



Consultation on Gas Industry Co FY2026 Work Programme and Levy

SUBMISSIONS CLOSE: 5PM FRIDAY 7 FEBRUARY 2025



Gas Industry Co.

Executive Summary



In consultation with industry, Gas Industry Co develops both an annual work programme and a cost estimate for that work programme. These costs are principally funded through a levy and market fees, the latter imposed under relevant governance rules and regulations.

The proposed FY2026 work programme includes meeting statutory requirements, such as the administration of existing gas governance regulations, and seeks to address Government and industry priorities through the completion of key project deliverables. It continues existing multi-year workstreams and reflects significant progress already made in addressing the objectives and outcomes set for Gas Industry Co and the industry in the Gas Act 1992 (Gas Act) and the Government Policy Statement on Gas Governance 2008 (GPS).

This paper has been prepared after taking into consideration feedback received on the proposed work programme and costs at the Co-Regulatory Forum held on 28 November 2024. Forum feedback generally supported these proposals.

The proposed FY2026 levy funding requirement is \$3,410,198. The corresponding proposed levy rates for FY2026 are a retail levy of \$4.90 per ICP (based on 311,000 ICPs), and a wholesale levy of 1.7158 cents per GJ of gas (based on a volume of 110 PJ).

Submissions

Written submissions on this Consultation Paper should be provided to Gas Industry Co via email to consultations@gasindustry.co.nz by **5 pm on Friday 7 February 2025**. Please note that submissions received after that time may not be able to be fully considered.

Submissions may be amended at any time prior to the closing date. All submissions will be published automatically on Gas Industry Co's website after the closing date, other than responses to question 5 which will be treated as confidential and will not be published. Submitters should discuss any intended provision of other confidential information with Gas Industry Co prior to submitting the information.

Gas Industry Co is happy to meet with any stakeholder who wishes to discuss the proposals in more detail.



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1. Legislative and Strategic Context



1.1 Strategic Context

Gas markets have experienced stress this year as production has declined faster than expected. A significant shortfall was expected well before the end of this decade. As it turned out, the decline arrived faster than hoped but was consistent with lower investment into production.

This was always a risk, because all our fields are mature. In addition, we saw more demand from electricity because renewable sources were unable to meet electricity demand this year. Hydro lakes didn't fill until much later in the year. The winter was calm, with less wind energy generated. Again, these are expected events in a mostly renewable electricity system.

The result, for markets, was a sharp rise in gas prices and some customers facing difficulty accessing supply contracts.

Looking ahead, security of supply has come into focus with more urgency.

These conditions set the context for our busy work programme.

Overall, the strategic context is defined by supply constraints, change in the composition of gas supply, and change in the role of gas in the economy.

We are responding to new strategic issues. Consumers are increasingly affected by cost impacts of changes in supply. As policy drives to meet climate objectives, forecast emissions from the gas sector are well below levels anticipated in the Climate Change Commission's Demonstration pathway.

Gas Industry Co's work in gas governance and to facilitate markets helps to deliver the settings that investment requires and ensures that market participants have confidence in a fair and efficient sector. It is as important as ever that well-functioning markets continue to provide energy security at efficient prices.

The work we include under the heading 'trusted advisor' helps to prepare the sector and regulators for changing market conditions.

We expect to be asked to provide expertise in gas regularly as energy markets position for a transition and policy responds to emerging priorities. One example is the warnings we provided to the sector in recent years of looming gas supply shortages.

While gas will have a long-term role in the energy system, gas itself will change. Biogas is entering pipelines, and more is ahead. Network companies have approached us seeking advice around roles, regulation and certification, to accelerate biogas use. We are up for this work. We have also participated in a review of whether LNG has a role in security of supply.

The constant feature of our strategic context is change.

A stable and well-functioning sector is in everyone's interests. Resilient supply and competitive prices require ongoing investment. Producers need confidence in market settings to risk their capital, and that confidence grows when markets and regulatory settings are predictable and consistent over time.

1.2 Gas Industry Co's Roles

What we do is conveniently grouped into three classes of activities (reflected in our Strategy at 1.3 below). These activities make up our work programme:

Gas Governance

The Gas Act and GPS guide us in these activities where we have statutory roles as well as oversight of the industry processes or regulations with the intention of ensuring appropriate activities are being undertaken. Examples of our Gas Governance roles include the determination of breaches or undertaking compliance audits. Our Gas Governance roles are normally designed to provide security of supply, build consumer trust, or oversight of competition and markets.

Facilitating Industry Systems and Processes

Gas Industry Co has regulatory defined roles and has undertaken activities requested by industry to deliver independent or centralised services. Examples of the facilitation role includes a wide set of activities including management of the D+1 system, the gas registry, or reconciliation processes, through to hosting the website for upstream disclosures.

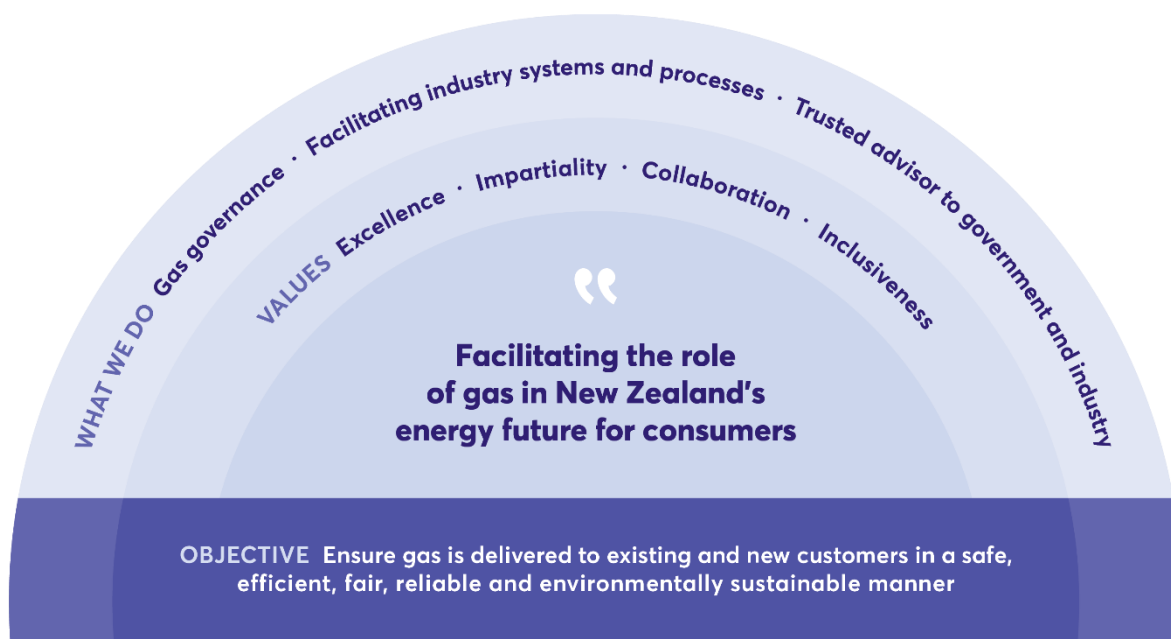
Trusted Advisor to Government and Industry

The trusted advisor role reflects the activities we undertake to inform about the gas industry. This role has become more pronounced as the wider energy sector and Government entities have sought to develop their understanding of the changing energy future. Examples include the Gas Transition Plan, Supply and Demand studies, engagement with government agencies such as MBIE or the Climate Commission, and discussions with industry regarding government processes. It is important to note here that our role is limited to informing, we are not an advocate or lobbyist for industry.

1.3 Gas Industry Co's Strategy

Gas Industry Co's strategy includes our core theme of "facilitating the role of gas in New Zealand's energy future". Our core theme recognises that:

- Gas Industry Co's roles are broader than only providing governance;
- Gas has a role in New Zealand's energy future;
- Gas Industry Co has a role in supporting the energy transition;
- Gas includes gases of increasing importance in our energy ecosystem (hydrogen/biogas); and
- Gas Industry Co's regulatory roles are designed to either provide greater security of supply or oversight of competition and markets.



1.4 Gas Industry Co's Values

Gas Industry Co's values are:

Collaboration: We work together with integrity, to achieve our goals

We do this by:

- working together on shared goals;
- sharing and seeking knowledge and experience;
- appreciating each other's differences; and
- having a positive attitude.

Impartiality: Our decisions are transparent, fair, and based on evidence

We do this by:

- maintaining the political neutrality and objectivity required to enable us to work with current and future governments;
- carrying out the functions of the Company unaffected by personal beliefs;
- ensuring our actions are not affected by personal interests or relationships; and
- supporting the Company's outcomes through robust, unbiased, evidence-based advice.

Inclusiveness: We treat others with respect, listening to all views, and engaging openly

We do this by:

- treating everyone with fairness, kindness, and respect;
- being honest and trustworthy;
- giving and receiving honest feedback; and
- being open to all ideas/seeking advice.

Excellence: We strive for quality in everything we do

We do this by:

- owning our work and our development;
- being committed – giving 100% to everything we do;
- being professional and responsive; and
- being reliable – we are a safe pair of hands.

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

2. Developing the Proposed Work Programme



2.1 Work Programme and Levy Setting Process

Gas Industry Co's work programme is developed in a consultation process with industry participants and other stakeholders that commences with an annual Co-Regulatory Forum. This Consultation Paper takes into consideration feedback received on the draft work programme at the Co-regulatory Forum held on 28 November 2024. Co-Regulatory Forum presentation slides can be found [here](#).

Following the Co-Regulatory Forum, this Consultation Paper is published. Submissions on the Consultation Paper are considered in preparing:

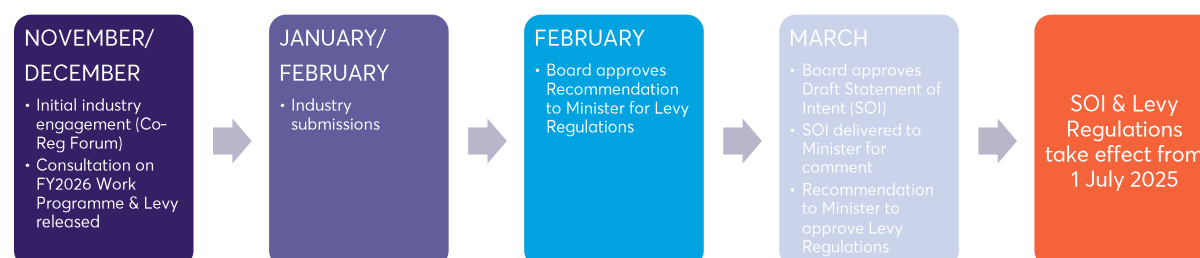
- The Statement of Intent (SOI) for the next financial year (with indicative activity for the subsequent two years in the three-year planning period covered by the SOI); and
- A formal recommendation to the Minister for regulations authorising the levy on industry participants for the ensuing year.

Pursuant to section 43ZZD of the Gas Act, the Minister may accept or reject Gas Industry Co's formal recommendation to make levy regulations. However, in circumstances where the Minister is satisfied that the levy is reasonable, Gas Industry Co has consulted on the levy, and the requirements of sections 43ZZB to 43ZZE of the Gas Act have been met, the Minister must accept the recommendation. Following cabinet and vice-regal approvals, this process culminates in annual levy regulations being promulgated.

Development of a given financial year's work programme starts early in the preceding year to ensure appropriate consultation with stakeholders. Gas Industry Co forecasts the expected or planned endpoint of current year activity to determine what further work, if any, might be necessary for each workstream into the following year.

Consistent with Gas Industry Co's statutory role, the FY2026 work programme, like that for FY2025, focusses on Gas Industry Co's core market governance role under existing rules/regulations and continuing key multi-year programmes.

The following outlines the process undertaken to develop the work programme and levy:



Q2: Do submitters have any comments on the process for developing Gas Industry Co's FY2026 Work Programme and Levy?

3. Proposed FY2026 Work Programme



3.1 Work Programme Prioritisation

The proposed FY2026 work programme is grouped into the three classes of activities discussed in section 1.2 above, being:

- Gas Governance;
- Facilitating industry systems and processes; and
- Trusted Advisor to Government and Industry.

Flexibility and Cost Efficiencies

It is always possible that unplanned, unbudgeted work might need to be undertaken in any one year. This is in particular a result of the changing nature of the industry and the period that elapses between development of each year's proposal and its implementation. Gas Industry Co prefers not to budget contingency amounts to keep the levy at a reasonable level. If unplanned or unbudgeted work becomes a priority, Gas Industry Co will reassess its planned workstreams and/or milestones.

As with all public and levy-raising entities, Gas Industry Co aims to deliver value in both its operational workstreams and in the provision of support services to Gas Industry Co as a whole. There is a specific focus on delivering efficiency and value for money.

As well, Gas Industry Co has considered carefully how each line item in the work programme should be budgeted. Some areas are demand-driven, and it does not make sense to make full provision for each of these individually. Instead, Gas Industry Co makes a modest provision for these items and will manage within the global amount.

3.2 FY2026 Work Programme: Gas Governance

Gas Governance arrangements

Fulfil Gas Industry Co's statutory roles under each of the existing gas governance arrangements:

- Gas (Downstream Reconciliation) Rules 2008;
- Gas Governance (Compliance) Regulations 2008;
- Gas (Critical Contingency Management) Regulations 2008;
- Gas (Switching Arrangements) Rules 2008; and
- Gas (Facility Outage Information Disclosure) Rules 2022.

Gas Governance arrangements recommendation to the Minister

In November 2024 we intend to make a Recommendation to the Minister to amend the Gas (Downstream Reconciliation) Rules 2008 (Reconciliation Rules), the Gas (Switching Arrangements) Rules 2008 (Switching Rules), and associated systems, to make provision for advanced gas meters, injection of renewable gases and D+1 (daily allocations).

Forecast activities for FY2026 include:

- Engaging with industry on rule drafting and detailed specifications for the implementation of the system changes;
- Non-regulatory work, for example consulting on and publishing guidelines and information exchange protocols; and
- Go-live of new arrangements and monitoring of new processes (eg UFG allocation and D+1) to ensure they are working effectively.

Critical Contingency Management

We are currently supporting MBIE through the legislative change process to progress amendments to the CCM Regulations. In FY2026 we intend to:

- Implement proposed changes to the CCM Regulations including consequential changes to existing industry processes.

Levy

Gas Industry Co's levy arrangements have remained unchanged since 2007. With wholesale gas volumes continuing to decline, while the consumption of LPG, LNG and biogas is expected to increase, in FY2026, we intend to:

- Consult with industry in relation to the possibility of Gas Industry Co levying LPG, LNG and biogas; and
- Consider whether changes would be required to the Gas Act or levy regulations to enable this.

Retail Gas Contracts Oversight Scheme

The next full assessment of retailer alignment with the Retail Gas Contracts Oversight Scheme is scheduled for FY2027. In FY2026 we will:

- Provide information to new entrant retailers to help them understand their obligations and the governance processes.

Gas Distribution Contracts Oversight Scheme

During FY2025 Gas Industry Co appointed an independent assessor to undertake a review of Firstgas's standard gas use-of-system agreement, with the independent assessor's report, and Gas Industry Co's response to the report due to be published in the short term. Further work, which may be continuing in FY2026, includes:

- Following up with retailers on progress towards putting a signed agreement in place; and
- Liaising with distributors regarding any changes to their contracts.

Other reporting

- Complete performance audits under the Downstream Reconciliation Rules and the Switching Rules and continue to commission event audits as required;
- Prepare and publish the Statement of Intent and Annual Report to meet statutory timeframes; and

- Report on the present state and performance of the gas industry through a number of publications (eg switching statistics and Quarterly Report).

3.3 FY2026 Work Programme: Facilitating Industry Systems and Processes

emsTradepoint

We note Transpower's most recent statement on emsTradepoint has the system continuing until September 2025. Given the importance of a trading platform, we are assuming a role in managing the transition of emsTradepoint after September 2025, including consulting on a range of options, which may include Gas Industry Co purchasing the gas trading platform if necessary to ensure security of supply.

Guidelines to Enhance Consumer Outcomes

We are currently awaiting finalisation of the electricity Consumer Care Guidelines, after which we will undertake the scheduled assessment of the alignment of dual-fuel retailers with the gas industry guidelines. In FY2026, we expect to:

- Review retailer feedback on the guidelines, including feedback from the review of the guidelines for electricity retailers, and consider whether any changes are appropriate; and
- Assess retailer and distributor alignment with the guidelines.

Gas Transmission

The suitability of transmission arrangements during the energy transition is a matter that will likely require further consideration. Forecast activities in FY2026 could include:

- Working with the Commerce Commission regarding any changes impacting pipeline regulation;
- Monitoring work undertaken by Firstgas to replace the OATIS system;
- Assessing any proposed changes to the transmission codes;
- Transmission pricing changes remain an issue for industrial customers and feedback on increases may require engagement by Gas Industry Co; and
- Reviewing transmission pipeline interconnections as required, address any concerns regarding reasonable access, and amend the Guidelines as required.

3.4 FY2026 Work Programme: Trusted Adviser to Government and Industry

Security of Supply

Work on issues relating to the security of supply during the energy transition will continue to be required in FY2026, and may include:

- Facilitating industry and advising Government to enable imported LNG to be available by winter 2026;

- Blending of renewable gases into gas networks and measures to bring renewable gases into the natural gas market, such as tradeable renewable gas certificates and other market measures;
- Consideration of whether additional or changed mechanisms are needed to ensure natural gas is available to all users in times of unexpectedly tight supply; and
- Our regular supply and demand studies.

Consumer voice

Based on preliminary work showing fuel switching costs may be much higher than thought, we are interested in better understanding the lifetime cost and emissions outlook for residential and small commercial gas customers. In FY2026 we propose to:

- Investigate the lifetime cost to residential consumers and the cost of emissions abatement of fuel switching.

Q3: Do you consider there to be any other items that should be included in Gas Industry Co's intended Work Programme for FY2026? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.

Q4: Do you consider there to be any items that should be excluded from Gas Industry Co's intended Work Programme for FY2026? Please provide reasons for your response.

4. Funding of Operations



4.1 Sources of Funding

Gas Industry Co has two main sources of funding to meet the total costs of delivering on the Work Programme and other aspects of its role as the industry body – the levy and market fees.

Levy

The levy funds the industry body's costs that are not covered by market fees, including the direct costs of workstreams and non-operational expenditure for the business.

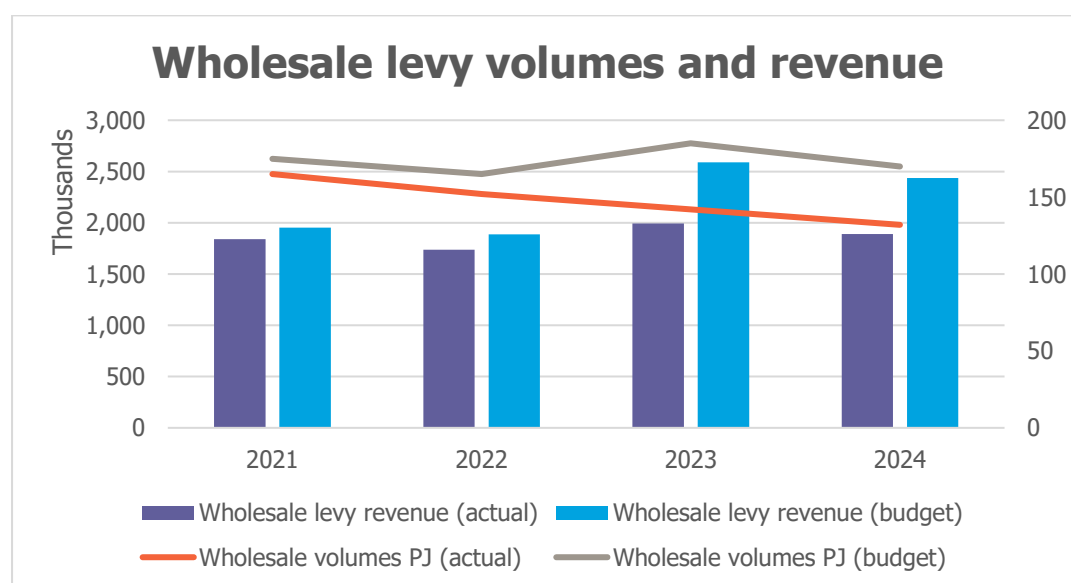
Market Fees

Established gas governance rules and regulations include provision to recover costs directly required to meet Gas Industry Co's obligations under those arrangements (referred to as 'market fees'). These cover the contractually agreed costs of any service providers (particularly the Allocation Agent, the Registry Operator and the Critical Contingency Operator) and any other expected direct costs related to the monitoring of those arrangements.

A formal estimate of market fees for each set of rules or regulations is published two months before they apply with each new financial year commencing on 1 July. Market fees collected are applied to actual expenses incurred for each set of rules or regulations. Any shortfall or excess fees are invoiced/credited to the market fee payers in a year-end 'wash-up'.

4.2 Shortfall in wholesale levy revenue not sustainable

Over recent years we have managed significant shortfalls in wholesale levy revenue due to actual gas volumes being less than budgeted gas volumes. This is not sustainable if we want to continue to deliver our work programme.



We reviewed our current practice of including all salary costs in the levy, and none in market fees, even though the rules/regulations allow for this.

We carried out an exercise to determine the portion of time staff spend working on gas governance arrangements vs time spent on other work. This has resulted in \$900,000 being reallocated from the levy to market fees in FY2026.

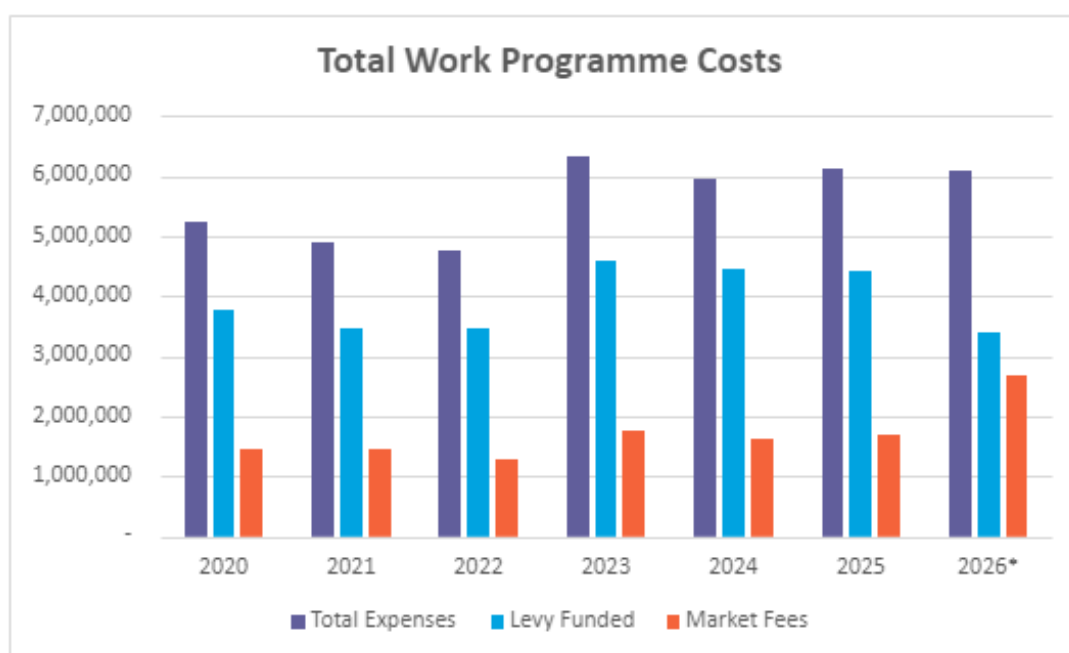
The impact of this reallocation to levy/market fee payers is small overall.

Using 2024 numbers, 9 of 13 industry participants will pay less overall than they currently do. Of the 4 who will pay more, the increases range from 2% to 6% for all but one industry participant (a small gas retailer who does not pay the wholesale levy so doesn't benefit from the offsetting reduction in amounts funded by the levy).

In our view, this reallocation of salary costs more accurately reflects the allocation of staff time and effort across our various activities.

4.3 Total Work Programme Costs

The reallocation of salary costs has resulted in a FY2026 levy funding requirement of \$3,410,198 (\$4,422,758 in FY2025), and market fees of \$2,674,550 (\$1,694,566 in FY2025). Added together, this results in total work programme costs for FY2026 of \$6,084,748 (\$6,117,324 in FY2025), as illustrated in the diagram below:



Combining all of the above, the levy funding requirement for FY2026 can be calculated as follows:

Description	\$
Gas Governance	
Comprising: Gas Governance arrangements; Gas Governance arrangements recommendation to the Minister; Critical Contingency Management; Levy; Retail Gas Contracts Oversight Scheme; Gas Distribution Contracts Oversight Scheme; Other Reporting.	3,712,436
Facilitating Industry Systems and Processes	
Comprising: emsTradepoint; Guidelines to Enhance Consumer Outcomes; Gas Transmission.	1,207,338
Trusted Advisor to Government and Industry	
Comprising: Security of supply; Consumer voice.	1,164,974
Total Work Programme Costs	6,084,748
Less: Approximate Market Fees	(2,674,550)
Levy Funding Requirement	3,410,198

4.4 Proposed Levy Method and Rates

Gas Industry Co's existing levy method:

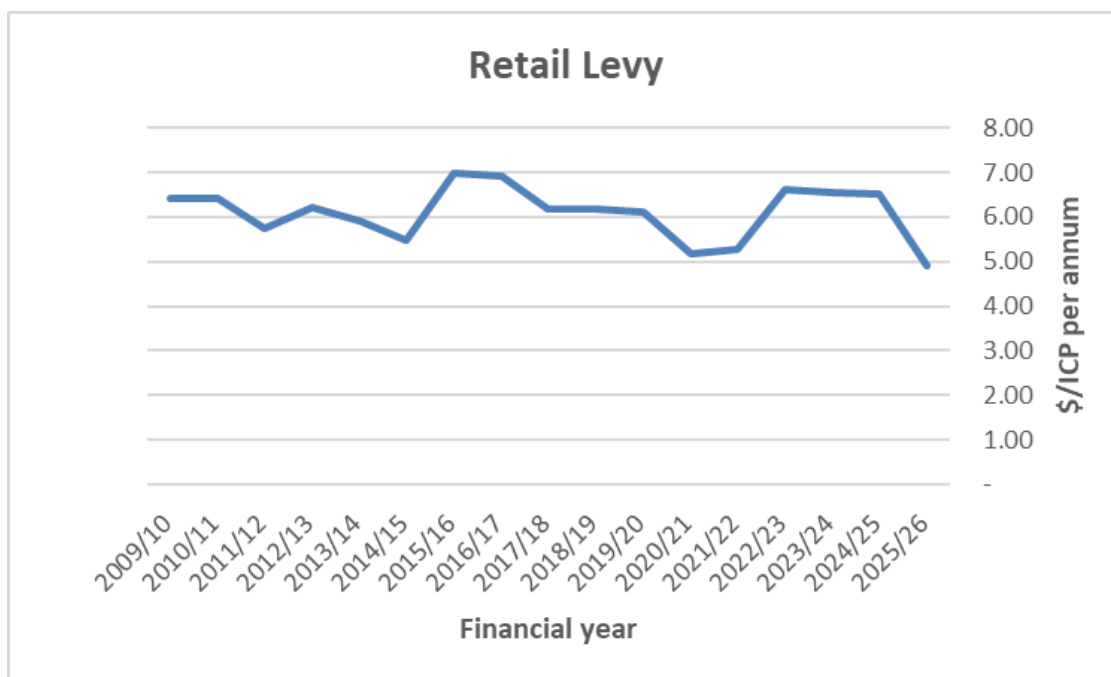
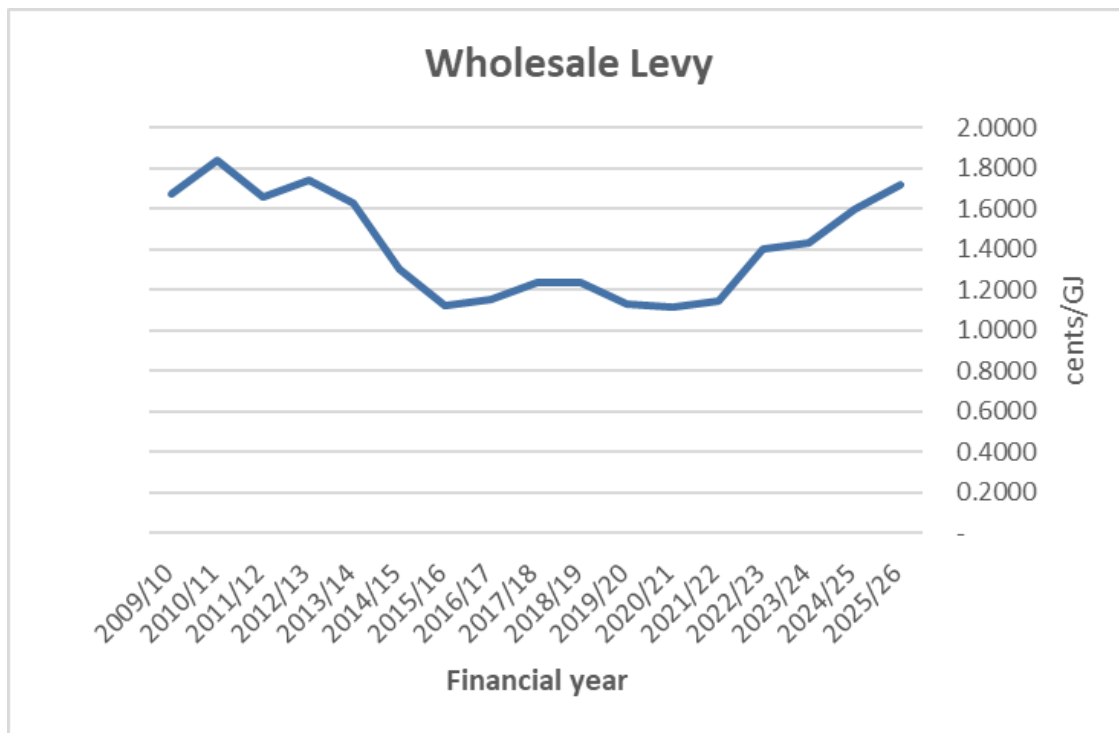
1. Is based on a set of [Levy Principles](#). In summary, those Principles are economic efficiency, beneficiary pays, rationality, simplicity, equity, and revenue sufficiency; and
2. Has two components: a wholesale component and a retail component. These components are apportioned according to the cost allocated to each part of the annual work programme and apportioned among levy payers pro rata with either their wholesale levy volumes or ICP market shares. In years when the work programme focusses on retail issues, for instance, the retail levy rate will increase while the wholesale levy rate will decrease.

These arrangements have remained unchanged since 2007.

Based on the TWPC above, the levy rates for FY2026 would be:

1. Wholesale levy: 1.7158c/GJ (up from 1.5952c/GJ in FY2025, a 7.56% increase); and
2. Retail levy: \$4.90/ICP (down from \$6.53/ICP in FY2025, a 25.02% decrease).

The 7.56% increase in the FY2026 wholesale levy is driven by a 110 PJ draft gas volume assumption (down from 150 PJ in FY2025). The retail levy has decreased as amounts required to be funded by the retail levy have reduced, while the number of ICPs has remained steady (311,000). The trend in both wholesale and retail levies is illustrated in the graphs below:



Assumptions:

- The draft gas volume assumption for FY2026 is 110 PJ (down from 150 PJ in FY2025). This has led to a 7.56% increase in the wholesale levy for FY2026.
- The ICP assumption of approximately 311,000 is based on the current number of ACTIVE-CONTRACTED entries in the gas registry adjusted for average monthly growth. This is unchanged from FY2025.

Q5: Gas Industry Co is particularly interested in industry comment on the forecast gas volumes - do stakeholders consider the 110 PJ projection reasonable? If not, what would they consider an appropriate gas volume estimate to be? **NOTE – any submissions provided in response to this question will be treated as confidential and will not be published.**

Q6: Do you have any comment on the proposed levy rates for FY2026?

Appendix A – Recommended format for submissions



To assist Gas Industry Co in the orderly and efficient consideration of stakeholders' responses, a suggested format for submissions has been prepared. Respondents are also free to include other material in their responses.

Question	Comment
Q1: Do submitters agree with Gas Industry Co's assessment of the strategic context?	
Q2: Do submitters have any comments on the process for developing Gas Industry Co's FY2026 Work Programme and Levy?	
Q3: Do you consider there to be any other items that should be included in Gas Industry Co's intended Work Programme for FY2026? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.	
Q4: Do you consider there to be any items that should be excluded from Gas Industry Co's intended Work Programme for FY2026? Please provide reasons for your response.	
Q5: Gas Industry Co is particularly interested in industry comment on the forecast gas volumes - do stakeholders consider the 110 PJ projection reasonable? If not, what would they consider an appropriate gas volume estimate to be? NOTE – any submissions provided in response to this question will be treated as confidential and will not be published.	
Q6: Do you have any comment on the proposed levy rates for FY2026?	

About Gas Industry Co

Gas Industry Co is the gas industry body and co-regulator under the Gas Act. Its role is to:

- Develop arrangements, including regulations where appropriate, which improve:
 - the operation of gas markets;
 - access to infrastructure; and
 - consumer outcomes;
- Develop these arrangements with the principal objective to ensure that gas is delivered to existing and new customers in a safe, efficient, reliable, fair, and environmentally sustainable manner; and
- Oversee compliance with and review such arrangements.

Gas Industry Co is required to have regard to the Government's policy objectives for the gas sector, and to report on the achievement of those objectives and on the state of the New Zealand gas industry.

SUBMISSIONS CLOSE:
7 February 2025

SUBMIT TO:
consultations@gasindustry.co.nz

ENQUIRIES:
info@gasindustry.co.nz