



Recommendation to the Minister for Energy to make Gas (Levy of Industry Participants) Regulations 2025



Gas Industry Co.



Executive Summary

Pursuant to section 43ZZB of the Gas Act 1992 (the Act), Gas Industry Co recommends to the Minister for Energy that regulations be made under section 43ZZE to require industry participants to pay levies to the industry body in respect of the year commencing 1 July 2025 (FY2026), totaling \$3,410,198 on the following basis:

- From every gas retailer who is an industry participant on the last day of each month, a retail levy based on one twelfth of the annual retail levy of \$4.90 for each ICP for each retail customer.
- From every industry participant on the first day of each month, a wholesale levy rate of 1.7158c/GJ based on gas purchases made directly from gas producers during the previous month.

Gas Industry Co notes that for FY2026:

- The levy funding requirement of \$3,410,198 (\$4,422,758 in FY2025), and market fees of \$2,674,550 (\$1,694,566 in FY2025). Added together, these result in total work programme costs for FY2026 of \$6,084,748 (\$6,117,324 in FY2025);
- The retail levy of \$4.90 is down from \$6.53 in FY2025 - a 25.02% decrease; and
- The wholesale levy of 1.7158c/GJ is up from 1.5952c/GJ in FY2025 – a 7.56% increase. This increase is driven by a 110 PJ draft gas volume assumption (down from 150 PJ in FY2025).

Gas Industry Co remains principally reliant on annual levies to provide the effective governance of the downstream gas sector that Part 4A of the Act requires. Gas Industry Co believes that the recommended levy rates are reasonable, and present good value for gas consumers and the wider industry.

The contents of this Levy Recommendation achieved broad support from industry stakeholders, through a robust annual consultation process.

This Levy Recommendation has been approved by Gas Industry Co's Board.



Contents

1. INTRODUCTION	4
Market fees	4
Industry levy	4
2. CONSULTATION PROCESS AND OUTCOMES	5
Levy Consultation Process	5
Key Steps in FY2026 Consultation Process	5
3. FY2026 LEVY FUNDING	6
FY2026 Levy funding summary	6
Levy funding calculation and trends	6
Proposed levy methodology and rates	7
4. RECOMMENDATION	9
APPENDIX A WORK PROGRAMME	10
APPENDIX B KEY INDUSTRY BACKGROUND	13



1. Introduction

The Government and the gas industry have implemented a unique co-regulatory model in which a specially established 'industry body' develops and maintains governance arrangements for consumers and other participants in gas markets. Gas Industry Co was established in 2004 to perform the role of the industry body as set out in Part 4A of the Act. Gas Industry Co has two main sources of funding to meet the total costs of delivering its work programme and other aspects of its role as the industry body – market fees and the levy.

Market fees

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

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

Industry levy

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

The Act provides for the levy to be collected through annual regulations, on recommendation to the Minister by the industry body. Gas Industry Co develops its annual Levy Recommendation through a consultation process with levy payers and other stakeholders. This process includes development of an annual Work Programme, an indication of future activity, and the resulting estimated Total Work Programme Costs covering all activities to be undertaken by the industry body.

This paper provides that recommendation for the year commencing 1 July 2025 (FY2026).



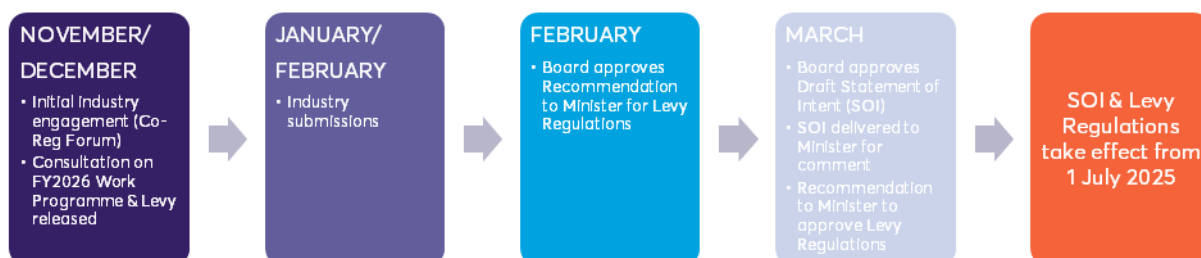
2. Consultation Process and Outcomes

Levy Consultation Process

In developing its annual Levy Recommendation to the Minister, Gas Industry Co consults on all aspects of its Work Programme, including costs and any forward indication for subsequent requests to be included in the Statement of Intent, and engages with interested stakeholders, including gas industry participants and major gas users. The process includes consultation on the proposed levy rate and amount, consistent with section 43ZZD(2)(b).

Key Steps in FY2026 Consultation Process

The diagram below sets out the key steps in the consultation process:



The consultation process commenced at the annual Co-Regulatory Forum on 28 November 2024. Feedback from this Forum was generally positive, and the paper Consultation on Gas Industry Co FY2026 Work Programme and Levy (Consultation Paper) was published on 18 December 2024. The Consultation Paper:

1. Sets out Gas Industry Co's strategic context, roles, and strategy;
2. Describes the work that Gas Industry Co will undertake in FY2026 and the estimated costs to carry out this work;
3. Outlines the amount of the Levy Funding Requirement for FY2026; and
4. Outlines the proposed levy rates for FY2026.

The proposed FY2026 Work Programme includes meeting statutory requirements, such as administration of existing gas governance regulations, and seeks to address Government and industry priorities through the completion of key project deliverables. It continues existing multi-year workstreams and reflects significant progress already made in addressing the objectives and outcome set for Gas Industry Co and the industry in the Act and the GPS.

Submissions were invited by 7 February 2025, and were received from Bluecurrent, Clarus, Energy Resources Aotearoa, Fonterra Co-operative Group Limited, Genesis Energy, the Major Gas Users Group, Mercury, Greymouth Gas, Nova Energy, and Powerco.

Each submission and an Analysis of Submissions have been published on Gas Industry Co's website. In summary, there was broad support for Gas Industry Co's role, Work Programme, estimated costs, and associated levy rates.



3. FY2026 Levy Funding

FY2026 Levy funding summary

The costs corresponding to the Work Programme (set out in Appendix A) and the steps involved in the levy methodology are set out in the following tables. In summary:

- The levy funding requirement is \$3,410,198 (\$4,422,758 in FY2025), and market fees are \$2,674,550 (\$1,694,566 in FY2025). Added together, these result in total work programme costs for FY2026 of \$6,084,748 (\$6,117,324 in FY2025);
- The levy methodology is the same as that used in previous years and is based on the principle of beneficiary pays;
- The retail levy rate is \$4.90/ICP. This is down from \$6.53/ICP in FY2025 (a 25.02% decrease); and
- The wholesale levy is \$1.7158/GJ. This is up from 1.5952c/GJ in FY2025 (a 7.56% increase). This increase is driven by a 110 PJ draft gas volume assumption (down from 150 PJ in FY2025).

Levy funding calculation and trends

The following table provides details of the levy funding calculation:

Description	TWPC	Indicative Market Fees		Levy Funding Requirement	
		Wholesale	Retail	Wholesale	Retail
Gas Governance	3,712,436	827,773	1,846,777	496,119	541,767
Facilitating Industry Systems and Processes	1,207,337			672,348	534,989
Trusted Advisor to Government and Industry	1,164,974,			718,947	446,027
TOTAL	6,084,748	2,674,550		3,410,198	

The following table shows the actual Levy Funding Requirement for FY2020-25, and the recommended Levy Funding Requirement for FY2026, along with market fees to FY2025 and the indicative estimate for FY2026.

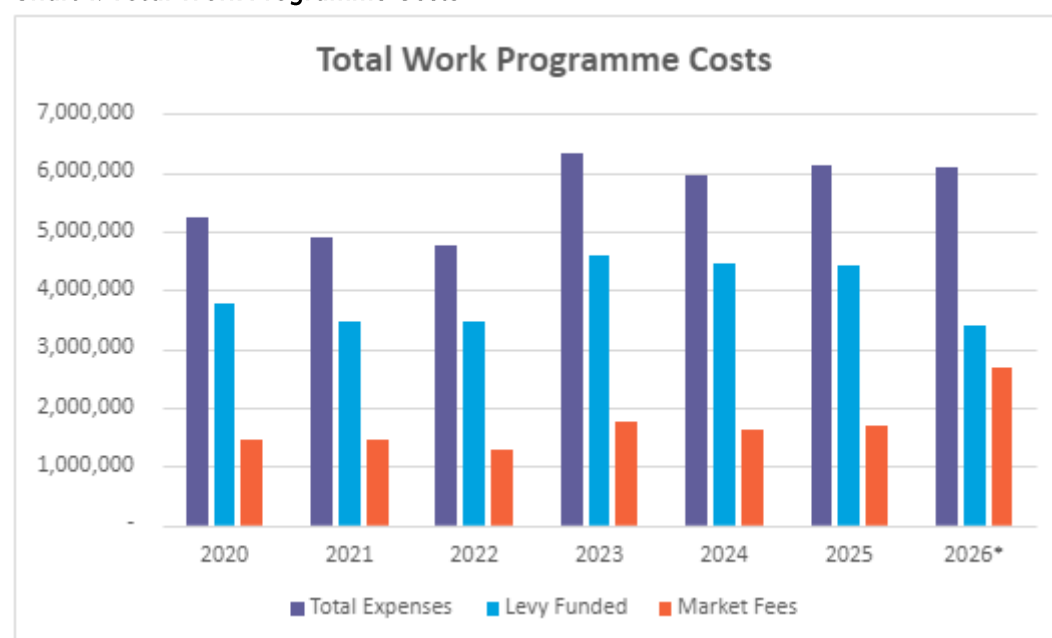
Table 2: Levy Funding Requirement and Market Fees - FY2020-26

	Levy Funding Requirement	Market Fees
2020	3,774,336	1,458,000
2021	3,450,182	1,436,000
2022	3,472,367	1,299,000
2023	4,579,373	1,713,450
2024	4,455,703	1,621,000
2025	4,422,758	1,694,566
2026*	3,410,198	2,674,550

1. *recommended levy funding requirement/indicative market fees

Based on the combination of the FY2026 Levy Recommendation and indicative market fees in table 2, Total Work Programme Costs are expected to be \$6,084,748 for FY2026, compared to budgeted costs of \$6,117,324 in FY2025.

Chart 1: Total Work Programme Costs



Proposed levy methodology and rates

Gas Industry Co's existing levy methodology:

1. Is based on a set of Levy Principles. In summary, those Principles are economic efficiency, rationality, simplicity, equity, and revenue sufficiency. The full Principles are available on Gas Industry Co's website.
2. Has two components: a wholesale component and a retail component. These components are apportioned according to the cost allocated to each part of the annual Work Programme and apportioned among levy payers pro rata with either their wholesale levy volumes or ICP market shares. In years when the Work Programme focusses on retail issues, for instance, the retail levy rate will increase while the wholesale levy will decrease.

These arrangements have remained unchanged since 2007.

In summary:

1. The wholesale levy rate has been calculated using an assumption of 110 PJ (110,000,000 GJ) of gas consumption during the year (FY2025 150 PJ).
2. The retail levy rate is calculated using the current number of ACTIVE-CONTRACTED entries in the gas registry of 311,000 (FY2025 311,000).

This results in the following levy rates:

Table 3: FY2026 Levy rates

FY2026 Levy rates			
	Retail	Wholesale	Total
Direct costs	1,311,976	1,351,921	2,663,897
Indirect costs	210,807	535,493	746,301
Total Levy Funding Requirement			3,410,198
Basis of apportionment:	Per ICP	Per GJ	
Number	311,000	110,000,000	
Levy rate	\$4.90/ICP	1.7158c/GJ	

The impact of the levy on gas consumers is small. Assuming the levy is passed through to end users, residential gas consumers would each pay approximately \$5.33 per annum, or around 0.46% of their annual gas bill. For larger consumers, the amount of levy paid is proportionate to wholesale gas purchases and adds about 0.07% or less to the cost/GJ of gas. The largest consumers, who together consume much of the gas supply, are active participants in consultation and have raised no objections to the levy rate.

Gas Industry Co has determined that it should refund unutilised levies as soon as the annual accounts have been received by shareholders at the Annual Meeting. This also has some similarity with the wash-up arrangements collected under Market Fees. This policy encourages a predictable and stable levy by removing from the levy calculations any variability resulting from a fluctuating level of reserves.



4. Recommendation

Pursuant to section 43ZZB of the Gas Act 1992, Gas Industry Co recommends to the Minister for Energy that regulations be made to require industry participants to pay levies to the industry body in respect of the year commencing 1 July 2025, totalling \$3,410,198, on the following basis:

1. From every gas retailer who is an industry participant on the last day of each month, a retail levy based on one twelfth of the annual retail levy of \$4.90 for each ICP for each retail customer.
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Appendix A Work Programme

FY2026 Work Programme: Gas Governance

Gas Governance arrangements

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

Gas (Downstream Reconciliation) Rules 2008;

Gas Governance (Compliance) Regulations 2008;

Gas (Critical Contingency Management) Regulations 2008;

Gas (Switching Arrangements) Rules 2008; and

Gas (Facility Outage Information Disclosure) Rules 2022.

Gas Governance arrangements recommendation to the Minister

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

Forecast activities for FY2026 include:

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

Critical Contingency Management

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

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

Levy

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

- Consult with industry in relation to the possibility of Gas Industry Co levying LPG, LNG and biogas; and

- Consider whether changes would be required to the Gas Act or levy regulations to enable this.

Retail Gas Contracts Oversight Scheme

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

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

Gas Distribution Contracts Oversight Scheme

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

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

Other reporting

- Complete performance audits under the Downstream Reconciliation Rules and the Switching Rules and continue to commission event audits as required;
- Prepare and publish the Statement of Intent and Annual Report to meet statutory timeframes; and
- Report on the present state and performance of the gas industry through a number of publications (eg switching statistics and Quarterly Report).

FY2026 Work Programme: Facilitating Industry Systems and Processes

emsTradepoint

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

Guidelines to Enhance Consumer Outcomes

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

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

Gas Transmission

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

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

FY2026 Work Programme: Trusted Adviser to Government and Industry

Security of Supply

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

- Facilitating industry and advising Government to enable imported LNG to be available by winter 2026;
- Blending of renewable gases into gas networks and measures to bring renewable gases into the natural gas market, such as tradeable renewable gas certificates and other market measures;
- Consideration of whether additional or changed mechanisms are needed to ensure natural gas is available to all users in times of unexpectedly tight supply; and
- Our regular supply and demand studies.

Consumer voice

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

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



Appendix B Key Industry Background

Gas is a key contributor to New Zealand, at around 16% of primary energy supply. In the past decade, the gas industry in New Zealand has undergone substantial change, transitioning from reliance on the large Maui field in 2007, then reduced production from Pohokura, to now drawing supplies from multiple smaller fields.

Gas is an important fuel for industrial, commercial, and residential consumers. In 2009, there were about 250,000 gas consumers; today, there are over 300,000.

Gas Industry Co has developed a mix of formal rules and regulations (e.g. critical contingency management, reconciliation, switching) and non-regulated arrangements (e.g. retail contracts, distribution contracts) that are well-advanced in meeting the legislative and policy objectives and outcomes that the Government expects the industry to achieve.

These arrangements have contributed to the development of a healthy downstream gas market. Key indicators include:

- a) 10 distinct retail gas brands.
- b) 99% of gas customers are connected to a network where seven or more retailers trade, suggesting that the retail gas sector is generally competitive throughout the North Island.
- c) On average, 3,745 gas consumers switch gas supplier each month, which translates to an annual churn of about 15% of gas consumers. In 2024, 70% of consumer switches were completed within three business days; and 97% were completed within 7 business days.
- d) 81% of residential consumers have switched retailer at least once in the past 15 years; 73% of small commercial, 78% of large commercial sites, and 74% of large industrial sites have switched at least once.
- e) Annual unaccounted-for gas (UFG) has historically ranged between 1.00% to 1.25%, however UFG began trending upwards in 2020, peaking at 1.7% in mid-2022. Since then, UFG has continued to trend downwards and now sits around 1.3%.

About Gas Industry Co

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

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

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

ENQUIRIES:
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