GREYMOUTH GAS

20 July 2026

Andrew Walker
Principal Adviser
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Dear Andrew,

Re: Gas Governance draft rule changes – Submission 1: Governance

Greymouth supports well-designed downstream arrangements.

Greymouth previously supported GIC's D+1, AGMI and renewable gas proposals subject to safeguards, caveats, and further work. That position no longer holds, given the material evolution of the proposal and the absence of a commensurate analytical foundation.

The package now being advanced in 2026 is materially more developed than the package assessed in 2023–2024. However, that additional detail has not been matched by a robust analytical process that properly reflects evolving market circumstances. GIC acknowledges the draft Rules contain many detailed operational changes not previously consulted on, and further consultation may still be required.

Those issues arise most clearly in relation to D+1 but are not confined to D+1. The same features — late-emerging operational detail, incomplete design, and the absence of a refreshed assessment of costs, benefits and alternatives — are present across the broader package.

The context in which these amendments are now being advanced has also changed materially. Amendments to the Rules made after 1 July 2026 constitute new secondary legislation and must be justified under the Regulatory Standards Act 2025 (RSA). At the same time, the sector is operating in a materially more constrained and transition-focused environment, with remaining gas reserves significantly lower than when the original proposal was developed.

In that context, the central question is no longer whether D+1 is supportable in principle, but whether this workstream — particularly its more complex elements — remains a justified use of limited industry capability and resource.

1. The RSA requires reassessment of the amendments as they now stand

The proposal has evolved in two distinct phases (i) 2023–2024: proposal, cost-benefit analysis and Recommendation, and (ii) 2026: detailed rules now released, post-RSA, with material additional content.

Nothing in the Gas Act 1992 displaces the Regulatory Standards Act 2025. The Gas Act confers the power to make rules; the RSA now governs how that power must be exercised.

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As a matter of established public law, each amendment to subordinate legislation constitutes a fresh exercise of delegated legislative authority and must comply with the law in force at the time it is made. To that extent, the current amendments are new secondary legislation and the standards and requirements of the RSA apply. Proceeding without such an assessment creates a real risk that the resulting Rules are not supported by a sufficient statutory foundation under the RSA.

The prior Recommendation to the Minister is not itself displaced by the RSA. However, it was made on the basis of a high-level proposal and pre-RSA analysis. The current regime is materially more detailed and, in practical terms, different. In those circumstances, the record supporting the current proposal must be capable of standing on its own terms, including for the purposes of scrutiny under the RSA framework.

Accordingly, the prior Recommendation cannot, without further assessment, be relied upon as a sufficient basis for making materially evolved, post-RSA amendments. In particular, reliance on the existing Recommendation, without a corresponding update to the analysis (including an assessment of costs vs benefits), creates a misalignment between what was approved and what is now proposed to be made into law.

The RSA requires clear problem definition, assessment of alternatives, and demonstration that benefits exceed costs — at the level of individual regulatory issues. In effect, the current approach risks advancing regulatory changes without demonstrating, at the level of each issue, that they meet the threshold required to justify regulatory intervention.

Advancing D+1, AGMI and renewable gas as a single package materially undermines that discipline and is inconsistent with the RSA framework. It obscures whether each component addresses a clearly defined problem, represents the most proportionate response, and delivers net benefit on its own merits. A bundled approach permits less developed or less justified elements to advance on the strength of others. It also creates a structural risk that the least mature or least defensible element determines the pace — or failure — of the overall reform. This is particularly so, when the elements are objectively separate with little, if any, linkage.

2. The framework remains design-incomplete

Greymouth's two other contemporaneous submissions demonstrate that the proposed D+1 changes depend on interdependent components that remain incomplete, unspecified, or missing, including system dependencies, core design elements and supporting frameworks.

More fundamentally, the proposal relies on elements that remain to be defined outside the Rules. To the extent those elements determine how obligations are discharged in practice, they form part of the regulatory framework in substance. Advancing the Rules without those elements being settled means the proposal is being assessed as a partial system, rather than as the regulatory framework that will govern behaviour in practice.

This includes reliance on guidance, guideline notes and similar instruments to complete or operationalise key aspects of the regime. To the extent those instruments define how obligations under the Rules are met in practice, or where compliance with them is required or functionally expected, they form part of the regulatory framework in substance.

In those circumstances, the relevant policy, design and cost implications cannot be deferred or treated as analytically separate. Reliance on such instruments to fill material design gaps risks advancing a framework that has not been fully specified, assessed or justified, and does not reflect the true scope, cost or effect of the proposal.

Greymouth considers that the proposal risks creating a framework that is legally in force but operationally non-functional. Accordingly, the basis for proceeding is not transparent and is unlikely to withstand scrutiny on a reasoned or evidential footing.

Further, the implementation model remains circular and contingent, relying on changes outside GIC's control being delivered in parallel. A similar pattern arises across other elements, including renewable gas. In practical terms, the regulatory design is being advanced ahead of the systems required to support it. That is not a settled or implementable proposal.

There is a real possibility that these unresolved gaps, once filled, will materially affect the substance of the measures currently being advanced for consultation. In those circumstances, the present consultation process is materially deficient.

3. The earlier cost-benefit analysis does not support the current proposal

The earlier cost-benefit analysis does not provide a sufficient foundation for the Rule changes now proposed. It was qualitative, undertaken at a package level, and based on a materially less developed proposal. It did not assess the detailed architecture now (partially) proposed, the operational and resourcing impacts of seven-day D+1, or the dependency on external system and code changes.

GIC's own material indicates that the benefit case for seven-day D+1 is not yet established in the absence of wider industry arrangements.

The RSA reframes the question: Do the amendments, as now designed, demonstrably deliver net benefit and represent an efficient and proportionate use of resource?

That question has not been answered, and on the material currently available cannot be answered in a manner capable of supporting progression under the RSA.

In particular, it has not been established that advancing seven-day D+1 — which is materially more complex and resource-intensive — represents an appropriate allocation of industry effort in the current transition context. This is an issue of opportunity cost and prioritisation of limited industry capability. In its current form, the analysis is not capable of substantiating that the proposal represents an efficient or proportionate regulatory response.

This is not a marginal issue. It goes directly to whether the proposal complies with the principles of the RSA.

More broadly, the proposal focuses on whether new obligations should be introduced but does not address how the resulting framework interacts with the continued operation and viability of existing arrangements. In practice, regulatory decisions will determine whether systems remain usable, affordable and utilised over time. Without explicit consideration of this, resilience is assessed only at the point of rule creation, rather than at the level of the system that will actually operate.

Taken together, these issues mean the proposal is not being assessed as the full regulatory framework that will be implemented, but as a series of partial and evolving components. That is not merely a process concern: it means the evidential record is presently insufficient to support a reasoned conclusion that the proposal satisfies the RSA threshold for regulatory intervention.

4. Recommended next steps

A staged approach is required:

- **Step 1 — test whether workstreams should proceed (disaggregated)**

    - invite cross-submissions
    - test whether there is genuine appetite, capability and leadership in each of D+1, AGMI and renewable gas

    If no credible delivery pathway exists, further work is not justified.

- **Step 2 — complete the design**

    - settle rule architecture, systems and implementation pathways.

- **Step 3 — reassess compliance and economics**

    - reassess under the RSA
    - undertake fit-for-purpose cost-benefit analysis
    - confirm status of the Recommendation

- **Step 4 — structured delivery**

    - establish targeted workstreams

Conclusion

The amendments now being advanced are new secondary legislation (post-RSA), based on a materially evolved and still incomplete design, and advanced in a materially different statutory and commercial environment. Proceeding without reassessment would risk creating rules that are neither robust in law nor workable in practice.

These workstreams must therefore be reassessed under the RSA, on an unbundled basis. Further progression would be premature and would risk advancing amendments that are not justified under the RSA unless and until that reassessment is completed. This is particularly important where the resulting Rules will require Ministerial oversight and must be supported by a clear, coherent and defensible evidential record.

If that reassessment establishes a clear and properly supported case, the relevant workstreams can proceed in a structured manner. If not, further progression would risk advancing amendments that are not justified under the RSA, are not supported by a sufficiently developed evidential record, and cannot properly be said to meet the threshold required to justify regulatory intervention.

In their current form, the amendments cannot be said to satisfy the analytical and evidential threshold required to justify regulatory intervention under the RSA.

Yours sincerely

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