



FY2025 Draft Work Programme and Budget Co-Regulatory Forum

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Agenda

- Housekeeping
- Objective
- Strategy and co-regulatory model
- Proposed Work Programme
- Funding
- Questions & Discussion

Gas Act and GPS objectives

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

Strategy



FY2025 Planning process starts early

Oct/Nov 2023	Board notes Indicative Work Programme & Budget
30 November	Industry initial engagement (Co-regulatory Forum)
14 December	Board approves Consultation Paper for Work Programme and Levy
9 February 2024	Industry submissions due
27 February	Board approves Levy Recommendation
March	Recommendation to Minister for Levy Regulations

Levy Regulations
take effect
1 July 2024

Gas Industry Co proposed work programme FY2025



Proposed work programme

- Gas transition plan
- Energy transition
- Future levy arrangements
- Critical contingency management
- Guidelines to enhance consumer outcomes
- Distribution contracts scheme
- Gas transmission
- Retail gas contracts oversight scheme
- Changes to gas governance arrangements
- Gas governance

Gas Transition Plan

Recommendations from the Gas Transition Plan may require new gas governance arrangements or amendments to existing arrangements. Recommendations may include any of the following:

- 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;
- New regulatory arrangements relating to CCUS;
- Measures to support and strengthen gas security of supply, including security for industrial use and electricity.

Energy Transition

While work on issues relating to the gas transition will continue to be required in FY2025, further issues in the energy transition will overlap and complement the substance of the Gas Transition Plan. Examples of energy transition issues include:

- Investment in ongoing field development, and solutions to investment confidence issues;
- Measures to ensure gas is available, including for electricity (where responsibility for markets involves collaboration between regulatory agencies);
- Our regular supply and demand studies. The latest draft supply and demand study will be released imminently.
- Engagement with agencies responsible for achieving emissions reductions to ensure measures align with security of supply and emissions reductions plans in the gas sector.

Future levy arrangements

Gas Industry Co's levy arrangements have remained unchanged since 2007. However, forecast declining wholesale levy volume are likely to lead to a scenario where wholesale levy rates would need to increase to an unsustainable level in order to continue to fund our work programme. As a result of this, in FY2025, we intend to:

- Review Gas Industry Co's levy funding method, explore any viable alternatives, and consult with Industry.

Critical Contingency Management

We are currently progressing a number of amendments to the CCM Regulations to improve the efficiency and effectiveness of those Regulations. These changes have been driven by experience with the Regulations and feedback on events and exercises. In FY2025 we intend to:

- Support MBIE through the legislative change process;
- Implement proposed changes to the CCM Regulations including assessment of consequential changes to existing industry processes (e.g. pressure thresholds).

Guidelines to enhance consumer outcomes

- Assess retailer alignment with guidelines to enhance consumer outcomes developed in response the Electricity Price Review (scheduled for August 2024).
- Consider feedback from retailers raised during the August 2023 assessment of dual-fuel retailer alignment.

Distribution Contracts Scheme

- Firstgas is in the process of implementing a new distribution contract.
- Under our current industry arrangements, Gas Industry Co has an assessment role in relation to new or revised distribution contracts.
- The success of this process will assist our decision making regarding next steps in this workstream.
- Important considerations:
 - retailers signing up to distribution contracts; and
 - changes for transition issues (e.g. biomethane injection into distribution networks).

Gas Transmission

- Consider any emerging issues regarding suitability of transmission arrangements during the energy transition.
- Monitor asset management plans for gas transmission and report on any significant matters .
- Assessing any proposed changes to the transmission codes, including in relation to transmission pricing that Firstgas is currently considering.
- Review transmission pipeline interconnections as required, address any concerns regarding reasonable access, and amend the Guidelines as required.

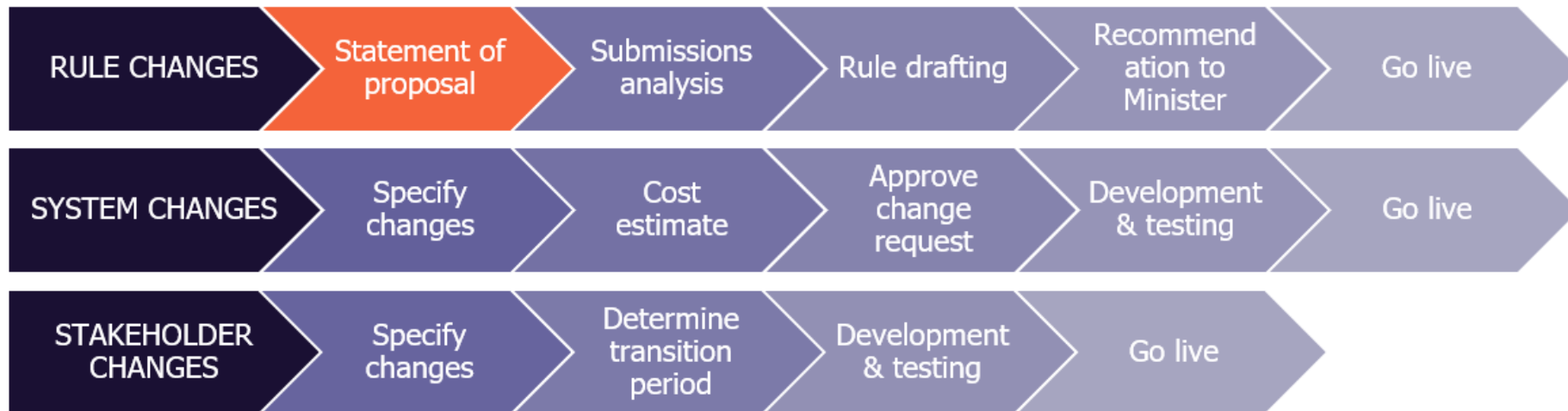
Retail Gas Contracts Oversight Scheme

In FY2024 a review of the Scheme's Benchmarks and Reasonable Consumer Expectations was initiated in light of changes to industry processes (eg Consumer Care Guidelines) and legislative changes. Any resulting changes will be implemented following engagement with industry participants and prior to the next independent review of retailer alignment taking place. Forecast activities in FY2025 include:

- Implementation (including further engagement on and consultation with industry participants as appropriate) of proposed amendments arising from FY2024 review of Benchmarks/RCEs;
- Review new-entrant retail contracts, as requested; and
- Provide information to new entrant retailers to help them understand their obligations and the governance processes.

Changes to gas governance arrangements

- Amendments to Reconciliation Rules and Switching Rules (and associated systems) arising from market-led initiatives: AGMI rollout, D+1 pilot, biomethane injection
- Proposals largely informed by industry working groups
- Statement of Proposal will be published in the next few days

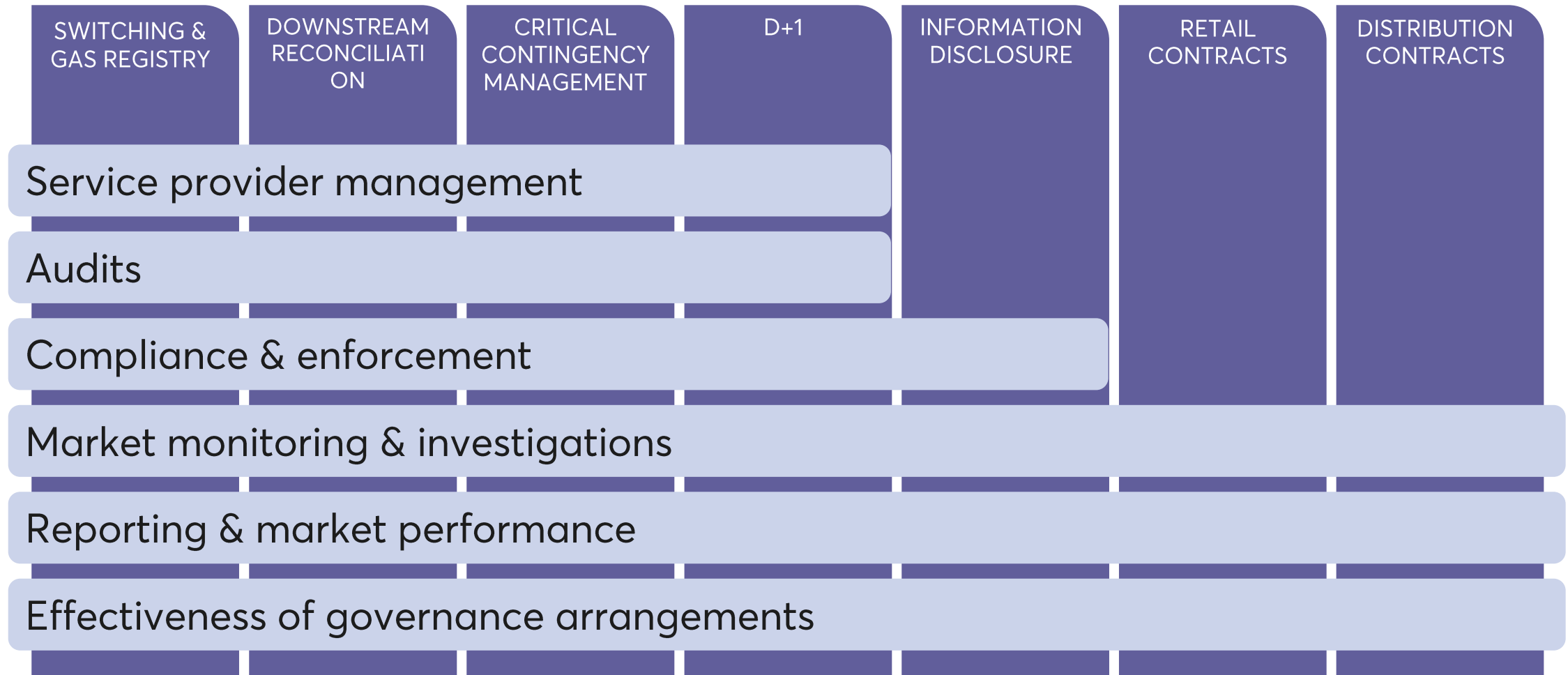


Gas Governance

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



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 FY2025 budget;
- Gas Industry Co required to wash-up at year end - either invoices under-recovery, or credits over-recoveries.

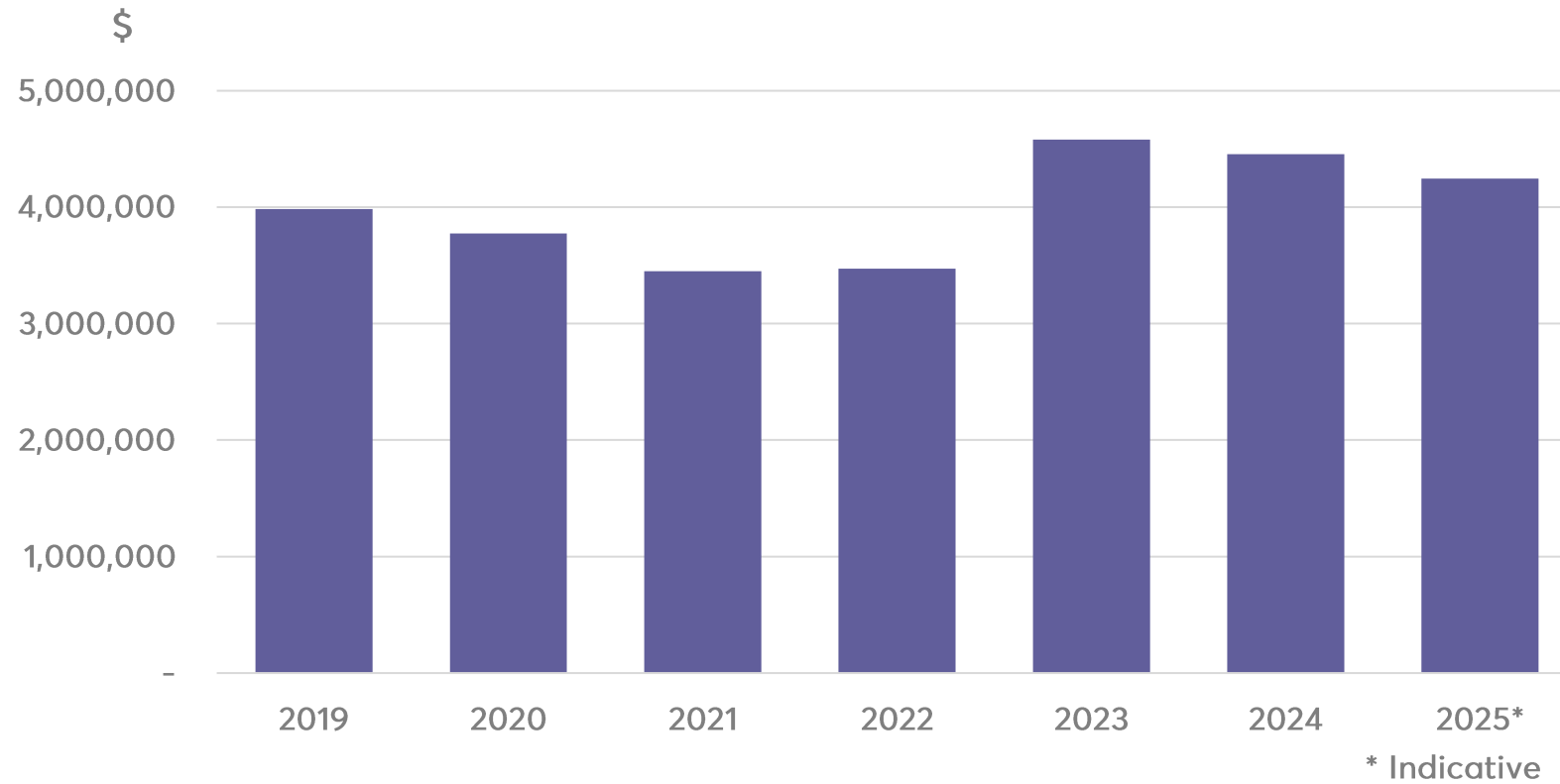
Levy:

- 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 FY2025 expenditure

Levy funding requirement		Market fees		Total work programme costs
\$4,422,758		\$1,694,566*		\$6,117,324
0.74% decrease from FY2024 (\$4,455,703)	+	4.54% increase from FY2024 (\$1,621,000)	=	2.93% increase from FY2024 (\$5,943,453)
		*Placeholder - Market fees estimated in April		

Levy funding requirement



Comparison of FY2024 and FY2025

	FY2025 (indicative)	FY2024 (published)	Variance
Levy Funding requirement	\$4,422,758	\$4,455,703	0.74% decrease
Wholesale volume estimate	150PJ	170PJ	11.76% decrease
Wholesale Levy	1.5952c/GJ	1.4326c/GJ	11.35% increase
Retail Levy	\$6.53/ICP	\$6.54/ICP	0.19% decrease

Year-on-year levies



The wholesale levy increase in FY2025 is due to reduced gas volumes (150PJ vs 170PJ).

Crucial Questions

- Are you satisfied with our governance, facilitation and advisor roles?
- Is there any other work that you think we should be doing that we haven't included in the work programme?
- Are there gas industry issues that we haven't identified?
- How will our work programme be impacted by changes in gas demand and supply?
- Do you support inclusion of the energy transition and gas transition plan work streams in our upcoming work programme?
- What issues in the gas sector will need more attention in future?
- What regulatory and strategic issues affecting gas are the most important to you?



Thank you