



Statement of Intent

Financial Years 2023–2025



Gas Industry Co.





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The Gas Industry Company Limited (Gas Industry Co) was established in 2004 as the industry body under Part 4A of the Gas Act 1992 (Gas Act).

This Statement of Intent has been prepared by Gas Industry Co to meet the requirements of section 43ZQ of the Gas Act. It sets out the intended scope and objectives of Gas Industry Co's operations for the financial year ended 30 June 2023, and the following two financial years (30 June 2024 and 30 June 2025), and it provides information about the Company and its operating environment.

The work programme described in this Statement of Intent is designed to meet the governance objectives set out in section 43ZN of the Gas Act, with regard also to the objectives and outcomes of the April 2008 Government Policy Statement on Gas Governance, as well as the wider strategic objectives of the Company.

The Company's 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 of ensuring that gas is delivered to existing and new customers in a safe, efficient, reliable, fair and environmentally sustainable manner
- Oversee compliance with and review such arrangements.

Gas Industry Co is required to report on the achievement of those objectives and on the performance and the current state of the New Zealand gas industry.



Rt Hon James B. Bolger, ONZ
Chair
June 2022



Robin Hill
Deputy Chair
June 2022

Foreword

This year's Statement of Intent outlines a considerably expanded work programme, updated to respond to the transition of the gas industry to a lower carbon future.

The transition is complicated by New Zealand's energy constraints, which were highlighted during 2021, when a decline in gas production coincided with reduced availability of renewable energy for electricity.

The resulting pressure on prices and energy availability provided us all with a reminder of the importance of managing the transition. The Minister of Energy and Resources requested an investigation into the security of gas supply and the adequacy of gas market settings.

This was a major project for us, and the insights were timely. Although the market settings were generally well supported across the industry, we recommended a substantial further work programme to strengthen the industry's readiness for the transition.

Our assessment of the highest priority work needed is reflected in this Statement of Intent.

De-carbonisation, a changing gas market, long-term field decline, and investment confidence will be major themes for our work. Alongside our work in gas governance and market facilitation, Gas Industry Co is providing more advice to the sector and government.

We appreciate the constructive cooperation of industry in supporting this work and look forward to continuing our work alongside industry professionals, government, fellow regulatory bodies, and our many, valuable stakeholders in the wider community.



Rt Hon James B. Bolger, ONZ

Chair

June 2022



Andrew Knight

Chief Executive

June 2022

Work programme priorities

This section sets out the main elements of Gas Industry Co's work programme for FY2023, and indicatively for the following two financial years. These elements are summarised in Table 1 (see page 7).

The work programme structure is designed to fulfil our statutory role through efficient governance arrangements, progressing new or committed/ongoing projects that are important to the industry and other stakeholders, and facilitating forward-looking discussion on future strategic issues.

Efficient governance arrangements

- Administer existing rules and regulations:
 - » Gas (Switching Arrangements) Rules 2008 (Switching Rules);
 - » Gas (Downstream Reconciliation) Rules 2008 (Reconciliation Rules);
 - » Gas Governance (Critical Contingency Management) Regulations 2008 (CCM regulations); and
 - » Gas Governance (Compliance Regulations) 2008 (Compliance Regulations).
- Administer non-regulated monitoring arrangements, including:
 - » Retail Gas Contracts Oversight Scheme;
 - » Gas Distribution Contracts Oversight Scheme;
- Review governance arrangements to ensure they remain fit for purpose and recommend changes where improvements can be made efficiently;
- Monitor the compliance of industry participants and take enforcement action only where necessary; and
- Monitor and report on metrics arising from the market and regulatory processes to enhance transparency and foster a well-informed market.

Priority or committed and ongoing projects

A number of important projects are in train or in prospect to resolve priority issues within the industry and better meet the Gas Act and GPS objectives. Priority projects include:

- Workstreams from the gas market settings investigation:
 - » Gas Transition Plan work with MBIE;
 - » Improving commercial arrangements supporting electricity security of supply;
 - » Four other workstreams to improve the operation of the gas sector during the transition:
 - Information availability to help enable participants and users to predict and plan better, for example through more regular supply and demand studies;
 - The regulatory framework for gas pipelines;
 - How gas supports energy needs that cannot be met by electricity (including green gases, avoiding and reducing emissions, and the viability of emission capture);
 - Additional mechanisms to ensure gas is available to industrial users in unexpected tight situations.
- Information disclosure;
- Advanced gas metering; and
- Workstreams closely associated with changes to the gas transmission access arrangements.

Future strategic issues

As part of our requirement to report on the performance and current state of the New Zealand gas industry, as well as our strategic objective to communicate the role of gas in meeting the country's energy needs, Gas Industry Co develops discussion and papers on the role of gas in New Zealand.

Past reports commissioned by Gas Industry Co have focused on consumer energy options, options for gas commercialisation, supply and demand study to assist participants make informed decisions, and the potential for demand management as a tool for managing transmission pipeline congestion. The work programme provides an ongoing focus on identifying and advancing such issues.

Table 1. Gas Industry Co's roles and activities

Role	Comprising
1. Gas governance	<ul style="list-style-type: none"> • Critical contingency management • Electricity price review • Advanced gas metering • Retail Gas Contracts Oversight Scheme • Gas Distribution Contracts Overnight Scheme • Downstream reconciliation and d+1 • Switching and registry • Compliance and enforcement • Statement of Intent and Annual Report • Other reporting
2. Facilitating industry systems and processes	<ul style="list-style-type: none"> • Information disclosure • Gas transmission pipeline access
3. Trusted advisor to government and industry	<ul style="list-style-type: none"> • Gas market settings investigation • Monitor and support the potential use of hydrogen in New Zealand • Sector coordinating entity role – COVID-19 pandemic • Provide gas market information and analysis that enables the industry to make informed decisions

Consultation process

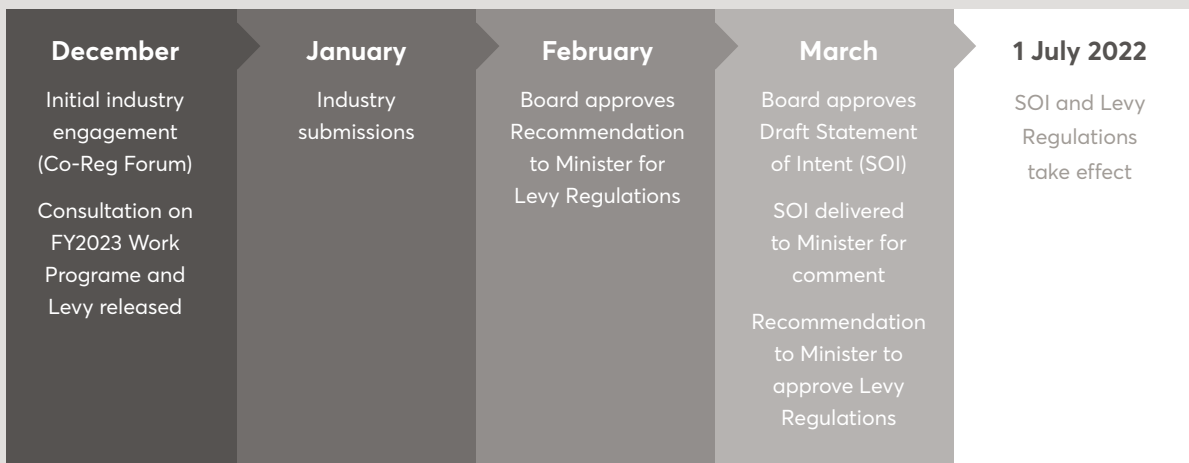
Consultation with industry stakeholders on Gas Industry Co's intended work programme and budget requirements commenced with the Co-regulatory Forum, held in December 2021.

The work programme and budget addressing the Company's strategic priorities were detailed in a Consultation Paper, which was issued in December 2021. Submissions on the Consultation Paper were taken into account in finalising the recommendation to the Minister for levy funding through regulations (Levy Recommendation) for the financial year ending 30 June 2023.

The consultation process led to the development of this Statement of Intent which, along with the Levy Recommendation, provides the basis for Gas Industry Co to deliver robust outcomes for gas consumers and the wider industry as part of our mandate as the industry body. The Levy Recommendation and draft Statement of Intent are presented to the Minister in March each year.

Figure 1 sets out the consultation and approval processes leading to the annual promulgation of Levy Regulations.

Figure 1. Consultation process



Operating environment

Gas Industry Co's work programme is directly influenced by the industry structure, and the legislative and policy framework. Together these form the Company's operating environment.

Industry context

The industry is likely to produce a diminishing quantity of gas at the same time that gas will continue to be needed to provide security against intermittency in an increasingly renewable energy system.

Over the coming decade we expect to see a few years of relatively balanced gas supply with some seasonal challenges, followed by a decline in gas production into the 2030s. Gas supply will be determined by investment in field development, with investment over the next five years setting the context for post-2030.

More regular supply and demand studies will help decision-makers to understand the outlook better.

Market participants are generally supportive of the current market arrangements. However, one weakness of the market today is that participants may be inadequately incentivised to provide security of supply beyond their own customers. Energy shortages can result, with associated risks from sharp price rises and scarcity.

The co-regulatory model provides for the identification of issues and delivers a regulatory context that encourages the industry to be the master of its own destiny with a regulatory backstop.

Our planned work alongside MBIE on the gas transition plan will be a multi-year project. It will form an input to the national energy strategy and help to provide more stability in industry regulation to help the industry prepare and make optimal choices in the supply and use of gas.

Legislative and policy framework

The gas industry downstream of the exploration and production sector is operated under a co-regulatory model. Gas Industry Co is the industry body. It creates the link between government and industry, delivers improved governance arrangements for participants and consumers, and provides high quality advice.

Gas Industry Co's regulatory oversight spans wholesale and retail natural gas markets, processing facilities, transmission and distribution, and early stage planning for the emergence of hydrogen and biofuels.

Gas Industry Co's role in relation to the gas transmission and distribution sector focuses on open access to pipelines. The Commerce Commission has a complementary role in relation to economic regulation of those assets. The Gas Act provides for the two agencies to work together on any areas of overlap.

The settings are 'co-regulatory' because the Gas Act framework has Gas Industry Co making recommendations to the Minister of Energy and Resources, having regard to the objectives for the industry body in the Gas Act, and the objectives and outcomes in the Government Policy Statement.

The industry body's principal objective in recommending regulations is to ensure that gas is delivered to existing and new customers in a safe, efficient, and reliable manner.

The government policy statement has a broader policy objective: it sets, for the entire gas industry, the objective of ensuring that gas is delivered to existing and new customers in a safe, efficient, fair, reliable and environmentally sustainable manner.

Other objectives specified by the Gas Act for the industry body in recommending regulations include:

- Facilitating and promoting the supply of gas to meet New Zealand's energy needs, by providing access to essential infrastructure and competitive market arrangements;
- Ensuring barriers to competition are minimised, and incentives are maintained or enhanced for investment in gas processing facilities, transmission, and distribution;
- Delivered gas costs and prices are subject to sustained downward pressure;
- Risks relating to security of supply, including transport arrangements, are properly and efficiently managed by all parties; and
- Consistency is maintained with the Government's gas safety regime.

Additional objectives for Gas Industry Co and the gas industry are set out in the Government Policy Statement, and include:

- Efficient use of energy and other resources that deliver gas to consumers;
- Facilitating competition in upstream and downstream gas markets by minimising barriers to access to essential infrastructure to the long-term benefit of end-users;
- The full costs of producing and transporting gas are signalled to consumers;
- Where gas services include a trade-off between quality and price, as far as possible, they reflect customers' preferences; and
- The gas sector contributes to the government's climate change objectives (as set out in the New Zealand Energy Strategy, or any other document the Minister may specify from time to time) by minimising gas losses and promoting demand-side management and energy efficiency.

The Minister has statutory powers to make rules or to recommend regulations on a wide range of gas governance matters. The industry body, as co-regulator, advises the Minister about the exercise of many of these powers and must follow prescribed procedures before making a recommendation to her. Mandatory requirements include consultation with affected stakeholders and assessment of the costs and benefits associated with any recommendation. It must consider all reasonably practicable options, including non-regulated options that achieve the same outcome.

Gas Industry Co monitors existing arrangements for effectiveness and relevance.



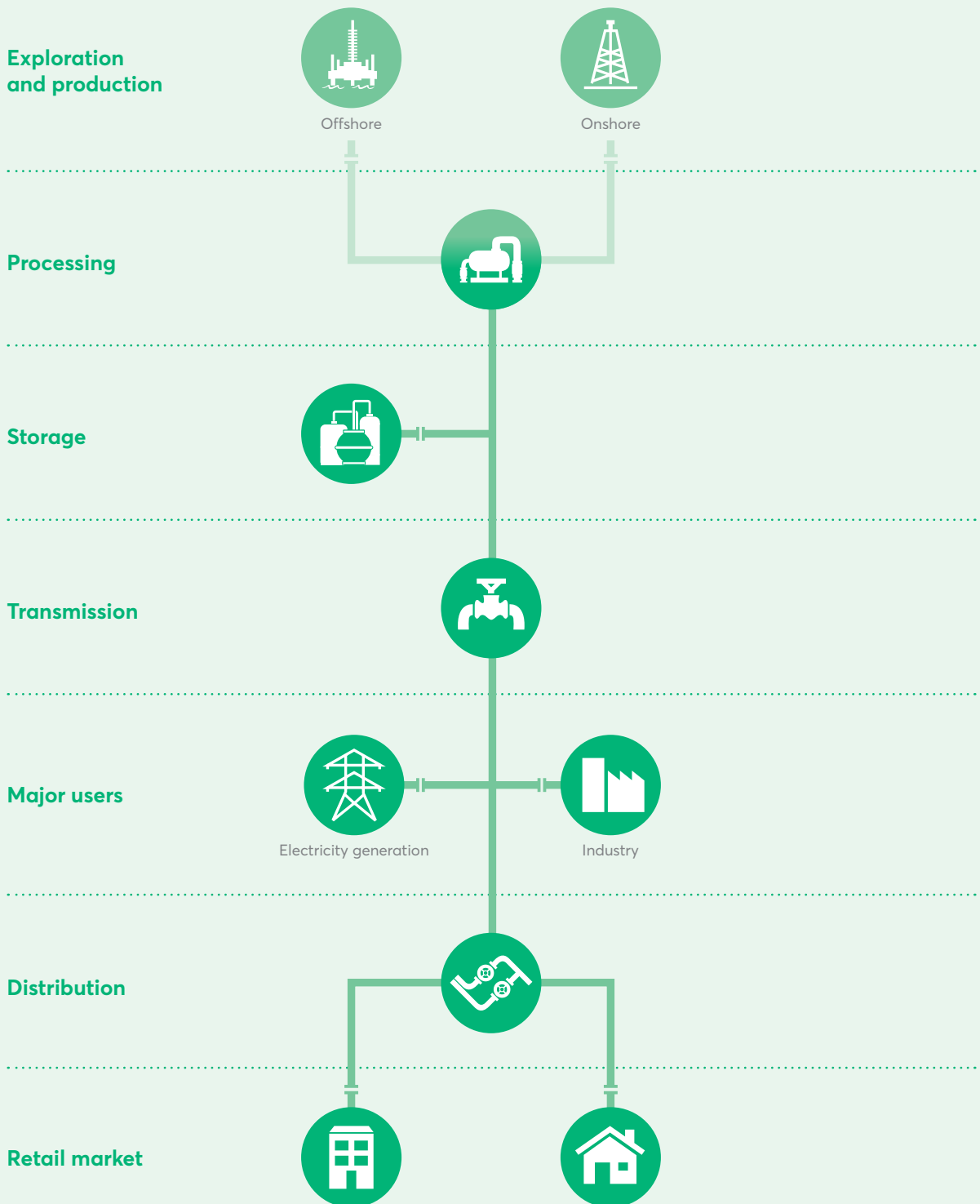
Gas Industry Co governance

Gas Industry Co is owned by industry participant shareholders and is incorporated as a company under the Companies Act 1993.

Strategic oversight of the company is provided by the board of seven directors, all elected by the shareholders. Four directors, including the chair, are independent (having no material or financial interest in an industry participant), and three are non-independent directors (usually senior executives of industry participants).

The Board meets about eight times a year and whenever matters requiring immediate attention require. The board has one standing committee, the Independent Directors' Committee, comprising the four independent directors. The committee addresses matters where the industry-associated directors have potential or actual conflicts of interest.

Figure 2. Gas industry structure



Gas Industry Co's Strategy

Gas Industry Co's strategy is to deliver its statutory role, and frame its proposed FY2023 work programme.



Industry performance

Gas Industry Co's strategic and work programme objectives seek to align with government policy objectives and outcomes, and to support industry performance, particularly in relation to consumer switching, downstream reconciliation, critical contingency management and transmission system balancing.

Gas Industry Co tracks the performance of the switching rules, reconciliation rules and CCM regulations and reports on their ongoing effectiveness, the competitive outcomes they foster, and industry participants' adherence to them.

The retail market is vibrant and competitive

Annual switching rates (an indicator of contestability in the market) have ranged from 14 per cent to 18 per cent in the last five years. **See Figure 3 on page 15.**

Switches are completed quickly

On average switches take place in just over two business days. As a comparison, gas switches in the UK take about 18 days for domestic consumers¹. **See Figure 4 on page 15.**

Gas customers generally have choice

The nine largest retailers are active at gas gates (where gas leaves the high-pressure transmission system and enters the local gas distribution networks) that together represent 85 percent of consumers.

Over 99.8 percent of consumers are connected at a gas gate where at least seven retailers trade.

In the past ten years, six retailer brands have entered the gas market: Energy Online (owned by Genesis Energy); MegaTEL (owned by Nova Energy); Trustpower; Pulse Energy; Switch Utilities; and Hanergy.

Market concentration has decreased

The gas market as a whole and in the regions where gas is available are less concentrated (**see Figure 5 on page 16**). New retailers have gained market share, diluting the dominance of previously incumbent retailers.

This change has been particularly striking in areas such as Waikato, Northland, Gisborne, and Hawke's Bay.

Unaccounted for gas is down over the past decade

Unaccounted-for gas (UFG) is the difference between the amounts of gas that retailers estimate their customers have used and the actual gas volume leaving the transmission system at a gas gate and entering the local distribution network.

UFG imposes a cost on the market as it is gas that retailers must pay for but cannot sell. It's therefore a measure of market efficiency.

Reconciliation Rules were introduced in 2009 to provide a process for attributing volumes of gas used by consumers at shared gas gates to the retailers responsible for them.

The Reconciliation Rules have been instrumental in reducing the level of UFG.

1. The UK regulator Office of Gas and Electricity Markets (Ofgem) publishes a number of retail market indicators, including switching times, on its website at <https://www.ofgem.gov.uk/data-portal/retail-market-indicators>



Cost savings to the industry associated with the rules-based system are estimated to be worth several million dollars a year.

Annual UFG has fallen from about 2 percent of gas consumed when the Rules were adopted, to about 1.6 percent today (see Figure 6 on page 16). However we are currently investigating the reason behind UFG increasing since early 2020.

Cost savings to the industry associated with the rules-based system are estimated to be worth several million dollars a year.

Benefits include improved market efficiency, more accurate retailer reporting, more equitable allocation of UFG among retailers, greater information transparency, and auditing that can more readily identify anomalies in consumption data.

Critical Contingency Management

The CCM regulations outline the industry's response during supply emergencies. The response can include demand curtailment.

The CCM regulations have been activated five times since they came into full effect in 2010. The most recent event was in May 2017, caused by a system imbalance related to excess demand during a planned production station outage.

Gas Industry Co monitors the effectiveness of the CCM regulations through reviews of critical contingency events and annual exercises.

Compliance with Governance Rules and Regulations

The Compliance Regulations provide for the monitoring and enforcement of the other gas governance rules and regulations. They are designed as an efficient, low-cost means of determining and, where appropriate, settling rule breaches that raise material issues.

Allegations of breaches are first considered by Gas Industry Co as the market administrator. If it deems a material issue exists, the matter is referred to an independent investigator for further examination and, where appropriate, settlement.

Settlements must be referred to the Rulings Panel for approval or rejection.

The Rulings Panel is a one-person quasi-judicial body appointed by the Minister. It also considers matters where parties are unable to settle.

The Rulings Panel can issue fines, make orders for compensation or directing compliance, and suspend or terminate the rights of an industry participant.

Gas Industry Co liaises with market participants and promotes awareness of regulatory requirements.

Figure 3. Monthly switching rates

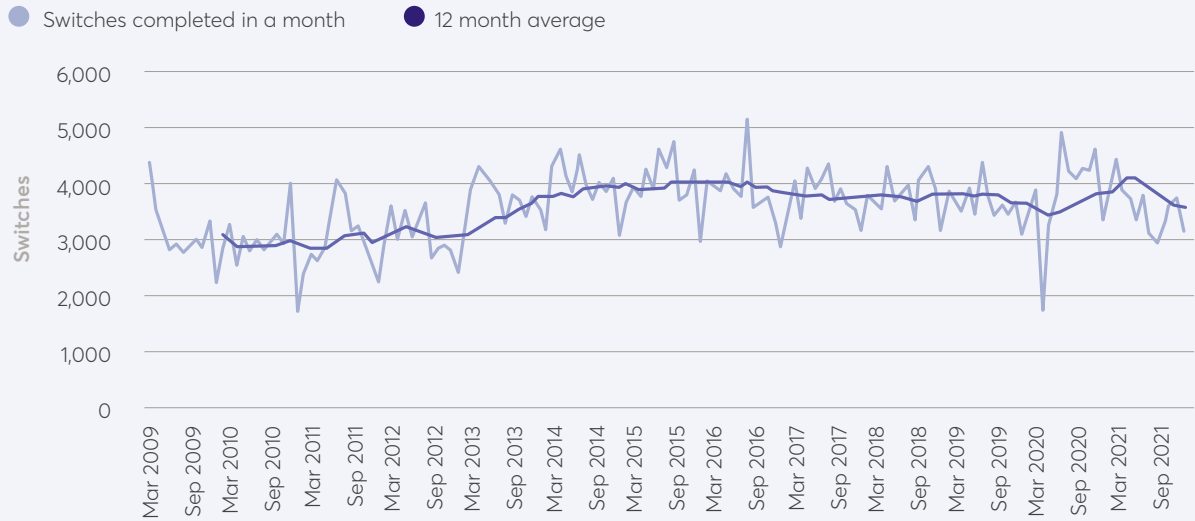


Figure 4. Average time to switch a customer

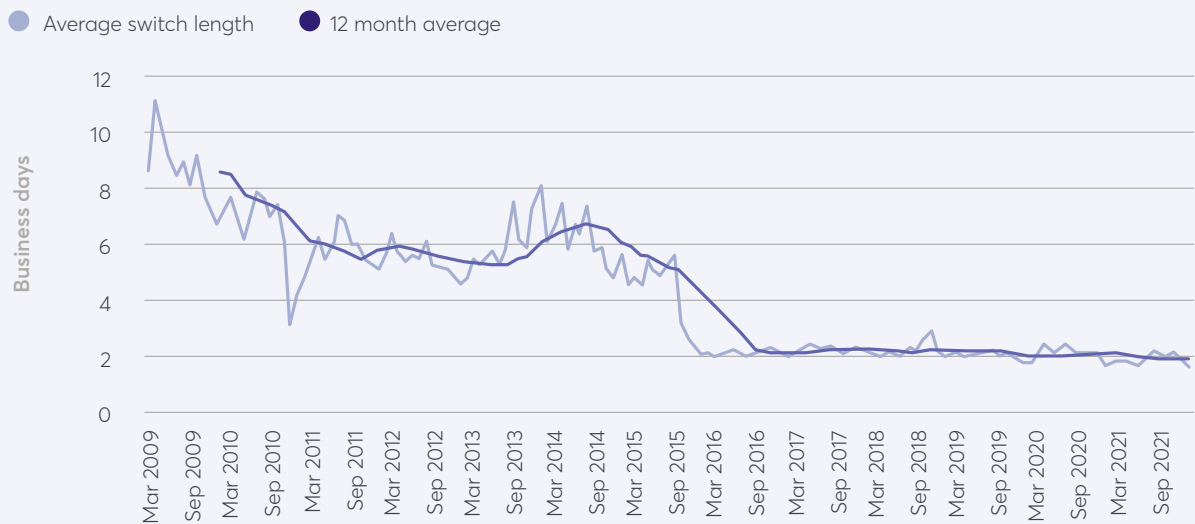


Figure 5. Retail market concentration

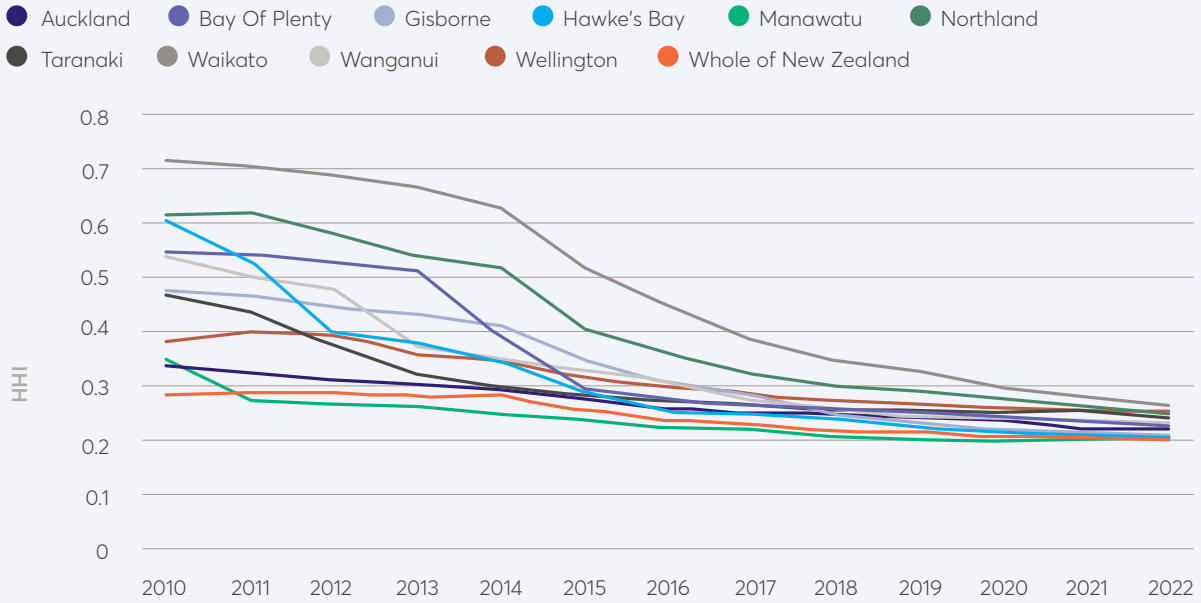
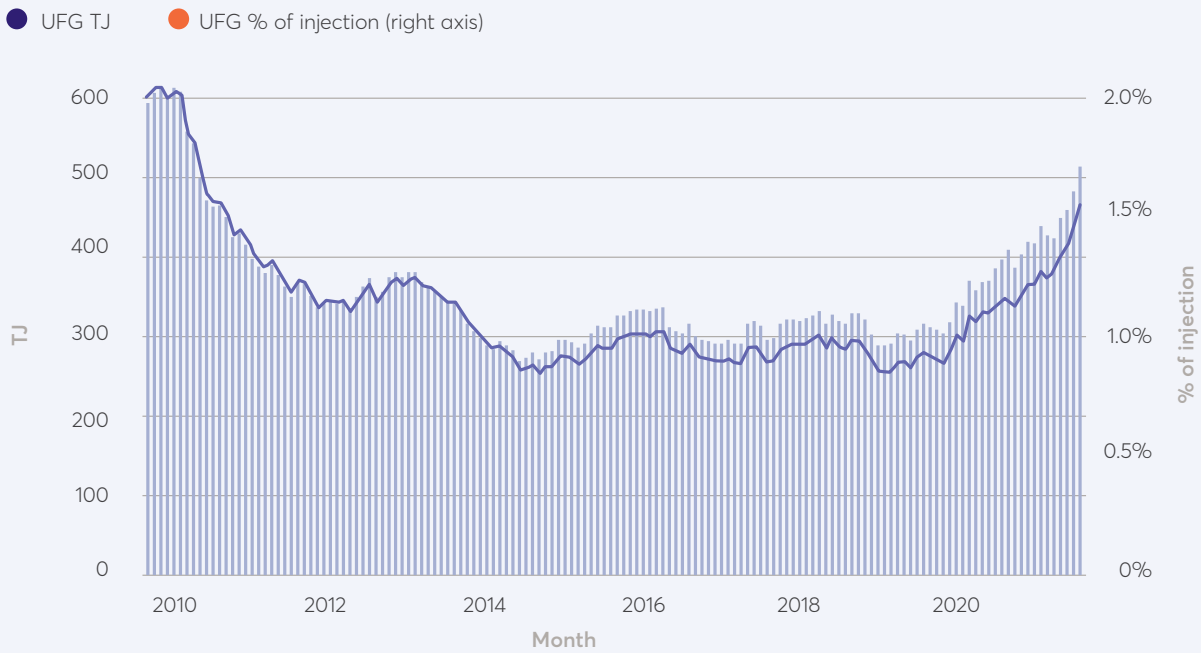


Figure 6. Annual unaccounted for gas



Work programme and indicative activities

This section outlines the scope of Gas Industry Co's operations for the financial years ended 30 June 2023 to 30 June 2025.

The FY2023 work programme has been developed having regard to:

- The Gas Act and Government Policy Statement objectives and outcomes for the gas industry;
- Gas Industry Co's statutory accountabilities under existing governance arrangements, and
- Reporting requirements under the Gas Act and Companies Act.

The Statement of Intent focuses on the first year of the three-year period and indicative activity in the subsequent years. The multi-year scope reflects the requirement for funding to be approved by regulation each year, the changing nature of the industry and the co-regulatory role.

The multi-year focus also recognises that policy development requires comprehensive consultation, which provides the opportunity for continuous improvements in policy thinking.

The work programme is substantially in the form consulted on with stakeholders

The work programme was broadly supported in submissions. The submissions themselves, and the Analysis of Submissions, can be found on Gas Industry Co's website.

The work programme is grouped into the three classes of activities:

- Gas governance;
- Facilitating industry systems and processes; and
- Trusted advisor to government and industry.

Gas governance

Work programme activities that relate to gas governance are given priority in the work programme given that they are, or stem from, statutory obligations. Funding for gas governance activities is derived from a combination of market fees and levy.

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 model, the gas registry, or reconciliation processes, through to hosting the website for upstream disclosures.

Meaningful progress on these projects requires that these projects are budgeted and included in the work programme. These activities are funded by the levy.

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 market settings investigation report, supply and demand studies, engagement with government agencies such as MBIE or the Climate Commission, and discussions with industry regarding government processes.

Work programme and indicative activities

Gas Industry Co's role as a trusted advisor has grown as the wider energy sector and government entities have sought to develop their understanding of the changing energy future.

It is essential that sufficient budget is included to allow these activities to be undertaken. They are funded by the levy.

Flexibility and cost efficiencies

It is always possible that unplanned, unbudgeted work might be needed because of the changing nature of the industry and the period between development and implementation of plans.

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 milestones. We have been successful over recent years using this approach, progressing key industry priorities while maintaining appropriate cost discipline.

Gas Industry Co aims to deliver value in both its operational workstreams and in the provision of support services. 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 manages the global amount.

FY2023 WORK PROGRAMME: GAS GOVERNANCE

Critical contingency management

The purpose of the CCM regulations is to achieve the effective management of critical gas outages and other security of supply contingencies without compromising long-term security of supply. The CCM regulations provide for the appointment of a critical contingency operator (CCO) and that role is responsible for determining,

managing, and terminating critical contingencies, as well as associated activities such as stakeholder training and running exercises.

It is expected that Gas Industry Co will have made a recommendation to the Minister to amend the CCM regulations in FY2023 and, subject to ministerial approval, will be working to implement any changes.

Forecast activities in FY2023

- Make a recommendation the Minister to amend the CCM regulations;
- Implement changes to CCM regulations;
- Monitor the CCO;
- Assess the performance of the CCM regulations;
- Respond to CCM events by appointing/monitoring experts;
- Monitor the annual CCM exercise; and
- Process applications and renewals for priority designations in the areas of critical care, essential services, critical processing, and electricity supply as required.

Work during FY2024 and 2025 is likely to entail business as usual maintenance of the updated regulations.

Electricity price review

Gas Industry Co monitors governance arrangements in related industries to assess whether any changes may influence existing gas industry regulations, and if any changes to gas regulations are required in response.

The Government's electricity price review made 32 recommendations about whether the electricity market delivers efficient, fair, and equitable prices to customers. Gas Industry Co considered it prudent to review whether those recommendations should apply to the gas market, given the similarities and links between the gas and electricity markets. Gas Industry Co consulted on its assessment of the application of the EPR recommendations to the gas market.

Following this consultation process, Gas Industry Co developed new guidelines for:

- Dealing with vulnerable gas consumers;
- Raising consumer awareness of the Utilities Disputes and Powerswitch services; and
- Managing saves and winbacks behaviour in the gas market.

Gas Industry Co is currently finalising these guidelines with a view to publishing final versions in the coming months.

Forecast activities in FY2023

- Follow up on steps taken by dual fuel retailers to comply with the guidelines in accordance with the 12-month review process in the guidelines (stand-alone gas retailers have 24 months to align their processes); and
- Establish processes to progress any remaining EPR recommendations that are relevant to the gas market (e.g. processes for access to consumer consumption data, access to smart meter data).

In FY2024 and 2025 we expect any changes to be implemented and to continue monitoring the arrangements.

Advanced gas metering

Gas Industry Co is determining what changes are required to support the roll-out of advanced gas meters. This includes assessing if there is merit in changing the switching rules and the reconciliation rules and working closely with industry to ensure associated gas industry systems and rules are fit for purpose.

Forecast activities in FY2023

- Continue to work with industry, specifically the Advanced Gas Metering Infrastructure working group, to ensure systems and rules are appropriate for advanced gas metering; and
- Progress any amendments to the switching rules and reconciliation rules.

FY2024 and FY2025 are likely to involve implementing any changes that have not been completed in FY2023 and continuing to monitor market developments in advanced metering.

On completion of these changes, advanced gas metering will be managed under the business-as-usual workstreams of switching and registry and downstream reconciliation.

Retail Gas Contracts Oversight Scheme

In 2010, Gas Industry Co established a Retail Gas Contracts Oversight Scheme. This was designed to assess retailers' contracts with residential and small commercial/industrial consumers, against a series of benchmarks of satisfactory customer expectations and outcomes. Reviews are undertaken by an independent assessor.

The most recent full review occurred 2018. There was 'substantial' compliance with the scheme. This review process is carried out every three years. In FY2022 we decided to defer our assessment of retail contracts to allow us to consider the alignment of the scheme with the outcomes of the EPR workstream. Our preference is to align the next assessment of retail contracts with our assessment of dual fuel retailers' compliance with the guidelines developed as part of the EPR workstream. This is likely to take place in FY2023.

Forecast activities in FY2023

- Consider the alignment of the scheme with the outcomes of the EPR workstream;
- Engage an independent assessor to carry out an assessment of retailers' contracts with residential and small commercial/industrial consumers, and advise retailers of the results of this assessment;
- Review new-entrant retail contracts, as requested; and
- Provide information to new entrant retailers to help them understand their obligations and the governance processes.

FY2024 and 2025 are expected to involve carrying out assessments of new entrant retailers, or changes to existing contracts, if requested.

Gas Distribution Contracts Oversight Scheme

In 2012, Gas Industry Co established the Gas Distribution Contracts Oversight Scheme. This is an industry agreed scheme which assesses standard contracts between gas distributors' and gas retailers against a set of principles.

Gas Industry Co appointed an independent assessor in FY2014 who found that contracts offered by distributors exhibited 'substantial' alignment with the set of principles agreed upon.

Following the 2014 assessment, it was decided that Gas Industry Co's assessments would be undertaken on an exceptions basis (as contracts are revised or replaced). In our most recent survey of distributors in 2020, no material changes had been made to distribution agreements since 2014. However, we understand that one distributor is currently working on a new agreement.

Forecast activities in FY2023

- Liaise with distributors regarding new distribution contracts and undertake an assessment if a new contract is completed in FY2023;
- Assess progress with executing new distribution contracts consistent with the scheme principles; and
- Report on next steps.

FY2024 and 2025 are likely to involve implementation of any changes deemed necessary.

Downstream reconciliation

The purpose of the reconciliation rules is to establish a set of uniform processes that will enable the fair, efficient, and reliable downstream allocation and reconciliation of downstream gas quantities.

In addition to business-as-usual activities such as managing the allocation agent, commissioning audits and investigating unaccounted for gas, Gas Industry Co will complete work on the D+1 project to incorporate daily allocations into the reconciliation rules. We will also carry out an RFP process to select and appoint a new allocation agent when the current contract expires at the end of 2023.

Forecast activities for FY2023

- Complete the D+1 project;
- Carry out a tender process to appoint an allocation agent;
- Assess ongoing performance of the reconciliation rules;
- Monitor allocation results;
- Commission performance and event audits as required;
- Assess any outcomes from the audit reports;
- Make determinations under the rules as required; and
- Make recommendation to the Minister.

FY2024 and 2025 will likely involve continued monitoring of the reconciliation rules and other business as usual maintenance.

Switching and registry

The purpose of the switching rules is to establish a set of gas switching and registry arrangements that will enable consumers to choose, and alternate, efficiently and satisfactorily between competing retailers. The switching rules provide for a centralised database, the gas registry, which stores key technical parameters about every customer installation and facilitate and monitors each customer switch from initiation through to completion.

The switching rules provide for the appointment of a gas registry operator. The appointment of the current gas registry operator does not expire until 2025.

Forecast activities in FY2023

- Manage registry operator contract;
- Assess the ongoing performance of the switching rules;
- Monitor and report on switching statistics;
- Make determinations under the switching rules as required;
- Commission performance and event audits as required;
- Continue to provide support to Powerswitch until new arrangements are created and/or the site becomes self-sustaining; and
- Follow up on any issues identified in the switching audits.

FY2024 and 2025 will likely involve continued monitoring of the Switching Rules and other business as usual maintenance. We will also consider whether to tender the registry operator contract or exercise our option to extend the term of the current contract.

Compliance and enforcement

The compliance regulations provide for monitoring and enforcement of the other gas governance rules and regulations. The compliance arrangements are designed as an efficient, low-cost means of determining or, where appropriate, settling rules/regulations breaches that raise material issues.

Forecast activities in FY2023

- Appoint rulings panel;
- Perform market administrator role;
- Assess ongoing performance of the compliance regulations;
- Assist investigator and rulings panel as required; and
- Monitor compliance trends for indications of regulatory inefficiency.

FY2024 and 2025 will likely involve continued monitoring of the compliance regulations and other business as usual maintenance.

Statement of Intent and Annual Report

The Gas Act requires that the industry body provide its Annual Report to the Minister of Energy and Resources within three months of the end of the financial year (the Minister then tables it in the House of Representatives). Similarly, annual Statements of Intent (SOI) are required to be submitted to the Minister for comment prior to being finalised and published.

Forecast activities in FY2023

- Prepare and publish the SOI to meet statutory timeframes;
- Provide the draft SOI to the Minister for comment prior to publication; and

- Prepare and publish the Annual Report and meet requirements for tabling in Parliament.

FY2024 and 2025 will involve publication of annual Statements of Intent and Annual Reports.

Other reporting

Gas Industry Co is required by the Gas Act to report on the present state and performance of the gas industry. It does this through a number of publications, including Switching Statistics, Quarterly Reports, and Industry Performance Measures.

Forecast activities in FY2023

- Prepare and publish Switching Statistics and Industry Performance Measures; and
- Continue engagement and communications for interested stakeholders.

FY2024 and 2025 will involve continued reporting and production of miscellaneous publications such as Switching Statistics and Quarterly Reports.

FY2023 WORK PROGRAMME: FACILITATING INDUSTRY SYSTEMS AND PROCESSES

Information disclosure

In 2018 Gas Industry Co commenced a workstream to assess the level of information disclosure in the industry and consider options to address any issues found. As part of this workstream, the Information Disclosure: Problem Assessment paper ("Problem Assessment paper") was published in October 2019. This paper assessed possible information issues in 10 separate information elements. From the Problem Assessment paper, three projects were identified where Gas Industry Co should conduct further work:

- Development of a Statement of Proposal (SOP) for the disclosure of gas production and storage facility outage information;

Work programme and indicative activities

- Development of a paper on gas contract price and volume information – this project assesses whether a weighted average gas price would provide valuable insight into market gas prices; and
- Development of a paper on major user outage information – this project assesses whether major gas user outage information should be disclosed publicly.

The SOP phase of the gas production and storage facility outage information project was completed in FY2022, including stakeholder consultation on draft and final SOP papers. The conclusion from this work was that the regulatory objective is unlikely to be satisfactorily achieved by any reasonably practicable means other than through regulation. Gas Industry Co has subsequently made a recommendation to the Minister that rules are made for the disclosure of gas production and storage facility outage information.

The latter two papers should be completed by the end of FY2022.

Forecast activities in FY2023

- Subject to Ministerial approval of Gas Industry Co's recommendation, Gas Industry Co will proceed to implement a regulated solution for the disclosure of gas production and storage facility outage information.

We expect FY2024 and 2025 to involve monitoring the effectiveness of information disclosure arrangements.

Gas transmission pipeline access

Gas Industry Co has a role in assessing changes to the terms of the Maui Pipeline Operating Code (MPOC).

We recently received a letter from the Major Gas Users' Group (MGUG) asking that Gas Industry Co consider issues around the transmission arrangements, including transmission pricing. Gas Industry Co considers that the suitability of the transmission arrangements during the energy transition is a matter that requires further consideration. MGUG's letter is relevant for Gas Industry Co's energy transition workstream as well as the work that the Commerce Commission is progressing regarding the price quality path reset and input methodology review under Part 4 of the Commerce Act.

Forecast activities in FY2023

- Liaise with Firstgas and the Commerce Commission to better understand the suitability of the transmission arrangements during the energy transition and any changes that may be progressed;
- Be prepared to assume any role allocated to Gas Industry Co under the terms of the current gas transmission codes in relation to changes to the transmission access arrangements; and
- Assess and action any changes to industry arrangements that may be required as a result of changes to the transmission codes (e.g. gas metering, gas quality, transmission security and reliability, interconnection, etc).

We expect our activities in FY2024 and 2025 will be dependent on any industry arrangements and changes that occur in FY2023.

FY2023 WORK PROGRAMME: TRUSTED ADVISOR TO GOVERNMENT AND INDUSTRY

Gas market settings investigation

The gas market settings investigation was published in 2021. It was initiated by the Minister of Energy and Resources who requested Gas Industry Co report back about whether market, commercial and regulatory settings that provide for gas visibility and flexibility are fit for purpose in the energy transition to low carbon.

Gas Industry Co's report found market settings are generally well supported but recommended further work as set out below.

Forecast activities in FY2023

Initiating and progressing the following workstreams identified in the gas market settings investigation final report:

- Gas Transition Pathway;
- Improving commercial arrangements supporting electricity security of supply;

- Four other workstreams to improve the operation of the gas sector during the transition:
 - » Information availability to help enable participants and users to predict and plan better;
 - » The regulatory framework for gas pipelines;
 - » How gas supports energy needs that cannot be met by electricity (including green gases, avoiding and reducing emissions, and the viability of emission capture);
 - » Additional mechanisms to ensure gas is available to industrial users in unexpected tight situations.
- Investigate options for commercial arrangements that would underpin any planned gas sector demand response to support electricity security of supply during dry years – including how these are enabled and who pays.
- Facilitate arrangements between gas industry participants (including planned demand side response) to support electricity security of supply, where this is necessary. A focus of this work will be on the critical role of planned demand response by Methanex given its scale and potential for production flexibility.

Forecast activities in FY2023

- Facilitation of planned demand side arrangements with gas industry participants (particularly Methanex), given the risks around electricity security of supply that have been forecast for winter 2023.
- Report on the options for commercial arrangements.

We expect that work in this area will continue over both FY2024 and FY2025 given the stresses that are likely in both the gas and electricity sectors as New Zealand transitions to its net-zero emissions target.

Monitor and support the potential use of hydrogen in New Zealand

In September 2019, the New Zealand Government published a green paper that lays out its vision for hydrogen in New Zealand. Further to this, the gas market settings investigation report recommended that work should be completed relating to how gas supports energy needs that cannot be met by electricity (including green gases, avoiding and reducing emissions, and the viability of emission capture). Gas Industry Co is now working to understand the scenarios in which renewable gases, including hydrogen and biogas, could come to market, and the implications they would have for Gas Industry Co, the wider energy sector and the natural gas sector.

In addition to this, a private green gas certification scheme is currently being developed in the market. Gas Industry Co intends to consult with industry about what oversight needs to be provided in the renewable gas certification space.

Gas transition pathway

The gas market settings investigation identified investment confidence as a key problem to be addressed. The report recommended that a workstream be established to develop a gas transition pathway which would provide the granular direction needed to support improved investment confidence. A critical part of this pathway would be considering how to ensure there is continued commercial support for production investment during the transition. It was recommended that this work be jointly managed by Gas Industry Co and MBIE and should involve input from industry and a range of stakeholders. The work would feed into a broader Energy Strategy in time.

Forecast activities in FY2023

- Initiate and progress work on the gas transition pathway, to be completed in time for the pathway to feed into the energy strategy.

Gas market commercial arrangements and electricity security of supply

The gas market settings investigation report recommended that work should be completed on improving gas market commercial arrangements so that sufficient volume and flexibility of gas supply is in place to promote electricity security of supply. The report recommended that Gas Industry Co should carry out the following activities:

Forecast activities in FY2023

- Monitor and engage with any work undertaken in relation to hydrogen and biogas;
- Engage with regulatory agencies and the hydrogen and biogas sectors to understand potential regulatory barriers;
- Explore how renewable gases might enter the market and the implications of which for the Gas Industry Co, the wider energy sector and the natural gas sector;
- Consult with industry regarding the oversight required in the gas certification space; and
- Update any rules and regulations needed to support hydrogen and biogas.

We expect our activities in FY2024 and 2025 will be dependent on any industry arrangements and changes that occur in FY2023. We will continue to work with industry to support potential new technology and if necessary, implement rules and regulations.

Sector coordinating entity role – COVID-19 pandemic

The COVID-19 pandemic has highlighted the importance of natural gas for maintaining security of energy supply. Gas Industry Co has continued to act as the sector co-ordinating entity for the gas industry to:

- Collate industry information on any risks to the New Zealand gas industry arising from the COVID-19 outbreak to inform government; and
- Provide MBIE with updates in relation to any emergent issues in the New Zealand gas industry.

Forecast activities in FY2023

- Continue the work outlined above and be prepared to step into the sector coordinating entity role as and when required.

We will remain prepared to step into the sector coordinating entity role in FY2024 and FY2025 as and when required.

Provide gas market information and analysis that enables the industry to make informed decisions

Gas Industry Co has a role in providing information to support stakeholders in making better informed decisions.

In FY2020 Gas Industry Co commenced a project that investigates the role of gas in New Zealand over the next 15 years as the electricity generation fleet becomes increasingly renewable.

Gas Industry Co has previously commissioned reports focussing on gas supply and demand over the long term and on particular aspects of the industry. Further occasional reports will be published, and existing reports updated, where they can be of value to the industry.

Forecast activities in FY2023

- Continue to produce the short-term and long-term supply and demand studies and communicate their findings;
- Carry out any ad hoc analyses that further inform the industry of the role of gas in New Zealand as the energy sector undergoes a transition to lower emissions over the coming years; and
- Continue to enhance the information we provide on our website and through our reports.

We expect our activities in FY2024 and 2025 to include continuing with our studies, reports and assessments to keep the industry informed.

Financial matters

Gas Industry Co develops funding budgets to support its work programme proposals as part of the consultation process discussed in the section Work Programme Priorities above.

Gas Industry Co has three sources of funding to meet the expected costs of delivering effective co-regulation and fulfilling its statutory and GPS obligations. They are:

Levy funding

Section 43ZZB of the Gas Act enables Gas Industry Co to recommend to the Minister that regulations be made to require industry participants to pay a levy to cover the costs of Gas Industry Co exercising its functions as the industry body. The levy covers the costs of the Company's policy work and market administration excluding external service providers and some consultants. Any excess levy recovered in a financial year is generally refunded to levy payers in the following year unless special circumstances warrant otherwise.

Market fees

Section 43S of the Gas Act enables gas governance regulations or rules to be made that provide for the funding by industry participants of the operation of those regulations or rules. The switching rules, reconciliation rules, CCM regulations, and compliance regulations contain market fee provisions. These fees are used to recover costs of external service providers and consultants, as provided for in the relevant regulations.

Annual fees

Gas Industry Co's constitution provides that the Board may set an annual fee each year in respect of each share issued. The annual fee is currently \$2,000 per shareholder per annum. The Board has resolved that these fees will be set aside to establish cash reserves.

FY2023 levy funding summary

Details of funding for FY2023 are included in industry consultation and the annual recommendation to the Minister, which results in annual levy regulations. In summary for FY2023:

- An annual levy of \$4,579,373 (\$3,472,368 in FY2022), and market fees of \$1,761,000 (\$1,449,000 in FY2022). Added together, these result in total work programme costs for FY2023 of \$6,340,373 (\$4,771,367 in FY2022). However, our current forecast for FY2022 has total costs of delivering the work programme of approximately \$6,000,000 – substantially exceeding the expected costs of \$4,771,367 when the FY2022 levy was approved. This is due to Gas Industry Co funding a substantial portion of the additional work added into the work programme itself (principally the gas market settings investigation work stream), rather than from the levy or market fees. As such, we expect the year-on-year increase in actual costs to deliver the work programme between FY2022 and FY2023 to be \$340,373 or 5.7%.
- The wholesale levy revenue is \$2,589,426 for FY2023 and will be collected each month from the relevant levy payers at a rate of 1.3997 c/GJ based on each industry participant's volume of gas purchased from gas producers (the wholesale levy is 22.30% higher than in FY2022).
- The retail levy revenue is \$1,989,947. This is calculated based on Gas Industry Co's estimate of 300,000 active ICP's, at a levy rate of \$6.63/ICP per annum (the retail levy is 25.57% higher than in FY2022).

Financial statements

In accordance with section 43ZR of the Gas Act, Gas Industry Co's forecast financial statements are set out as follows:

These statements have been prepared using information consistent with that used for the calculation of the FY2023 Gas Industry Co levy.

Further detail about the assumptions, revenue calculations and workstream expenses used to calculate the FY2023 levy can be found in the document, Consultation on Gas Industry Co FY2023 Work Programme and Levy, issued in December 2021.

The FY2022 forecast was approved by Gas Industry Co's Board and includes actual results for the period 1 July 2021 to 28 February 2022, and an up-to-date forecast to 30 June 2022.

We acknowledge responsibility for the forecast financial statements contained in this report and for the judgments used in their preparation.

We certify that the information in this report is, except where noted, consistent with the budget estimates contained in Gas Industry Co's FY2023 Levy Recommendation that has been made to the Minister of Energy and Resources under section 43ZZB of the Gas Act.



Rt Hon James B Bolger, ONZ
Chair
June 2022



Robin G Hill
Deputy Chair
June 2022

Forecast Statement of Financial Performance

	Budget FY2023	Forecast FY2022	Actual FY2021
REVENUE			
Wholesale levy	2,589,426	1,764,301	1,839,773
Retail levy	1,989,948	1,576,018	1,522,462
Levy revenue subtotal	4,579,374	3,340,319	3,362,235
Market fees	1,761,000	1,347,390	1,297,305
Annual fees	24,000	24,000	26,000
Interest income	600	735	24,437
Subtotal other revenue	1,785,600	1,372,125	1,347,742
Total revenue	6,364,974	4,712,444	4,709,977
Refunded levies	–	–	(243,296)
Net revenue	6,364,974	4,712,444	4,466,681
EXPENSES			
Depreciation and amortisation	50,608	53,918	41,414
Operating lease expenses	292,000	270,441	264,850
Fees paid to audit firm – financial statement audit	26,250	25,000	20,000
Directors' fees	262,460	262,460	262,460
General expenses	355,843	332,331	361,818
Recruitment expenses	–	19,495	19,543
Technical, economic, and legal advice	1,521,600	784,993	1,212,544
Service provider fees	1,761,000	1,347,390	1,266,272
KiwiSaver contributions	56,377	56,457	48,403
Employee benefit expense	2,014,253	1,851,488	1,692,414
Total expenses	6,340,391	5,003,973	5,189,718
Finance costs	–	–	–
Total expenditure	6,340,391	5,003,973	5,189,718
Profit/(loss) before tax	24,583	(291,529)	(723,037)
Income tax expense	168	206	6,842
Profit/(loss) for the year	24,415	(291,735)	(729,879)

Forecast Statement of Financial Position

	Budget FY2023	Forecast FY2022	Actual FY2021
CURRENT ASSETS			
Cash and cash equivalents	468,578	443,555	1,740,491
Term deposit	–	–	–
Trade and other receivables	60,986	43,521	40
Prepayments	125,734	96,534	119,976
Income tax receivable	–	–	–
Total current assets	655,298	583,610	1,860,507
NON-CURRENT ASSETS			
Property, plant and equipment	61,917	46,374	79,298
Intangible assets	373,524	451,772	3,464
Total non-current assets	435,441	498,146	82,762
Total assets	1,090,739	1,081,756	1,943,269
CURRENT LIABILITIES			
Trade and other payables	297,836	312,088	845,259
Employee entitlements	190,583	191,763	228,369
Redeemable shares	12	12	13
Total current liabilities	488,431	503,863	1,073,641
Total liabilities	488,431	503,863	1,073,641
Net assets	602,308	577,893	869,628
<i>Represented by</i>			
Industry reserves	(227,692)	(228,107)	87,628
Retained earnings	830,000	806,000	782,000
Total shareholders' funds	602,308	577,893	869,628

Forecast Statement of Movement in Equity

	BUDGET FY2023			FORECAST FY2022		
	Industry reserves	Retained earnings	Total	Industry reserves	Retained earnings	Total
Opening balance	(228,107)	806,000	577,893	87,628	782,000	869,628
Net surplus/(deficit) for the year	–	24,415	24,415	–	(291,735)	(291,735)
Industry advances reserves transfer	415	(415)	–	(315,735)	315,735	–
Forecast closing balance	(227,692)	830,000	602,308	(228,107)	806,000	577,893

Forecast Statement of Cash Flows

	Budget FY2023	Forecast FY2022	Actual FY2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Levy revenue	4,579,374	3,340,318	3,362,605
Market fee revenue	1,761,000	1,347,390	1,389,264
Annual fees	24,000	24,000	26,000
Interest received	600	735	24,437
Net GST	–	84,885	–
	6,364,974	4,797,328	4,802,306
<i>Cash was applied to</i>			
Payments to suppliers	(3,956,861)	(3,413,943)	(2,867,021)
Payments to employees	(2,070,630)	(1,946,600)	(1,736,453)
Payments to directors	(262,460)	(262,460)	(262,460)
Refund of levy to industry participants	–	–	(243,296)
Taxes paid	–	(150)	(6,842)
Net GST	–	–	(11,860)
	(6,289,951)	(5,623,153)	(5,127,932)
Net cash inflows from operating activities	75,023	(825,825)	(325,626)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(50,000)	–	(53,241)
Purchase of intangible assets	–	(471,111)	–
Term deposit	–	–	–
Net cash outflows from investing activities	(50,000)	(471,111)	(53,241)
Net cash flows	25,023	(1,296,936)	(378,867)
Opening cash balance	443,555	1,740,491	2,119,358
Closing cash balance	468,578	443,555	1,740,491

Statement of Contingent Liabilities and Commitments

Gas Industry Co has no known contingent liabilities or assets.

Gas Industry Co's lease commitment in relation to its premises commenced on 1 December 2017 and expires on 30 November 2023 at an annual rental of approximately \$291,845.

Gas Industry Co has various ongoing commitments for the operation of the Company.

	Budget FY2023	Forecast FY2022
BUILDING LEASE COMMITMENTS		
Within one year	121,602	291,845
Later than one year but not later than five years	–	121,602
Later than five years	–	–
Total operating lease commitments	121,602	413,447
EQUIPMENT LEASE COMMITMENTS		
Within one year	–	–
Later than one year but not later than five years	–	–
Later than five years	–	–
Total equipment lease commitments	–	–
OPERATING LEASE COMMITMENTS		
Within one year	121,602	291,845
Later than one year but not later than five years	–	121,602
Later than five years	–	–
Total operating lease commitments	121,602	413,447
SERVICE PROVIDER COMMITMENTS		
Within one year	909,096	1,252,424
Later than one year but not later than five years	1,473,621	2,178,134
Later than five years	–	204,583
Total service provider commitments	2,382,717	3,635,142

Statement of Accounting Policies

The following accounting policies apply to these financial statements:

Reporting entity

Gas Industry Co is a company incorporated under the Companies Act 1993 that was approved as the co-regulator of the gas industry by Order in Council on 22 December 2004. These prospective financial statements have been prepared in accordance with section 43ZR of the Gas Act 1992 and the Financial Reporting Act 1993.

Measurement base

These financial statements have been prepared on an historical cost basis.

Particular accounting policies

These financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The following particular accounting policies that materially affect the measurement of financial performance, financial position, and cash flows have been applied consistently.

Revenue

Revenue is derived from Gas Industry Co's levies and market fees imposed under Subpart 2 of Part 4A of the Gas Act 1992; from annual fees charged to shareholders and from interest on deposits. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Taxation

With the exception of its interest income, Gas Industry Co's revenue is not regarded as gross income in terms of section CB 1 of the Income Tax Act 2007.

Goods and services tax (GST)

The Statement of Financial Performance and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST.

Accounts receivable

These are carried at estimated realisable value after providing for debts where collection is doubtful.

Employee entitlements

Employee entitlements to salaries and wages, annual leave, and other benefits are recognised when they accrue to employees.

Financial instruments

Financial instruments carried on the Statement of Financial Position include cash and bank balances, investments, receivables, trade creditors, and borrowings. Except for those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

Depreciation

Depreciation of fixed assets is provided on a straight-line basis, so as to allocate the depreciable amount of assets over their useful lives. The depreciable amount is the historical cost.

The estimated useful lives are:

- IT hardware and software, 3–5 years
- Office equipment, 4–10 years
- Leasehold improvements, Term of lease

Statement of Cash Flows

- Operating activities include all transactions and other events that are not investing or financing activities.
- Investing activities are those relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.
- Financing activities are those activities that result in changes in the size and composition of the capital structure of Gas Industry Co. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

Statement of Significant Underlying Assumptions

The following assumptions have been made in the development of the forecast financial statements:

- These forecast financial statements comply with New Zealand generally accepted accounting practice. The measurement base applied is historical cost.
- Accrual accounting has been used to prepare these financial statements.
- These statements have been prepared on a going-concern basis.
- The forecast financial statements have been presented for the purpose of providing financial information that underlies the work program as set out in the 2023–2025 *Statement of Intent*. This financial information may not be appropriate for other purposes.
- It is not intended that these financial forecasts will be re-issued.
- Actual financial results achieved for the period covered are likely to vary from the information presented and the variations may be material.
- There is limited ability to alter Gas Industry Co's revenue other than through the annual levy process.
- Section 43S of the Gas Act enables Gas Industry Co to collect from industry participants fees relating to the ongoing costs associated with gas market rules and regulations.
- An annual levy of \$4,579,373 is assumed to be effective from 1 July 2022 and is paid monthly. Any monthly levy not payable due to the date on which the levy regulations come into force will be paid on the 20th of the month following the levy regulations coming into force.
- The wholesale levy revenue is budgeted to be \$2,589,426 for FY2023 and will be collected each month from the relevant levy payers at a rate of 1.3997c/GJ based on each industry participant's volume of gas purchased from gas producers.
- The retail levy revenue is budgeted to be \$1,989,947. This is calculated based on Gas Industry Co's estimate of 300,000 active ICP's, at a levy rate of \$6.63/ICP per annum. Active Contracted ICPs indicate a customer at the ICP has a contract with the retailer. The retail levy is payable only on active ICPs. If the actual number of ICPs substantially differs from the estimate, there may be a small difference in the retail levy revenue.
- The FY2023 levy calculation is based on a work program consistent with the Government Policy Statement on Gas Governance 2008 (GPS). If, during the plan period, the current GPS is amended, there may be an impact on our operating costs, resulting in the possible over or under-recovery of levy revenue in FY2023. Section 43ZZC(3) of the Gas Act provides that any over or under-recoveries can be taken into account in setting the levy in subsequent financial years. However, to ensure transparency around the calculation of each year's levy, the Board has determined that, unless required for unanticipated or ongoing work programme costs, any surplus should be returned to levy payers by way of refund once the year-end accounts have been received by shareholders at the Annual Meeting.
- The forecast equity for the year ending 30 June 2022 is approximately \$577,893 and will be set aside to be held as cash reserves.
- Gas Industry Co's budget is based on a best estimate of the costs to deliver the work programme prepared for calculation of the FY2023 levy. Budgets are set significantly in advance of consultation on proposed new policy initiatives. Accordingly, actual expenditure may vary from budgeted expenditure as policy design is revised to reflect changes that may be required as a result of submissions received and further analysis. This also applies to the administration of gas governance rules and regulations (funded through market fees).

Alignment with government policy objectives and outcomes

Gas Industry Co's strategic objectives – facilitate gas governance and markets that deliver gas in a safe, efficient, fair, reliable, and environmentally sustainable manner, act as a trusted adviser to government and industry and facilitate the industry through the energy transition – are aligned with the objectives and outcomes contained in the Gas Act and GPS. The Company's diverse workstreams help the Company move toward meeting those objectives and outcomes.

We have found it helpful to group the Gas Act and GPS Criteria (listed in full in Table 2, **see pages 35 and 36**) under the five category headings shown in Table 3 (**see page 36**). This approach avoids duplication.

GIC work programme FY2023 and future areas of work	Gas Act, GPS objectives and outcomes alignment				
	Efficiency	Reliability	Safety	Environment	Fairness
Gas market settings investigation work streams	✓	✓	✓	✓	✓
Critical contingency management	✓	✓	✓	✓	✓
Electricity price review	✓	●	●	●	✓
Advanced gas metering	✓	●	●	●	●
Retail Gas Contracts Oversight Scheme	✓	●	●	●	✓
Gas Distribution Contracts Oversight Scheme	✓	●	●	●	✓
Downstream reconciliation	✓	●	●	●	✓
Switching and registry	✓	●	●	●	✓
Compliance and enforcement	✓	✓	✓	✓	✓
Other reporting	✓	✓	●	●	✓
Information disclosure	✓	✓	●	●	✓
Gas transmission pipeline access	✓	✓	✓	●	✓
Monitor and support the potential use of hydrogen and biogas in transmission and distribution pipelines	✓	✓	✓	✓	✓
Green gas certification scheme for biogas and hydrogen	✓	●	●	✓	✓
Sector Coordinating Entity Role – COVID-19 Pandemic	✓	✓	✓	✓	✓
Provide gas market information and analysis that enables the industry to make informed decisions	✓	✓	●	●	✓

Table 2. Gas Act, GPS objectives and outcomes assessment criteria

Criterion	Objective/outcome	Text
1	Gas Act s43ZN(a)	The principal objective is to ensure that gas is delivered to existing and new customers in a safe, efficient, and reliable manner
2	Gas Act s43ZN(b)(i)	Facilitation and promotion of the ongoing supply of gas to meet New Zealand's energy needs, by providing access to essential infrastructure and competitive market arrangements
3	Gas Act s43ZN(b)(ii)	Barriers to competition in the gas industry are minimised
4	Gas Act s43ZN(b)(iii)	Incentives for investment in gas processing facilities, transmission, and distribution are maintained or enhanced
5	Gas Act s43ZN(b)(iv)	Delivered gas costs and prices are subject to sustained downward pressure
6	Gas Act 43ZN(b)(v)	Risks relating to security of supply, including transport arrangements, are properly and efficiently managed by all parties
7	Gas Act s43ZN(b)(vi)	Consistency with the Government's gas safety regime is maintained
8	GPS Item 12(a)	Energy and other resources used to deliver gas to consumers are used efficiently
9	GPS Item 12(b)	Competition is facilitated in upstream and downstream gas markets by minimising barriers to access to essential infrastructure to the long-term benefit of end users
10	GPS Item 12(c)	The full costs of producing and transporting gas are signalled to consumers
11	GPS Item 12(d)	The quality of gas services where those services include a trade-off between quality and price, as far as possible, reflect customers' preferences
12	GPS Item 12(e)	The gas sector contributes to achieving the Government's climate change objectives as set out in the New Zealand Energy Strategy, or any other document the Minister of Energy may specify from time to time, by minimising gas losses and promoting demand-side management and energy efficiency
13	GPS Item 9	It is also the Government's objective that Gas Industry Co takes account of fairness and environmental sustainability in all its recommendations. To this end, the Government's objective for the entire gas industry is as follows: To ensure that gas is delivered to existing and new customers in a safe, efficient, fair, reliable and environmentally sustainable manner
14	GPS Item 13 point 1	Pursue: An efficient market structure for the provision of gas metering, pipeline and energy services

Table 2. Gas Act, GPS objectives and outcomes assessment criteria (continued)

Criterion	Objective/outcome	Text
15	GPS Item 13 point 2	Pursue: The respective roles of gas metering, pipeline and gas retail participants are able to be clearly understood
16	GPS Item 13 point 3	Pursue: Efficient arrangements for the short-term trading of gas
17	GPS Item 13 point 4	Pursue: Accurate, efficient and timely arrangements for the allocation and reconciliation of upstream gas quantities
18	GPS Item 13 point 5	Pursue: Gas industry participants and new entrants are able to access transmission pipelines on reasonable terms and conditions
19	GPS Item 13 point 6	Gas governance arrangements are supported by appropriate compliance and dispute resolution processes

Table 3. Categorisation of assessment criteria

	Efficiency	Reliability	Safety	Environment	Fairness
Gas Act	Criterion 1	Criterion 1	Criterion 1		
	Criterion 2	Criterion 2	Criterion 7		
	Criterion 3	Criterion 6			
	Criterion 4				
	Criterion 5				
GPS objective	Criterion 8			Criterion 8	Criterion 13
	Criterion 9			Criterion 12	
	Criterion 10			Criterion 13	
	Criterion 11				
GPS outcome	Criterion 14				Criterion 18
	Criterion 15				
	Criterion 16				
	Criterion 17				
	Criterion 19				

Other information

Additional reporting

In addition to the reporting described in the work programme, Gas Industry Co also provides the Minister with briefings and advice as requested, or as necessary. There are no specific matters, outside those detailed in this *Statement of Intent*, on which Gas Industry Co expects to make a decision that would require it to consult or notify the Minister.

Service providers

The following entities and individuals provide specified services to Gas Industry Co:

Governance arrangement	Role	Service provider
Switching rules	Registry operator	Jade Software Corporation
Reconciliation rules	Allocation agent	Energy Market Services (Transpower)
CCM regulations	Critical contingency operator	Plant & Platform



Directory

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Board of Directors

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Robin Hill, B Comm, *Deputy Chair, Independent Director*

Andrew Brown, LLB, *Independent Director*

Parekawhia McLean, MSocSc, MPA (Wisconsin),
Independent Director

Mike Fuge, BE (Hons) MCom (Hons) MIPENZ

Babu Bahirathan, BE (Hons) M.Fin

Paul Goodeve, LLB, BCA, CA

Executive

Andrew Knight, BMS (Hons), CA, Chief Executive

Susan Dunne, LLB, BCA, CA, General Manager
Corporate Services

Auditors

KPMG, Wellington

Bankers

Westpac New Zealand Limited

Shareholders

Contact Energy Limited

emsTradeport Limited

First Gas Limited

Genesis Energy Limited

Greymouth Gas New Zealand Limited

Mercury NZ Limited

Methanex New Zealand Limited

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Nova Energy Limited

OMV New Zealand Limited

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