><i>Advanced gas meter data</i></b></p> <p>As part of its ongoing work on developing and implementing changes to gas governance arrangements, or any related work in the near future, we suggest that Gas Industry Co consider arrangements that would enable metering service providers to provide advanced gas meter data directly to gas distribution networks via commercial arrangements. This would be akin to the approach being proposed for the provision of ICP data to distribution networks in the electricity sector. This will enable gas distribution businesses to manage their network more efficiently, in support of an orderly gas transition.</p>	<p>This issue was considered in Gas Industry Co's Advanced Gas Metering Consultation Paper published in August 2023. Gas Industry Co's view is that use-of-system agreements can be used to provide distributors with access to meter data where such access is necessary.</p>

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	<p>In the electricity market, Bluecurrent has successfully entered into commercial arrangements with electricity retailers and distributors without the need for changes to the Electricity Industry Participation Code. There is clear evidence in the electricity market that significant progress has been made, and is being made, by industry participants in facilitating data access via commercial arrangements. We would like to see the diverse benefits of advanced gas meters delivered in the same manner in the gas sector and will be happy to discuss with Gas Industry Co the approaches used for these various arrangements.</p> <p><i>Gas distribution network services agreements</i></p> <p>Bluecurrent notes Gas Industry Co's intention to "complete an assessment of Firstgas's new distribution contract", as part of its forthcoming activities under the Gas Distribution Contracts Oversight Scheme. To provide a more complete picture, we suggest that Gas Industry Co also examine how many of the draft distribution network services agreements it reviewed in 2014 have actually been completed, signed, and executed.</p> <p><i>More frequent updates for industry participants</i></p> <p>The industry has gained useful insights on potential gas transition pathways over the past year, informed by the Ministry of Business, Innovation and Employment's consultation on a gas transition plan and Gas Industry Co's work in support of that consultation. The gas sector will continue to evolve and be</p>	<p>Gas Industry Co's current role in relation to use-of-system agreements addresses the adequacy of standard form agreements. We think it is important that, as an initial step, we focus on the standard agreement that Firstgas is offering to retailers and the extent to which that agreement is aligned with the principles that we have set for use-of-system agreements. If Firstgas's agreement has a high level of alignment, then we will consider the level of retailer acceptance of that agreement and whether any additional steps or modifications of our approach are necessary.</p> <p>Noted. This is a valuable suggestion which Gas Industry Co will take forward.</p>

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	<p>subject to uncertainty during the transition, particularly during the earliest stages. We suggest that Gas Industry Co provide more frequent updates and/or hold regular forums with industry participants, say every 4 months, on gas market and technological developments in New Zealand and overseas, including updates on renewable gas trials. This will provide participants with more timely signals, enabling them to better navigate the transition.</p> <p>In relation to renewable gas trials, we suggest that trials that fully or partially benefit from public funding be open to all interested parties on a contestable basis.</p>	<p>This is out of scope for Gas Industry Co; however, we generally support the sentiment.</p>
<p><b>Clarus</b></p>	<p>We continue to support the GIC being resourced to guide the transition of the gas industry to a net-zero carbon economy. The cost of a poorly managed energy sector transition would be far greater to New Zealand's gas users and our economy being significant. Accordingly, the Gas Transition Plan (and any related work toward a possible National Energy Strategy) remains the most strategically important project on the GIC's work programme.</p> <p>We are pleased to see that renewable gases feature in the GIC's strategic context and that this manifests in the work programme. Other GIC projects of particular importance to our businesses are the gas governance changes relating to critical contingency management and codification of the D+1 system. We have no other items to suggest for inclusion in the GIC's work programme.</p>	<p>Noted.</p>
<p><b>MGUG</b></p>	<p><b>Prescribing Reasonable Terms and Conditions for Access to and use of Transmission and Distribution Pipelines, and Gas Act 43ZN (b)(iv) – delivered gas costs and prices are subject to sustained downward pressure.</b></p> <p><b>Review of gas affordability measures and accountabilities.</b></p> <p>In light of recent Commerce Commission decisions on allowable revenues for GPBs, we consider that New Zealand regulators lack a strong focus on ensuring</p>	<p>Noted. Gas Industry Co sees value in this and would welcome working with industry to determine the scope of any work which is within</p>

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	<p>energy affordability, including for gas, when considering economic regulation of regulated suppliers. It is not clear to us whether the GIC, as a market regulator, or the Commerce Commission as economic regulator has accountability for ensuring that consumer affordability is given more than a cursory self-defined reference in regulatory decisions. We consider that this topic needs to be addressed as we increasingly look for where the trade-offs should occur in the energy trilemma.</p> <p>We've expanded on this at the back of this submission and linked it as far as possible with Gas Act and GPS to explain why we think this needs to be prioritised as a topic in the GIC work programme for the coming year.</p> <p><b>Gas Distribution Contracts Oversight Scheme</b></p> <p>On the basis of a quick assessment in 2020 by the GIC, the consultation paper suggests that it is not necessary, or a priority to review Gas Distribution Contracts, other than for First Gas, on the basis that these haven't changed since the last review done in 2014. We would request that this be reconsidered.</p> <p>Since 2020, and the decisions made in DPP3 on accelerating allowable revenue for GPBs we've noted not just the scale of price increases being passed to consumers, but also the uneven burden of these increases being allocated by GDBs. We question whether the outcomes would have complied with Pricing Principle 7 (consultation and transparency on pricing change methodology). Some GDB price practices also appear to undermine S43H of the Gas Act (low fixed charge tariff option for domestic consumers).</p>	<p>our regulatory ambit and could potentially be included in the FY2026 work programme.</p> <p>We think it is important that, as an initial step, Gas Industry Co focuses on the standard agreement that Firstgas is currently offering to retailers and the extent to which that agreement is aligned with the principles that we have set for use-of-system agreements. Firstgas's agreement includes a number of new concepts (e.g. injection of biomethane and decommissioning) that are likely to be important matters for the future relationship between distributors and retailers. It also picks up concepts from the electricity default use-of-system agreement. If Firstgas's agreement is appropriately aligned with the principles, then it may provide an example for other distributors to make changes to their agreements.</p>

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	<p>For example, Vector has more than doubled the fixed cost burden of its connections onto its residential customers since 2020. It is difficult to believe that this as an outcome of an effective consultation process with retailers acting in their gas customer best interests. A further flaw is introduced in oversight in assuming that a retailer might care on behalf of their customers if line charges are increased. Firstly, most retailers would be concerned with relative competitiveness, and if every retailer passes through the same line charge increases, there is no incentive to challenge the GDB on their price methodology. Secondly, retailers sell energy to a business or household. Whether a consumer chooses to buy gas with electricity, or switches all of their gas to electricity (or LPG), the customer is likely to be retained by the retailer. Again, there is little self interest in challenging pricing methodology.</p> <p>The fact that a low user residential customer, or a small business in Auckland might now be paying 50% more in line charges since the start of DPP3, also supplies further evidence that energy affordability is not regulated strongly enough in New Zealand.</p> <p><b>Decommissioning Controls</b></p> <p>During the 2022 Gas IM amendment both the Commission and GPBs relied heavily on the narrative of economic stranding risk as a justification for accelerating revenue to all GPBs. Largely avoided in this debate was what obligations GPBs had to continue a service to consumers, or what effective notice periods had to be given of a termination of a connection and transport service. Unlike what was agreed between the Crown and Chorus on transitioning away from the copper network, we do not see what obligations a GPB has towards its customers in the event that it considers that it would be in its own</p>	<p>We don't propose reassessing use-of-system agreements that have already been assessed under the Scheme where there has been no material change to those agreements. However, we continue to consider broader matters relating to use-of-system agreements, including how those matters interact with the Commerce Act price-quality regulation and any gas transition matters.</p>



**Q3: Do you consider there to be any other items that should be included in Gas Industry Co's intended Work Programme for FY2025? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.**

Submitter	Comment	Gas Industry Co Response
	<p>interest to decommission parts of its network or transmission system. Some of our users sit at, or towards, the end of long laterals and rely on these to run their facilities. The lack of clarity on how pipeline decommissioning would play out introduces a further investment risk element to these businesses.</p> <p>Section 43ZN of the Gas Act appears to give the GIC regulating powers to ensure that gas is delivered to existing customers and under 43ZN(b) (v) that risks relating to security of supply including transport arrangements are properly and efficiently managed by all parties. In light of the CCC and GPBs raising the risk profile of stranding risk it would be useful to have a clear set of guidelines and expectations developed on how decommissioning would be managed to allow consumers to adapt within reasonable timeframes.</p>	<p>Gas Industry Co understands and acknowledges the issue and would welcome working with industry to understand the scope of this work, noting that section 43ZN does not give us blanket regulation making powers in relation to security of supply. These objectives have to be considered in the context of the matters we can regulate or have a role in relation to under the Gas Act and GPS.</p>

**Q4: Do you consider there to be any items that should be excluded from Gas Industry Co's intended Work Programme for FY2025? Please provide reasons for your response.**

Submitter	Comment	Gas Industry Co Response
Nova	No comment on Q4.	
OMV	<p>Your proposed work programme rests heavily on continued work with MBIE on the Gas Transition Plan. This plan was a priority for the previous government. The role and importance of the Gas Transition Plan and the Energy Strategy under the new government are currently unclear. While it seems likely that work on CCUS and supply security will continue in some form, we welcome your recognition that agility in adapting your "Trusted Advisor" work programme will be needed. Given this, we would like to enquire what process GIC will follow to seek feedback on any revised work programme in FY2025.</p>	<p>Noted. Any revisions to the work programme during the year are communicated to industry via News Bulletins. Due to the nature of our operations Gas Industry Co often has to pivot to deal with matters such as Minister requests which may not have been included in the work programme (or budget), sometimes necessitating the reprioritisation of work programme deliverables. Where appropriate we will seek industry feedback on these matters,</p>

**Q4:** Do you consider there to be any items that should be excluded from Gas Industry Co's intended Work Programme for FY2025? Please provide reasons for your response.

Submitter	Comment	Gas Industry Co Response
		but we do not reconsult on changes to the work programme during the year.
<b>Fonterra</b>	Fonterra recommends that the GIC reconsiders work that increases levy costs but that will not deliver cost reductions in themselves, in light of a declining gas supply market.	Gas Industry Co acknowledges that cost increases are not desirable and has sought to provide cost reductions where possible. However, the work programme must deal with transition issues which will not provide immediate cost reductions.
<b>Vector</b>	Vector does not believe there is a need to exclude any items from the intended Work Programme for FY2025.	Noted.
<b>Powerco</b>	No comment on Q4.	
<b>Genesis</b>	No comment on Q4.	
<b>ERA</b>	No comment on Q4.	
<b>Bluecurrent</b>	<p>Bluecurrent does not see the need to exclude any items in Gas Industry Co's intended Work Programme for FY25.</p> <p>We encourage Gas Industry Co to accord high priority in the immediate term to introduce changes to the regulatory framework to support the progress of market-led activities, including the rollout of advanced gas metering infrastructure and adoption of D+1. This will require changes to the Gas Reconciliation Rules and Gas Switching Arrangements Rules, among other improvements.</p> <p>Focusing on the above actions will improve efficiency and transparency in market processes that will help provide a robust foundation for an orderly gas sector transition.</p>	Noted.
<b>Clarus</b>	No comment on Q4.	

**Q4:** Do you consider there to be any items that should be excluded from Gas Industry Co's intended Work Programme for FY2025? Please provide reasons for your response.

Submitter	Comment	Gas Industry Co Response
MGUG	We don't consider that the levy funding methodology deserves much attention at this point. While noting the 11.35% increase that seems to have given rise to the statement "unsustainable" by the GIC, this needs a better context. The 11.35% increase has led to less than 0.2c/GJ increase bringing the wholesale levy total to still less than 2c/GJ. Against wholesale prices approximating \$10/GJ and the dramatic increases being seen in gas transmission and distribution charges which are far more material, we don't see spending time on a zero-sum game for GIC levies as being a priority for gas consumers. We'd rather the GIC focuses on overall gas affordability within the total delivered gas price bundle as outlined in our response to Q3.	Noted. However, the majority of submissions support this work being undertaken.

**Q5:** Gas Industry Co is particularly interested in industry comment on the forecast gas volumes – do stakeholders consider the 150 PJ projection reasonable? If not, what would they consider an appropriate gas volume estimate to be? NOTE – all submissions provided in response to this question have been treated as confidential and will not be published.

**Q6:** Do you have any comment on the proposed levy rates for FY2025?

Submitter	Comment	Gas Industry Co Response
Nova	No comment on Q6.	
OMV	No. We welcome your planned review of your levy funding method and your exploration of viable alternatives and look forward to engagement with you on this topic.	Noted.
Fonterra	No comment on Q6.	
Vector	No comment - the levy looks to be reasonable overall.	Noted.

**Q6: Do you have any comment on the proposed levy rates for FY2025?**

Submitter	Comment	Gas Industry Co Response
	<p>Various industry participants have initiated work on their own and/or in collaboration with other participants and regulators - using their own resources - to generate important information and insights that feed into ongoing industry discussions and the development of the Gas Transition Plan. We intend to continue to be actively involved in these discussions and collaborative work that would help ensure the gas industry and consumers can navigate the energy transition in an orderly manner.</p>	
<b>Powerco</b>	<p>We support the similar, slight reduction in levy proposed. It is appropriate that funding for the energy transition workstreams reduce given the resource-intensive work in the last few years has come to the end of that phase of work.</p> <p>We acknowledge that it is timely to review the levy apportionment methodology and consult with industry on options during this year.</p>	Noted.
<b>Genesis</b>	No comment on Q6.	
<b>ERA</b>	<p>On funding matters, we have no further comment other than to keep levy increases to a minimum and continue to assess the ongoing work programme on an iterative basis in line with forthcoming Government priorities and stakeholder feedback from the Gas Transition Plan.</p> <p>We agree with you that the current Work Programme will need regular review, as it was drafted during a time of political and technological changes. We look forward to working with you during these reviews.</p>	Noted.
<b>Bluecurrent</b>	<p>Bluecurrent considers the proposed levy rates for FY25 to be reasonable, in the context of Gas Industry Co's flat levy profile over the past several years and its increasingly heavier workload related to the gas sector transition.</p> <p>In addition to the more frequent updates from Gas Industry Co that we propose in our response to Question 3, we urge Gas Industry Co to encourage industry-initiated discussions and actions – using industry participants' resources – relating to the gas sector transition. Ongoing industry-wide discussions will help capture views/insights and information on significant market and technological</p>	Noted.

**Q6: Do you have any comment on the proposed levy rates for FY2025?**

<b>Submitter</b>	<b>Comment</b>	<b>Gas Industry Co Response</b>
	developments that may otherwise not be captured, or fully captured, in formal regulatory processes.	
<b>Clarus</b>	No comment on Q6.	
<b>MGUG</b>	No comment on Q6.	