



# FY2024 Draft Work Programme and Budget Co-Regulatory Forum

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# Agenda

- **Objective**
- **Strategy**
- **Proposed Work Programme**
- **Funding**
- **Questions & Discussion**

## Objective

**Gas Industry Co seeks to ensure that gas is delivered to consumers in a safe, efficient, reliable, fair, and environmentally sustainable way.**

# Strategy



## FY2024 Planning process starts early

<b>Oct/Nov 2022</b>	Board notes Indicative Work Programme & Budget
<b>1 December</b>	Industry initial engagement (Co-regulatory Forum)
<b>15 December</b>	Board approves Consultation Paper for Work Programme and Levy
<b>January/February 2023</b>	Industry submissions
<b>February</b>	Board approves Levy Recommendation
<b>March</b>	Recommendation to Minister for Levy Regulations

Levy Regulations  
take effect  
1 July 2023

# Gas Industry Co proposed work programme FY2024

## Proposed work programme

- Gas transition plan
- Critical contingency management
- Advanced gas metering
- Guidelines to enhance consumer outcomes
- Downstream reconciliation / D+1
- Retail gas contracts oversight scheme
- Gas transmission
- Gas governance
- Other

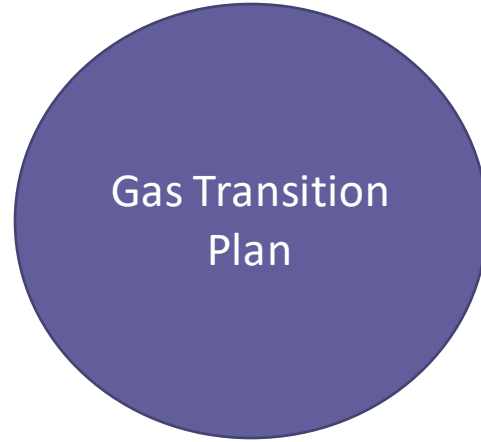
# Gas transition plan

- Recommendations from the gas transition plan may be implemented in FY2024. Recommendations may include any of the following:
  - blending of biogas into gas networks;
  - tradeable renewable gas certificates;
  - new regulatory arrangements relating to CCUS;
- Recommendations arising from the gas transition plan may require new gas governance arrangements or amendments to existing arrangements.





Published in 2021: called  
for a gas transition plan



2022: Development of the  
Plan. Targeted  
engagement.

Mid-2023: Public  
consultation.

Second-Half of 2023:  
Finalisation of the Plan.

End of 2023: Final plan.



End of 2024:  
Publication of Energy  
Strategy.

# Critical Contingency Management

- Make a Recommendation to the Minister to amend the CCM Regulations;
- Support MBIE through the legislative change process;
- Implement proposed changes to the CCM Regulations including consequential changes to existing industry processes.

## Advanced gas metering

- Finish working through issues list with AGMI working group;
- Consult on a draft Statement of Proposal for rule changes and determine the preferred approach for non-regulatory aspects;
- Make a Recommendation to the Minister and begin implementation of system changes;
- Go-live of new arrangements and monitoring of new processes (eg UFG allocation and D+1) to ensure they are working effectively.

# Guidelines to enhance consumer outcomes

- Follow up on steps taken by dual fuel retailers to comply with the guidelines in accordance with the 12-month review process in the following guidelines:
  - Consumer Care Guidelines
  - Guidelines for Raising Awareness of Utilities Disputes and Powerswitch
  - Saves and Winbacks Guidelines
- Commence work on any actions arising from the review of participants' processes.

## Downstream reconciliation / D+1

- Complete regulatory process to codify D+1 (assuming continued support): Options paper -> Statement of Proposal -> Recommendation to Minister;
- Procurement process and execution of new service provider agreement for Allocation Agent (current contract expires end of 2023);
- Ensure alignment of allocation system and processes with market changes (D+1, advanced metering, renewable gases).

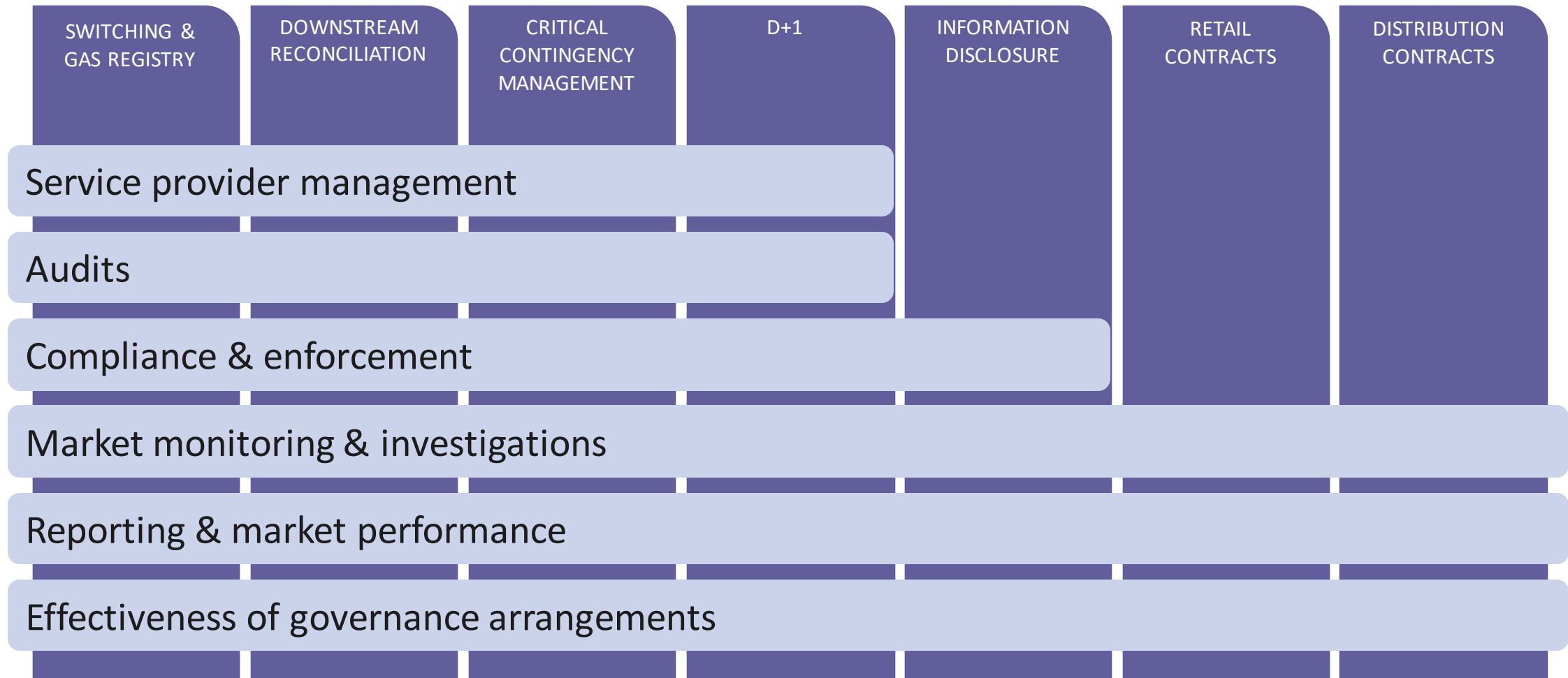
# Retail Gas Contracts Oversight Scheme

- Review the Scheme's Benchmarks and Reasonable Consumer Expectations in light of changes to industry processes (e.g. Consumer Care Guidelines) and legislative changes.

# Gas transmission

- Potentially working with the Commerce Commission regarding recommendations impacting pipeline regulation in the Gas Transition Plan;
- Monitor asset management plans for gas transmission and report on any significant matters;
- Review transmission pipeline interconnections as required, address any concerns regarding reasonable access, and amend the Guidelines as required.

# Gas Governance





# Other

- Information Disclosure – review performance of Gas (Facilities Outage Information Disclosure) Rules 2022 including disclosing party compliance;
- Gas Supply/Demand – commission annual updates;
- Review the Gas Distribution Contracts Oversight Scheme following discussions with retailers and distributors, and report on any necessary changes;
- Consider whether any additional or changed mechanisms are needed to ensure fossil gas is available to industrial users in times of unexpectedly tight supply.

# Funding

# Two main sources of funding: Market fees and Levy

## Market fees:

- Provided for in gas governance rules and regulations;
- Cover costs of most 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 FY2024 budget;
- Gas Industry Co required to wash-up at year end - either invoices under-recovery, or credits over-recoveries.

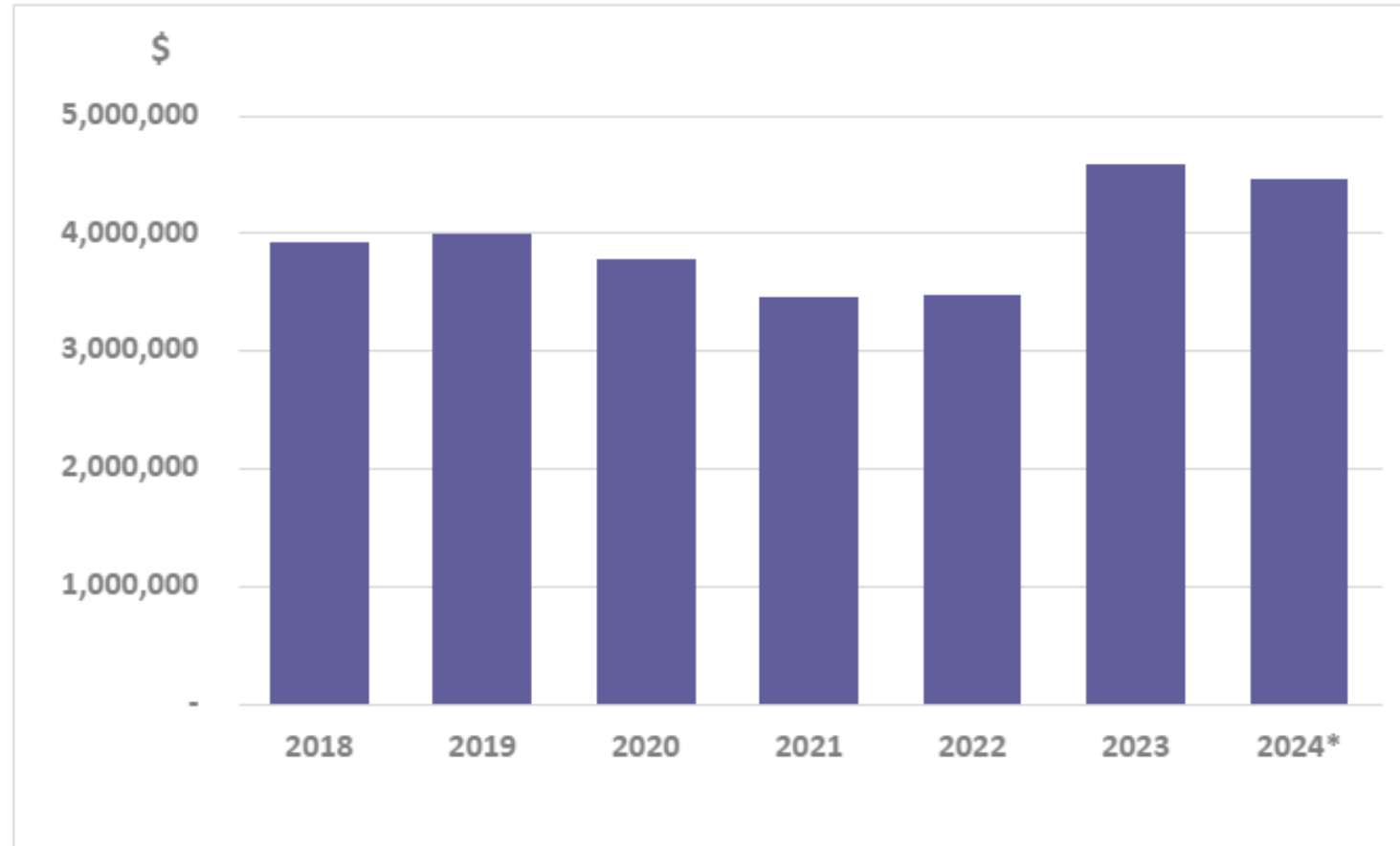
## Levy:

- Cover 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 by gas retailers on the 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;
- Gas Industry Co Board practice has been to return any over recovery and/or underspend.

# Projected FY2024 expenditure

Levy funding requirement	Market fees	Total work programme costs
\$4,455,703	\$1,487,750*	\$5,943,453
2.7% decrease from FY2023 (\$4,579,373)	+ 13.2% decrease from FY2023 (\$1,713,450)  *Placeholder - Market fees estimated in April	= 6.3% decrease from FY2023 (\$6,340,373)

# Levy funding requirement



## Comparison of FY2023 and FY2024

	FY2024 (indicative)	FY2023 (published)	Variance
Levy Funding requirement	\$4,455,703	\$4,579,373	2.7% decrease
Wholesale volume estimate	170PJ	185PJ	8.1% decrease
Wholesale Levy	1.4326c/GJ	1.3997c/GJ	2.4% increase
Retail Levy	\$6.54/ICP	\$6.63/ICP	1.4% decrease

## Year-on-year levies



The wholesale levy increase in FY2024 is due to reduced gas volumes (185 PJ vs 170 PJ).

## Crucial Questions

- Are you broadly satisfied with our gas governance, facilitation, and trusted adviser roles?
- Is there any other work you think we should be doing that we have not included in the work programme? Are there gas industry issues that we haven't identified?



## Crucial Questions

- Do you support inclusion of the work streams mentioned above in our upcoming work programme?
- Do you have any feedback on the wholesale volume forecast for FY2024 of 170PJ? Does this look reasonable?
- Do you support the approach we're taking to working with industry on the Gas Transition Plan?



Thank you