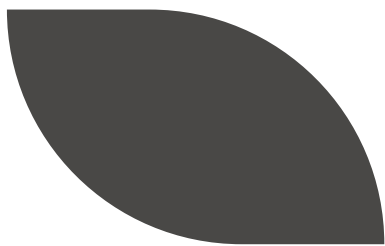
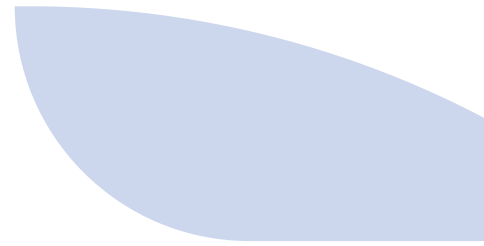


Annual Report

2023/2024



Gas Industry Co.





Contents

CHAPTER ONE	
Chair's foreword	11
CHAPTER TWO	
Chief Executive's review	14
CHAPTER THREE	
Work programme achievements against Statement of Intent	18
CHAPTER FOUR	
Work programme achievements against GPS objectives and outcomes	26
CHAPTER FIVE	
Effective co-regulation	30
CHAPTER SIX	
Corporate governance	33
CHAPTER SEVEN	
Financial statements	42
CHAPTER EIGHT	
Consolidated statement of service performance	59

Gas Industry Company Limited (Gas Industry Co) is the home of New Zealand's gas governance, advice and data.

Gas Industry Co is the industry body that co-regulates gas so New Zealanders enjoy safe, efficient, fair, reliable, and environmentally sustainable gas delivery.

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

Our role as the industry body is to:

- Develop arrangements, including regulations where appropriate, which improve:
 - » consumer outcomes
 - » the operation of gas markets and
 - » access to infrastructure.
- 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.
- Oversee compliance with and review such arrangements.



When recommending industry arrangements, we take into account the objectives of the Gas Act and the Government Policy Statement on Gas Governance 2008 (GPS).



What we do is grouped into three classes of activities.

These activities make up our work programme which is developed in consultation with industry, and included in our annual Levy Recommendation to the Minister:

1

Gas governance

The Gas Act and GPS guide us in these activities where we have statutory roles as well as oversight of the industry processes or regulations with the intention of ensuring appropriate activities are being undertaken. Examples of our gas governance roles include the determination of breaches or undertaking compliance audits. Our gas governance roles are normally designed to provide security of supply, build consumer trust, or oversight of competition and markets.

2

Facilitating industry systems and processes

We have regulatory defined roles and have undertaken activities where requested by industry to deliver independent or centralised services. Examples of the facilitation role include a wide set of activities such as managing the D+1 model, the gas registry, or reconciliation processes, through to hosting the website for upstream disclosures.

3

Trusted advisor to government and industry

The trusted advisor role reflects our activities to inform people 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 supply and demand studies, engagement with government agencies such as the Ministry of Business, Innovation and Employment (MBIE) or the Climate Change Commission, and discussions with industry about government processes. It is important to note here that our role is limited to informing, we are not an advocate or lobbyist for industry.

Governance arrangements overseen by Gas Industry Co

We oversee various arrangements for the downstream gas industry.

Regulatory arrangements made under the Gas Act include:

- Gas (Switching Arrangements) Rules 2008 (Switching Rules), which provide for a central registry of Installation Control Point (ICP) data and facilitate customer switching among retailers.
- Gas (Downstream Reconciliation) Rules 2008 (Reconciliation Rules), which prescribe the process for attributing volumes of gas consumed to the responsible retailers.
- Gas Governance (Critical Contingency Management) Regulations 2008 (CCM Regulations), which set out how industry participants plan for, and respond to, a serious incident affecting gas supply via the gas transmission pipelines.
- Gas (Facilities Information Disclosure) Rules 2022 (Information Disclosure Rules), which set out a disclosure regime in relation to outages of gas production and storage facilities.
- Gas Governance (Compliance) Regulations 2008 (Compliance Regulations), under which alleged breaches of the rules and regulations set out above are determined and settled efficiently. We perform the role of Market Administrator under the Compliance Regulations.

Industry arrangements include:

- D+1 (gas allocations to retailers at shared networks, the day after gas has flowed).
- Retail Gas Contracts Oversight Scheme.
- Gas Distribution Contracts Oversight Scheme.
- Framework for Gas Retailer Insolvency Arrangements, which sets out the process we will follow in the event of a retailer insolvency.

The ongoing effectiveness of the regulatory arrangements is monitored and reviewed. This is both at a high level, through a set of industry performance measures, and at a detailed level, through audits and daily monitoring.



Structure of the New Zealand gas industry

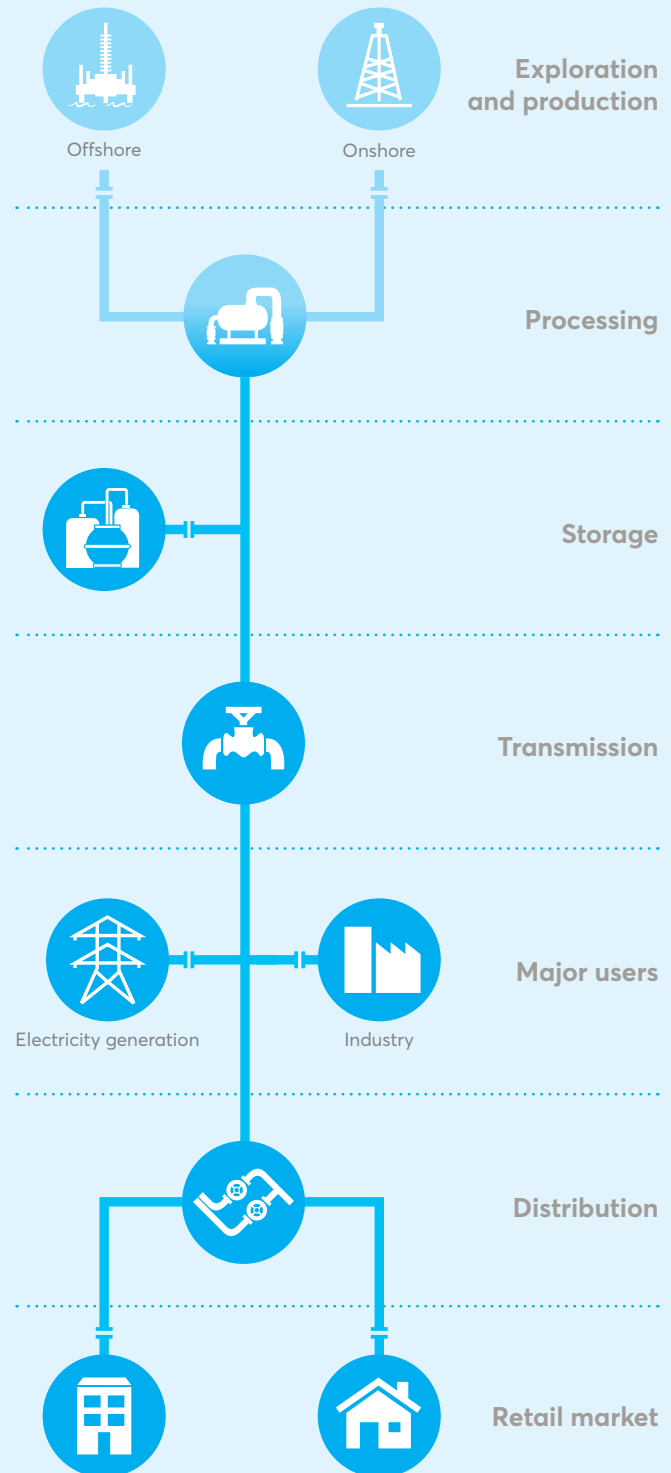
The New Zealand gas industry can be divided into two main sectors:

The upstream sector

comprising gas exploration and production as well as some aspects of gas processing, is governed primarily through the Crown Minerals Act 1991 and administered by MBIE.

The downstream sector

over which we have regulatory oversight, includes some aspects of gas processing, transmission, distribution and consumers (including major users supplied from the transmission system, and retail users supplied from distribution networks).



How we fit into regulatory arrangements

Gas Industry Co works closely with other regulators as well as industry.

Our main focus is the delivery of gas to users through gas processing, transmission, and distribution (including major users supplied from the transmission system, and retail users supplied from distribution networks).

The upstream sector, comprising gas exploration and production is governed primarily through the Crown Minerals Act 1991 and administered by NZ Petroleum and Minerals.

Energy and resources legislation and policy is the responsibility of MBIE.

Transmission and distribution businesses that own and operate New Zealand's gas pipeline infrastructure, which do not face direct

competition for their services and are regulated under Part 4 of the Commerce Act, are the responsibility of the Commerce Commission.

Utilities Disputes is the place to go for consumer complaints about the gas sector. It gives consumers confidence that there are options to address disputes, beyond raising them directly with the retailer or distributor.

Safety around gas is the responsibility of WorkSafe.

You can search for information about your natural gas connection and find publications referred to in this annual report on our website: www.gasindustry.co.nz

Gas Industry Co's strategy

Our strategy includes our core theme of “facilitating the role of gas in New Zealand's energy future for consumers”.

Our core theme recognises that:

- Our roles are broader than only providing governance;
- Gas has a role in New Zealand's energy future;
- We have a role in supporting the energy transition;
- Gas includes gases of increasing importance in our energy ecosystem (hydrogen and/or biogas); and
- Our regulatory roles are designed to either provide greater security of supply or oversight of competition and markets.



Our work programme includes a focus on natural gas in the energy transition. Find out what the future of natural gas might look like.

What is the future of the gas industry?

The Chair's foreword on **page 11** and the Chief Executive's review on **page 14** discuss the future of gas and security of supply. Gas markets are currently constrained and we set out the context for likely future development of the sector.



How can we give consumers' and investors' confidence in gas markets?

Page 16 describes how we publish regular supply and demand studies. These enable consumers to make investment decisions knowing how much gas is likely to be available in given conditions. On the production side, they provide insight into likely market conditions and the demand for potential new supply.

Our 2023 supply and demand study results demonstrated that a shortfall between demand and supply would occur in nearly all scenarios. The insights and resulting attention helped decision makers prepare for a much more constrained gas market.

Is the gas industry ready to respond to a critical contingency?

Page 19 discusses our work to improve the CCM Regulations. The purpose of these regulations is to achieve the effective management of critical gas outages and other security of supply contingencies without compromising long-term security of supply.

In July, we made a recommendation to the Minister for Energy to amend the CCM Regulations to make the regime more efficient and effective without compromising long-term security of supply.

Chair's foreword

In this annual report, we set out our work programme and achievements. Gas Industry Co continues to facilitate better outcomes for industry, consumers, and our community.

Gas markets were stressed over the past year.

We have seen a crunch coming in the gas sector for a long time. If we look back into the recent past, we can understand more about current conditions.

As far back as 2012, Gas Industry Co produced a supply and demand study that indicated tight supply conditions could occur in the 2020s.

At that time, it was still possible to foresee abundant gas supplied of up to 250PJ a year if investment continued in gas fields – more than double actual production this year. Those optimistic scenarios required ongoing investment. New gas was not developed as expected and all our major fields entered decline.

From the point where decline began, we were always going to enter the constrained supply conditions we are in now. It was a matter of time, although the decline in supply experienced this year has come three or four years earlier than previously anticipated.

Constrained supplies have coincided with a shortage of renewable energy as well. Electricity has needed more gas at a time when less gas is available.

One lesson of the transition to renewables is that a more renewable-dependent energy system requires more back up. When gas production is limited, it cannot continue to provide as much security for flexible demand.

In 2021, the Government asked us to review gas market settings when tight supply conditions led to industrial closures. We showed that gas markets are well supported but investment confidence was needed to bring forward sufficient supplies.

Investment to develop new supplies is still needed, but we are now at the point where production has fallen to our most pessimistic expectations. In April, we warned that production was down to levels foreseen only in our lowest scenarios. We advised that some consumers would not be able to get contracted gas.

There is not enough fuel for everyone who needs it and no easy way out of the fuel shortfall.

Gas is a key feedstock for export industries, including petrochemical production and power generation. It is depended on by businesses across the economy for industrial and commercial processes. If insufficient gas is available from domestic fields, then the Government has made clear we will need to import gas to provide the 'insurance' the electricity generators require against dry years.

We may see the emergence of two or even three related but unique products within the gas markets for a while: One could be met from domestic gas supplying large and steady petrochemical and industrial demand; another met from imports for more intermittent demand; while residential and small commercial demand could be met partly from biogas.

The gas market is already characterised by a variety of contract models. Large petrochemical demand underwrites field development and pays the lowest price for gas in exchange for risk sharing and taking large volumes. Power generation has more flexible demand with less ability to exit demand in stressed markets. Other parts of the market secure gas under shorter-term contracts.

The alternative to a divergence of markets could be that gas prices rise to the import parity price for everyone. High prices would reduce the competitiveness of energy-intensive exporters. We would expect to see de-industrialisation as some industry move to lower-cost jurisdictions.

Our role, as the industry body and co-regulator, is to work with industry and other co-regulators to facilitate resilient and affordable supply consistent with the energy transition.

An example of our transition-focused work was the research Gas Industry Co produced in 2022 investigating carbon capture technologies (CCUS). Expert assessments we commissioned demonstrated that CCUS is technically and economically viable in New Zealand. Focusing on emissions, instead of fuels, can make a material contribution to reducing carbon emissions. However, the regulatory system needs to be modernised. The Government has released a consultation paper informed by our work about updating CCUS regulation. This progress is welcome.

Biogas is another emerging technology of the future. Trials began in 2024 to introduce gas made from renewable sources such as wastewater and food waste into the gas network. Some technical challenges were identified, which is one purpose of a trial. Further consultation will take place while the market begins to pick up pace.

Gas Industry Co sees a future in which sufficient biogas volumes become available to decarbonise residential and small commercial demand. If the market evolves as we expect, gas will have a long-term future in networks. We are seeing increased household use of gas for hot water and cooking, while less gas is being used for heating.

As new technologies allow biogas to be injected into pipelines, carbon emissions can be eliminated without the impracticalities and household costs of turning gas off.

Although production has declined steeply this year, gas will be around for a long time. The market will change, gas will change for some, and Gas Industry Co intends to be at the centre of that transition.

I would like to thank our staff, ably led by Chief Executive Andrew Knight, for their work over the past year. We have a small team. The normal process of staff turnover creates a large proportionate effect, but staff have continued to produce quality work.

My fellow directors have continued to provide a high standard of governance for the sector. We welcomed Sir Brian Roche onto the Board. With his considerable expertise and experience, he makes a significant contribution.

We sadly mourned Robin Hill, who left the Board in 2023 and passed away this year. I served with Robin for many years. Coming to the Board with an extensive background in financial and business management, Robin was Deputy Chair from 2004 and made an invaluable contribution to financial governance. All who served with Robin will remember him with respect, appreciation and fondness.

It remains for me to thank industry participants and levy payers for your ongoing support. I am proud of the feedback we receive about your confidence in Gas Industry Co as the industry body and co-regulator. I would like to thank you for your ongoing engagement and look forward to the year ahead.



Rt Hon Jim Bolger, ONZ
Chair

A series of white, stylized wavy lines that resemble a series of connected arches or a stylized wave pattern, positioned in the upper half of the page.

Chief Executive's review

I orea te tuatara ka puta ke waho. "A problem is solved by continuing to find solutions."

Security of supply is the energy sector's most pressing strategic priority.

This year saw gas prices rise to very high levels on the spot market and contract prices trended higher. Gas Industry Co warned that some consumers would not be able to contract for the gas they need, and some large industrials were not receiving the gas they had contracted for.

The Government convened a Gas Security Response Working Group, tasked with managing the shortfall between supply and demand. Gas Industry Co has led some workstreams. We would like to acknowledge the constructive participation in the Group by gas producers and industrial consumers.

Security of supply

With gas fields declining faster than expected in 2023 and 2024, the wider energy sector has had a testing year, with the gas sector in particular having to make tough choices. The transition was always going to present us with a complex set of issues to solve. We had less time than hoped for to adjust but we can also see the principles that will guide us into the future:

- The market is capable of producing appropriate outcomes if decision-makers have confidence in investment conditions.
- Gas will be needed to support the energy sector through the transition for a long time.
- It's better for everyone to produce our own gas than to import it, but if we need to import it, we will need to be careful about the interests of all gas consumers.

- Safe, efficient, reliable and fair market conditions are consistent with a sustainable transition provided ambitions for the transition are realistic and the market has time to adjust.

This year, some industrial consumers have been exceptionally stressed with gas suppliers unable to meet their needs and prices reaching unprecedented heights in response. Shortfalls and prices that make New Zealand industry uncompetitive cannot last nor be repeated every few years, or we will see significant demand destruction as industrials leave, with grave consequences for New Zealand's economy and social wellbeing.

Very large customers have traditionally underwritten supply. Over the past five years or so, that investment in gas development has amounted to around \$1.5 to \$2 billion. We continue to believe that ongoing investment, underwritten by industrial demand, is the most hopeful pathway forward.

Security of supply is not only a problem for the gas sector; it is an issue for everyone who depends on our contribution. This year we have seen heart-breaking stories of businesses closing in regional New Zealand, with the loss of hundreds of well-paid, skilled jobs. There are generational, social and economic consequences for heartland communities.

We need secure and affordable energy while we transition. New Zealand faces choices in our energy transition. If we get the solutions wrong or do not invest, communities that have the least say are going to bear the cost of transition.

There are no easy answers to transition, nor to the shortages of gas we have experienced this year. What we need is frankness about the challenges.

Therefore, Gas Industry Co is focused on providing high quality assessments and advice. This work is urgent and valuable.

Gas Transition Plan and energy transition

In our Statement of Intent, we cautioned that the Gas Transition Plan workstream would depend on developments elsewhere in the policy environment.

The plan we drafted achieves an efficient cost of emissions abatement and avoids risks to security of supply in electricity and industry, while reducing emissions faster than the reductions proposed in the Climate Change Commission's demonstration pathway.

Key components of our Gas Transition Plan included that:

- Ongoing investment in developing gas fields is needed to ensure sufficient gas is available to meet demand and higher emitting alternatives are not required
- Gas will exit from baseload electricity in the 2020s, with new measures to ensure gas peaking is available to support renewable electricity
- CCUS is needed and could begin as soon as 2027, leading to significant emissions reductions in the 2030s
- Industrial emissions are expected to decline as a result of the ETS driving behaviour change and industrial exit
- Biogas may eventually replace natural gas in local distribution networks, with work needed to remove barriers to a biogas market
- An orderly transition depends on Methanex remaining in the market to underwrite field development
- Stable policy is needed to help investment confidence among both field owners and large consumers.

Our draft Gas Transition Plan was presented to incoming ministers following the general election at the end of 2023.

The new government elevated the focus on security of supply and affordability in gas transition planning and the wider energy strategy. Initiatives identified in our draft gas transition planning are progressing through our own work programmes and those of other institutions. Policy areas where work is continuing include CCUS, biogas, and economic initiatives to support flexible gas availability, while policy settings have changed where they were perceived as compromising investor confidence.

Supply and demand study

We publish regular supply and demand studies. We have again retained EY to analyse plausible scenarios this year.

Supply and demand studies help to improve investor confidence. They help consumers to make investment decisions by knowing how much gas is likely to be available in given conditions. On the production side, the studies provide insight about likely market conditions and the demand for potential new supply.

Our 2023 supply and demand study demonstrated that a shortfall between demand and supply would occur in nearly all scenarios. The insights and resulting attention helped decision-makers prepare for a much more constrained gas market.

Biogas

Biogas has considerable potential for decarbonising gas. Between 3 and 7 PJ of gas is potentially available today, and more biogas could be available when less mature technology becomes commercial. A biogas market is more viable in market conditions seen in 2024, where very high spot prices featured, and consumers searched for alternative products.

Gas Industry Co has engaged with market participants conducting trials of biogas injection into the natural gas network. Two projects have been advanced.

The CCM Regulations were changed to facilitate operation of a part of the transmission network at lower pressure during one trial. Consultation continues on further changes.

The NZ Standard for the specification of reticulated gas, NZS5442, serves as a specification for methane-based gases supplied to consumers to help ensure the gas is suitable for transportation and safe for use in gas burning appliances and equipment.

As it currently stands, this standard acts as a barrier to biogas injection into the system due to some of the gas composition constraints included in the standard. We have co-funded work by Standards NZ to update this standard and have been involved in the development of the proposed changes. This update will modify the standard to enable biogas injection, while maintaining safe operation of the existing appliance population.

Biogas certification schemes are now being offered to the market. Gas Industry Co has been asked to consider a framework for certification. Potential consultation is under consideration about the value of a certification framework, biogas trading, and strategies for bringing more biogas to market. These may form the substance of a future work programme.

Critical Contingency Management

On 2 July we made a Recommendation to the Minister for Energy to amend the CCM Regulations. This followed our Statement of Proposal on which we received seven submissions. The changes are intended to make the critical contingency management regime more efficient and effective without compromising long-term security of supply.

Most of the changes relate to process improvements identified during previous contingency events and exercises. They also include amendments to update wording, remove ambiguity, and improve

communication and information quality for parties involved in managing a critical contingency event.

The material changes relate to redesigning the load curtailment bands by allocating large loads but fewer consumers in lower bands to prevent downstream network failure. We also recommended lowering the pressure threshold limits to provide Firstgas with more flexibility to operate the transmission system more efficiently.

Finally, the changes also recommend retaining the urgent amendments to the CCM Regulations that removed the Broadlands and Taupo gas gates from the critical contingency threshold limits to enable Firstgas to enable the injection of biomethane into the network. This change came into effect on 8 March 2024.

Acknowledgements

Our work programme and the challenges of the transitioning gas sector continue to be demanding.

As the proverb at the outset says, problems will be solved by continuing to find solutions.

I would like to take the opportunity to thank all those across the sector that continue to support our work and who contribute alongside us.

We have a small team, and the work programme keeps us busy. We are proud of our work and proud of the difference it makes to helping New Zealand meet its needs.

Ngā mihi maioha,

Ngā mihi nui,



Andrew Knight
Chief Executive



Work programme achievements against Statement of Intent

Gas Transition Plan and energy transition

Over the last year Gas Industry Co has dedicated significant resource to transition issues such as its work with MBIE to develop a Gas Transition Plan. Our draft plan set out options for a gas transition pathway, supported by expert technical reports and modelling.

In August 2023, MBIE released the Gas Transition Plan Issues Paper for public consultation, along with a package of consultation papers, each addressing a different challenge in the energy transition. Consultation ran until 2 November 2023.

At the time the Gas Transition Plan was announced, the then government intended it would form part of a broader energy strategy, guiding emissions reductions from gas in line with targets in emissions budgets, in legislation, and in New Zealand's international commitments.

Following the general election at the end of 2023, our draft Gas Transition Plan was presented to incoming ministers.

The new government elevated the focus on security of supply and affordability in gas transition planning and the wider energy strategy. Initiatives identified in our draft Gas Transition Plan are progressing through our own work programmes and those of other institutions. Policy areas where work is continuing include CCUS, biogas, and economic initiatives to support flexible gas availability, while policy settings have changed where they were perceived as compromising investor confidence.

Our 2023 supply and demand study demonstrated that a shortfall between demand and supply would occur in nearly all scenarios. The insights and resulting attention helped decision-makers prepare for a much more constrained gas market.

The study also helped improve investor confidence, and assisted consumers to make investment decisions by knowing how much gas is likely to be available in given conditions. On the production side, the studies provide insight about likely market conditions and the demand for potential new supply.

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.

There were no critical contingencies during the financial year.

We said we would:

1. Make a recommendation to the Minister to amend the CCM Regulations;
2. Support MBIE through the legislative change process; and
3. Implement proposed changes to the CCM Regulations including consequential changes to existing industry processes.

We completed a Statement of Proposal and consultation process for amendments to the CCM Regulations and made a recommendation to the Minister for Energy in July 2024.

The planned timeline for these amendments was delayed due to the complexity of a request by Firstgas to change the critical contingency pressure thresholds in Schedule 1 of the CCM Regulations. This change reduced the operating pressure on the Broadlands Taupo gas gates section of the transmission system to enable biomethane to be injected from the Ecogas facility at Reporoa. The urgent regulation-making process in the Gas Act was used to make the necessary changes to the pressure thresholds in the CCM Regulations.



We considered it prudent to review whether the electricity price review's recommendations should apply to the gas market, given the similarities and links between the two markets.

Guidelines to enhance consumer outcomes

We monitor governance arrangements in related industries to assess whether any changes may influence existing gas governance arrangements, which consequently may need amending.

The government's electricity price review (EPR) made 32 recommendations in response to its review of whether the electricity market delivers efficient, fair, and equitable prices to customers. We considered it prudent to review whether those recommendations should apply to the gas market, given the similarities and links between the two markets.

Following this consultation process we 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.

We said we would:

1. 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; and
2. Start work on any actions arising from the review of participants' processes.

In August 2023, we asked dual fuel gas retailers to undertake a self-assessment of alignment with the new guidelines. Retailers' responses suggested they were fully or substantially aligned with most aspects of the guidelines. They also raised certain workability concerns and suggested we review aspects of the guidelines before the next assessment of alignment.

We published a paper that consolidated retailer responses, their assessment of the effectiveness of the guidelines, and what changes, if any, should be made to the current approach. We concluded the appropriate response was to undertake an additional timetabled assessment of alignment to coincide with our assessment for non dual fuel retailers.

After finalising our assessment, the Electricity Authority announced it would review the electricity Consumer Care Guidelines because of its decision to make those guidelines mandatory. As the gas guidelines are intended to align with the electricity guidelines, we decided to defer our review of the gas guidelines and our next assessment until the Electricity Authority's process is complete. At that point, we will consider whether any changes to the gas guidelines are required to align with the Electricity Industry Participation Code and the timeframe for our next assessment of alignment.

Advanced Gas Metering

We are determining what changes are required to support the rollout of advanced gas metering infrastructure (AGMI). This includes assessing if there is merit in changing the Switching Arrangements Rules and the Downstream Reconciliation Rules and working closely with industry to ensure associated systems and rules are fit for purpose.

We said we would:

1. Finish working through the list of issues from the 2021 Issues Paper with the AGMI working group;
2. Consult on a Statement of Proposal for rule changes and determine the preferred approach for non-regulatory aspects;
3. Make a recommendation to the Minister and begin implementation of system changes; and
4. Go live of new arrangements and monitoring of new processes (e.g. UFG allocation and D+1) to ensure they are working effectively.

We have made progress refining the changes to gas governance arrangements and industry systems that are required to support the rollout of AGMI.

Our AGMI Consultation Paper, released in August 2023, and the Statement of Proposal on Changes to Gas Governance Arrangements, released in December 2023, gave stakeholders the opportunity to provide feedback on our proposals for regulatory and non-regulatory changes.

A further round of industry engagement is required before we can complete the recommendation to the Minister, most likely in the form of a workshop. The objective will be to add more detail to the proposals outlined in the Statement of Proposal.

We expect implementation of the regulatory and non-regulatory changes to occur in FY2025.

Retail Gas Contracts Oversight Scheme

In 2010, we established a Retail Gas Contracts Oversight Scheme (Scheme). This was designed to assess retailers' contracts with residential and small commercial consumers against a series of benchmarks and reasonable consumer expectations (RCEs). Reviews are undertaken by an independent assessor.

The most recent full review was in FY2023.

The independent assessor's benchmark assessment report found overall substantial alignment, with all 11 sets of retailer terms and conditions being substantially aligned with the Scheme's benchmarks. This result is consistent with the trend of retailers' alignment with the benchmarks over time.

We said we would:

1. Review the Scheme's benchmarks and reasonable consumer expectations in light of changes to industry processes (e.g. Consumer Care Guidelines) and legislative changes;
2. Review new-entrant retail contracts, as requested; and
3. Provide information to new entrant retailers to help them understand their obligations and the governance processes.

In April, we opened a consultation to review the Scheme's benchmarks and RCEs. We sought stakeholders' views on the Scheme's benchmarks and our interpretation of those benchmarks and RCEs. Submitters generally agreed that the Scheme is fit for purpose and that no substantive change is needed.

We are considering next steps informed by consultation, including the timing and form of any proposed changes to the Scheme. These will be informed by changes in the electricity consumer care guidelines as appropriate.

We have been available to provide information to new entrant retailers and review new-entrant contracts as required.

Gas Distribution Contracts Oversight Scheme

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

Following the 2014 assessment (which found that contracts offered by distributors exhibited 'substantial' alignment with the principles), it was decided that assessments would be undertaken on an exception's basis. In our most recent survey of distributors in 2020, no material changes had been made to distribution agreements since 2014.

We said we would:

1. Review the Gas Distribution Contracts Oversight Scheme following discussions with retailers and distributors, and report on any necessary changes.

During the year, Firstgas advised that it had completed a multi-year consultation to develop a new standard distribution contract with gas retailers that are connected to its distribution network.

We have appointed an independent assessor to undertake an assessment of Firstgas's contract against the Gas Distribution Contracts Oversight Scheme's principles, and expect this to be completed in the third quarter of 2024, following which it will be published.

We prioritised this assessment over carrying out a review of the Scheme, as the result of the assessment will likely assist our review of the Scheme's effectiveness by providing a recent example of a distribution contract that has been assessed against its principles.

Downstream reconciliation

The Reconciliation Rules establish a set of uniform processes that enable the fair, efficient, and reliable allocation and reconciliation of downstream gas quantities. In addition, the Rules provide for the appointment of an Allocation Agent who maintains and operates the allocation system.

We carry out business-as-usual activities such as appointing and managing the Allocation Agent, commissioning audits and investigating unaccounted for gas.

We said we would:

1. Complete the regulatory process to codify D+1 (assuming a regulatory solution is the outcome of the FY2023 Options Paper), including a Statement of Proposal followed by a recommendation to the Minister to amend the Reconciliation Rules;
2. Ensure alignment of allocation system and processes with market changes (D+1, advanced metering, renewable gases); and
3. Undertake a procurement process and execution of new service provider agreement for the Allocation Agent (current contract expires end of 2023).

Following on from the FY2023 D+1 Options Paper, in December 2023 we published the Statement of Proposal on Changes to Gas Governance Arrangements. This paper included proposals to include D+1 in the Reconciliation Rules and also to make appropriate amendments to the D+1 system to account for AGMI consumption data and renewable gas injection. These proposals were largely supported by submitters and, as with the AGMI proposals discussed above, will be included in a recommendation to the Minister in FY2025 after further detail has been agreed with stakeholders.

In anticipation of the expiry of the allocation agent contract with EMS, in 2023 we tested the market with alternative providers to assess whether a full procurement process would deliver significant benefits, relative to the resourcing needed to carry out the exercise.

Based on those discussions, and also acknowledging that the proposals in the Statement of Proposal would require substantial system changes, we considered it was not the optimal time to go to market.

Negotiations with the incumbent provider led to a variation to the existing contract, which took effect on 1 April 2024.

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 for every customer installation and facilitates 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, Jade Software, expires in 2025.

We said we would:

1. Manage registry operator contract;
2. Assess the ongoing performance of the Switching Rules;
3. Monitor and report on switching statistics;
4. Make determinations under the Switching Rules as required;

5. Commission performance and event audits as required; and
6. Follow up on any issues identified in the switching audits.

We have continued to manage the contract with the Registry Operator, assess the ongoing performance of the Switching Rules, and monitor and report on switching statistics.

An audit of the Registry Operator commenced in FY2024 and will be completed in early FY2025.

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 and/or regulations breaches that raise material issues.

We said we would:

1. Perform the Market Administrator role;
2. Assess ongoing performance of the Compliance Regulations;
3. Assist the investigator and Rulings Panel as required; and
4. Monitor compliance trends for indications of regulatory inefficiency.

We have continued to perform the role of Market Administrator under the Compliance Regulations. This has included continuation of our regular programme of audits.

Overall, the industry continues to demonstrate a high level of compliance with the specified gas governance rules and regulations, with breach allegations over the last year mainly being minor breaches of the Switching Rules and Downstream Reconciliation Rules.

Information disclosure

The Information Disclosure Rules came into effect on 1 April 2023. These rules provide for:

- The disclosure of information for an unplanned outage or planned outage at a gas production facility or a gas storage facility; and
- The disclosure of information to the industry body to enable it to monitor compliance with these rules.

We said we would:

1. Review performance of the Gas (Facilities Outage Information Disclosure) Rules 2022 including disclosing party compliance.

We have been working with gas producers and gas storage owners to improve their awareness of, and ensure compliance with, their obligations under the Rules. Specifically, the public disclosures gas producers and gas storage owners are required to make through the online Outage Disclosure Platform (which we established and maintain) as well as the annual monitoring disclosures and compliance certificates which are required to be provided in April each year.

Having been through the first annual information reporting and certification cycle under the Rules, we have started our performance review, to ensure the Rules are generally operating as intended by providing for effective and timely disclosure of information regarding outages.

Gas transmission

The suitability of transmission arrangements during the energy transition is a matter that will require further consideration, including by our energy transition workstream.

We said we would:

1. Potentially work with the Commerce Commission regarding recommendations impacting pipeline regulation in the Gas Transition Plan;

2. Monitor asset management plans for gas transmission and report on any significant matters; and
3. Review transmission pipeline interconnections as required, address any concerns regarding reasonable access, and amend the Guidelines as required.

As part of the Gas Transition Plan workstream, we commissioned a review of the current regulatory framework for the gas transmission system. This review found that in the short to medium term there is no clear evidence that an alternative regulatory option, different to the current revenue cap model, would be better suited to align the gas transmission network with the outcomes set in the Gas Transition Plan.

The report concluded that instead of changing the regulatory option applied to transmission networks, how the incentives and mechanisms within the regulatory option are set and how directive the regulator chooses to be will likely make the most impact. These findings were shared with the Commerce Commission and Firstgas and provide the basis for ongoing conversations.

Our most recent review of Firstgas's transmission asset management plan (AMP) was completed in 2022. This assessment found that the AMP held valuable information which is often presented in easy-to-understand formats but, due to the volume of information presented, a stakeholder wishing to understand the core of the AMP might find the bulk daunting. We shared our recommendations regarding the presentation of the AMP with Firstgas.

No issues regarding transmission pipeline interconnections have been referred to Gas Industry Co during this period.

Statement of intent and annual report

The Gas Act requires that the industry body provide its annual report to the Minister for Energy 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 before being finalised and published.

We said we would:

1. Prepare and publish the SOI to meet statutory timeframes;
2. Provide the draft SOI to the Minister for comment before publication; and
3. Prepare and publish the annual report and meet requirements for tabling in Parliament.

The draft Statement of Intent 2025–2027 was provided to the Minister for comment before publication.

The final Statement of Intent 2025–2027 was delivered to the Minister on 1 July 2024, published on our website along with the FY2025 levy regulations, and gazetted.

We intend to deliver and publish the annual report to the Minister by 29 September, meeting requirements for tabling in Parliament.

Other reporting


We are required by the Gas Act to report on the present state and performance of the gas industry. We do this through a number of publications including switching statistics and quarterly reports.

We said we would:

1. Prepare and publish switching statistics and industry performance measures; and
2. Continue engagement and communications for interested stakeholders.

We have continued to prepare and publish switching statistics and industry performance measures on the data section of our website.

We have continued engagement and communications for interested stakeholders via our news bulletins, industry workshops and consultations.



Work programme achievements against GPS objectives and outcomes

Alignment with government policy objectives and outcomes

Our strategic objectives – facilitate gas governance and markets that deliver gas in a safe, efficient, fair, reliable, and environmentally sustainable manner, act as a trusted advisor 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. Our diverse workstreams help us 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 1 – Gas Act, GPS Objectives and Outcomes Assessment Criteria) under the five category headings shown in Table 2 – Categorisation of Assessment Criteria. This approach avoids duplication.

Work Programme FY2024 and future areas of work	Gas Act, GPS Objectives and Outcomes alignment				
	Efficiency	Reliability	Safety	Environment	Fairness
Gas Transition Plan and energy transition	✓	✓	✓	✓	✓
Critical Contingency Management	✓	✓	✓	✓	✓
Guidelines to enhance consumer outcomes	✓	●	●	●	✓
Advanced Gas Metering	✓	●	●	●	●
Retail Gas Contracts Oversight Scheme	✓	●	●	●	✓
Gas Distribution Contracts Oversight Scheme	✓	●	●	●	✓
Downstream reconciliation	✓	●	●	●	✓
Switching and registry	✓	●	●	●	✓
Compliance and enforcement	✓	✓	✓	✓	✓
Information disclosure	✓	✓	●	●	✓
Gas transmission	✓	✓	✓	●	✓
Statement of intent and annual report	✓	✓	●	●	✓
Other reporting	✓	✓	●	●	✓

Table 1 – 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 for 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

Table 1 – Gas Act, GPS Objectives and Outcomes Assessment Criteria (continued)

Criterion	Objective/Outcome	Text
14	GPS Item 13 point 1	Pursue: An efficient market structure for the provision of gas metering, pipeline and energy services
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 2 – 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				



Effective co-regulation

Gas Industry Co was established in 2004 and was approved as the gas industry's co-regulatory body under Part 4A of the Gas Act that same year. The company fully began operations in 2005 and works with both Government and stakeholders to develop recommendations on governance arrangements that meet the objectives of the Gas Act and the GPS.

Our oversight encompasses the gas wholesale and retail markets, processing facilities, and the transmission and distribution sectors of the industry.

Stakeholder relations

Gas Industry Co works closely with other regulatory bodies, including MBIE and the Commerce Commission, whose responsibilities also encompass the gas industry. We regularly maintain relationships with many other agencies engaged in the energy and related sectors, including the Electricity Authority, Energy Efficiency and Conservation Authority, Gas Association New Zealand, and Utilities Disputes.

The industry has been experiencing challenging and transformational times. Facilitating industry engagement and debate is an important function for the effective operation of the unique co-regulatory model. We conduct annual co-regulatory forums to discuss the upcoming year's work programme, upon which the levy is calculated. We continue to convene workshops to engage with the industry on issues arising from ongoing workstream activity.

Funding

Gas Industry Co derives its income from wholesale and retail levies and from market fees. We are committed to ensuring that these levies and fees are well justified and used carefully.

We conduct detailed consultation annually between October and March to establish the strategic priorities for the upcoming financial year and, from that, to recommend levies to the Minister for regulatory approval.

Our revenue has remained much the same over recent years (figure 1), although wholesale levy revenue has been down in recent years, due to decreased gas production. Revenue includes market fees under each of the rules and regulations to fund the administration of those rules and regulations (including recovery of the costs of external service providers and consultants). In addition, retail and wholesale levies are applied each year to cover the costs of our policy and market administration work.

Our constitution enables the Board to charge shareholders an annual fee. At its November 2016 meeting, the Board approved reducing the annual fee for the FY2017 year and onwards to \$2,000 per shareholder per annum. Shareholders' fees are kept aside as a contingency reserve.

Expenditure

Gas Industry Co's financial year ends on 30 June. Our work programme and associated budget for the forthcoming financial year are developed in a consultation process beginning with the co-regulatory forum for stakeholders in the preceding November/December and concluding the following March with the preparation of a Statement of Intent and the making of a recommendation to the Minister for levy regulations.

The budget is set to ensure we have sufficient resources to meet our work programme obligations, while recognising the need to be cost effective, as the levy is ultimately incorporated into consumer prices.

As we have more control over what we spend than what we collect in revenue, our financial performance is meaningfully measured by reviewing actual expenditure.

As shown in figure 2, actual expenditure has remained fairly stable over recent years, other than an increase in 2023, largely because of the Gas Transition Plan work.

In the year ended 30 June 2024, operating expenses were \$5,128,056, against the Statement of Intent budgeted expenses of \$5,943,454, a favourable variance of \$815,398 or 13.72%.

Gas Industry Co's equity reserve as at 30 June 2024 has two components – the Industry Advances Reserve of \$53,635 and Retained Earnings of \$854,000.

The Industry Advances Reserve comprises the over/under recovery of levy revenue. The Board's practice has been to return any over-recoveries, subject to retaining adequate capital reserves, as soon as practicable after the annual accounts have been received by shareholders at the company's Annual Meeting.

Retained Earnings are the accumulation of the shareholders' annual fees and are set aside as a reserve against future contingencies. They do not impact on the levy calculation.

Figure 1 – Revenue

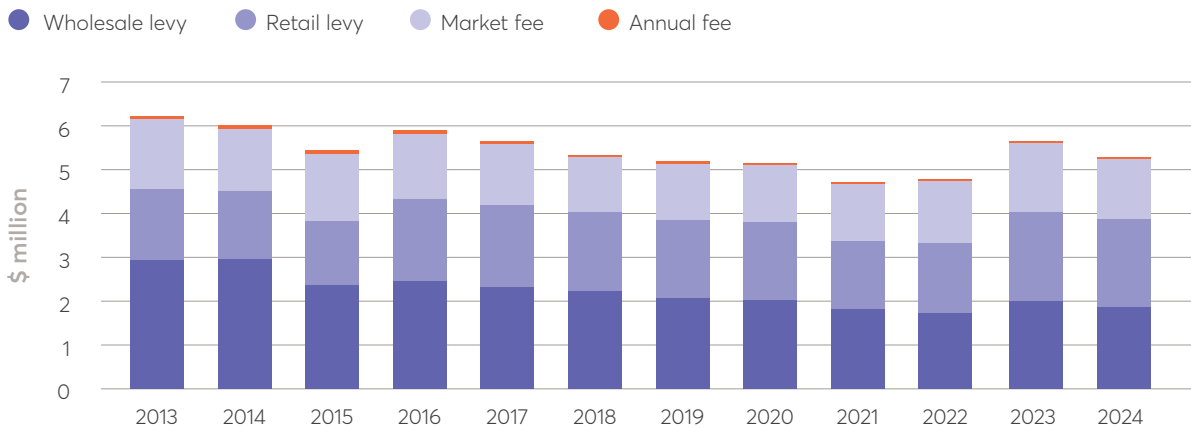
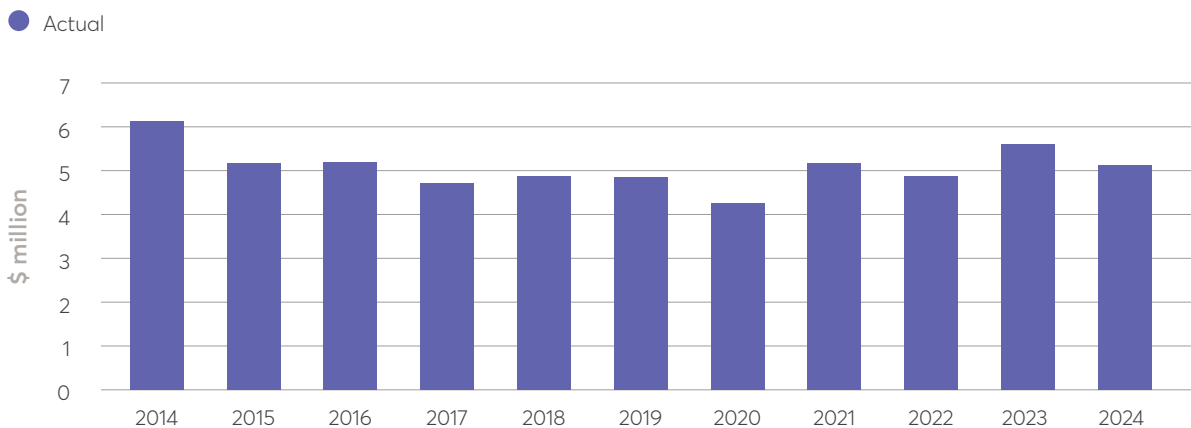


Figure 2 – Operating expenses



Corporate governance

Gas Industry Co is owned by industry participant shareholders and is funded by levies on industry participants.

It is incorporated as a company under the Companies Act 1993 and operates in accordance with the Gas Act, the GPS, and the company's constitution.

Our shareholders represent sectors across the gas industry – production, transmission, distribution, wholesale, retail and consumers. There were 12 shareholders as of 30 June 2024.

Each shareholder holds a \$1 share, which is redeemable at the option of the shareholder. Shareholders are entitled to one vote in a poll on resolutions at shareholders' meetings, including those that appoint directors and change the constitution. Shareholders pay an annual fee set by the Board.

Shareholders

- Contact Energy Limited
- emsTradepoint Limited
- Firstgas Limited
- Genesis Energy Limited
- Greymouth Gas New Zealand Limited
- Mercury NZ Limited
- Methanex New Zealand Limited
- New Zealand Oil & Gas Limited
- Nova Energy Limited
- OMV New Zealand Limited
- Powerco Limited
- Vector Limited



Board of Directors

The Board of Gas Industry Co meets on regularly scheduled occasions to consider operational reports and recommendations from management. Unscheduled meetings are held from time to time to consider matters requiring immediate attention. Directors attend either in person or via video conference.

The Board is a mix of independent and industry-associated directors, all appointed by the shareholders. Its composition accords with the Gas Act requirement to have the majority of independent directors, including the Chair. This reflects the aim of creating a gas industry co-regulatory body that

benefits from industry participation and experience, balanced by a range of independent expertise. The company's constitution limits the Board to no more than seven directors, four of whom are independent of the gas industry. The number of independent directors voting on an issue must exceed the number of industry-associated directors voting on the same matter.

Board committee

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.

Rt Hon James (Jim) B Bolger, ONZ

Chair, Independent Director

Appointed 4 November 2004

Jim has had a distinguished career in politics that includes being Prime Minister of New Zealand from October 1990 to December 1997, holding ministerial positions for 16 years, and leading the New Zealand National Party for 12 years. He has been the Chair since the company's establishment.

Interests Register

- Chair, Hollow Lands Limited



Andrew Brown

Independent Director

Appointed 10 June 2010

Andrew is a leading corporate lawyer with over 25 years' experience as a partner at Bell Gully. Since leaving Bell Gully in 2010, he has worked on his own account and as general counsel for both KiwiRail and Housing New Zealand Corporation. He is currently a senior commercial adviser.

Interests Register

No interests relevant to Gas Industry Co



Sam Elder

Independent Director

Appointed 24 November 2022

Sam is an energy sector professional, currently working with Orion Group as General Manager Energy Futures. She started out leading a spacecraft thermal engineering group in the UK, before moving to New Zealand in 2006. Since then, she has held a range of leadership roles including Retail Insight Manager at Meridian Energy, South Island Director at the Ākina Foundation, and Senior Strategy Manager at Environment Canterbury. Sam has an MSc in Advanced Energy and Environmental Studies and is GARP SCR (Sustainability and Climate Risk) certified.

Interests Register

- GM Energy Futures, Orion Group
- Director, Climate Navigator Ltd
- Co-Chair, ENA's Future Networks Forum



Sir Brian Roche, KNZM

Independent Director

Appointed 1 November 2023

Sir Brian Roche is recognised for his extensive governance, leadership, and business experience. He has held senior leadership positions across the public and private sectors including as a senior partner in what is now PwC, Chief Executive of the New Zealand Post Group, and a number of roles as advisor to government ministers on a range of issues including Covid 19 and Cyclone Gabrielle.

He has held a number of Board Chair roles including City Rail Link Limited, the New Zealand Transport Authority, the Hurricanes Super 15 Franchise, Antarctic New Zealand and some private companies.

Sir Brian is a Life Member of the Australia and New Zealand Institute of Chartered Accountants and a Distinguished Alumni of Victoria University. He was awarded a Knight Companion of the New Zealand Order of Merit in 2016 for services to Business and the State.

Interests Register

No interests relevant to Gas Industry Co



Mike Fuge**Industry-Associated Director***Appointed 16 March 2020*

Mike has over 30 years' experience in the energy sector which has included 19 years with Shell International in upstream oil and gas production over a range of countries in Europe, the Middle East and Southeast Asia. He is currently Chief Executive Officer of Contact Energy, having previously headed up Refining NZ Ltd and Pacific Hydro Ltd (based out of Melbourne).

Interests Register

- Chief Executive Officer, Contact Energy Limited

**Babu Bahirathan****Industry-Associated Director***Appointed 12 March 2021*

Babu is Chief Executive Officer Downstream Energy at Todd Corporation and Chief Executive Officer of Nova Energy. He graduated from the University of Canterbury with a Bachelor of Engineering, Electrical and Electronics with first class honours. He has since completed study towards a Masters in Finance from Massey University.

After graduating, Babu joined Transpower NZ as Assistant Development Engineer. He went on to spend nine years there in a wide range of roles including planning, development, design, operations and new investments. He was Technical Manager on various development projects and his last role with Transpower was as Team Leader in the Pricing Group, responsible for designing and implementing pricing methodology for transmission cost recovery.

In 1999 Babu joined Todd Energy as a Business Analyst just as Todd entered the retail electricity market. He has played a major role in developing and managing Todd's electricity business from its infancy. Babu held the position of Group Manager Electricity from 2006 until 2011 when he moved into his current role. He is responsible for The Todd Corporation's Wholesale and Retail Gas and Electricity businesses.

Interests Register

- Chief Executive Officer Downstream Energy, Todd Corporation
- Chief Executive Officer, Nova Energy
- Director of various other Todd Corporation subsidiaries



Paul Goodeve

Industry-Associated Director

Appointed 21 June 2021

Paul was appointed as the first Chief Executive Officer of the Firstgas Group in 2016. He has significant experience across the infrastructure sector. Prior to joining Firstgas Group, he spent 12 years in various regulatory, legal, pricing, commercial, business development and operations roles at Powerco, New Zealand's second largest electricity and gas distributor. Paul is a member of the Institute of Directors. He is currently a Director of Ara Ake.



Interests Register

- Chief Executive Officer, Clarus Group of Companies
- Director, Ara Ake



Other Directors who served during the year

Robin G Hill

Appointed 4 November 2004

Resigned 31 October 2023

Interests Register

No interests relevant to Gas Industry Co

Alternate Directors

Charles Teichert

Appointed 13 April 2021

Interests Register

- Alternate for Mr Bahirathan
- Officer, Nova Energy Limited

Ben Gerritsen

Appointed 21 June 2021

Interests Register

- Alternate for Mr Goodeve
- Officer, Firstgas Group
- Deputy Chair, GasNZ
- Director, Bioenergy Association of New Zealand

Chris Abbott

Appointed 20 October 2021

Interests Register

- Alternate for Mr Fuge
- Officer, Contact Energy Limited

Attendance

The Board met on seven occasions during the year ended 30 June 2024. At other times, matters that required the Board's attention were addressed by circular resolutions.

Directors	Meetings attended
J Bolger	6
R Hill	0*
A Brown	6
S Elder	7
B Roche	3
M Fuge	3
B Bahirathan	6
P Goodeve	6

*on medical leave

Alternate Directors	Meetings attended
C Teichert	1
C Abbott	3
B Gerritsen	1

Directors' remuneration

Directors' remuneration is authorised by ordinary resolution of shareholders and is paid to the independent directors only.

The current maximum level of directors' fees, being \$275,000, was authorised by shareholders in 2004. Annual fee payments of \$93,500 for the Chair, \$63,360 for the Deputy Chair, and \$52,800 for the other independent directors were set by the Board in June 2007. Directors' remuneration payments in respect of the year ended 30 June 2024 were:

Directors	\$
J Bolger	93,500
R Hill	21,120
A Brown	52,800
S Elder	52,800
B Roche	39,600
M Fuge	–
B Bahirathan	–
P Goodeve	–

Indemnification of directors

As permitted by the constitution and the Companies Act 1993, Gas Industry Co has indemnified its directors and has provided directors' liability insurance for officers and directors. This insurance and indemnity is with respect to potential liabilities and costs they may incur for acts or omissions in their capacity as directors and officers.

During the financial year, Gas Industry Co paid insurance premiums in respect of directors' and officers' liability insurance.

Annual meeting

Gas Industry Co's Annual Meeting was held on 23 November 2023.

In his address to the meeting, the company's Chair, Rt Hon Jim Bolger, noted the following points:

- The change of Government is likely to lead to a change to the thrust of energy policy, with more recognition of the importance of gas to support electricity and power major industrials, while recognising the need to continue efforts to make a stable transition to a net zero economy.
- Carbon capture and storage is a game changer for the gas sector. Gas Industry Co has worked constructively with industry to raise awareness of the potential for CCUS in New Zealand.
- The company once again has another ambitious work programme ahead.
- The Chair thanked the Chief Executive, Gas Industry Co staff and his fellow directors for their work during the year. He specifically acknowledged Robin Hill for his many years of dedicated service to the Board.
- The Chair noted the Board's gratitude to the company's shareholders for their ongoing support and engagement and looked forward to another productive year of work.

Delegations

The Board delegates to the Chief Executive the right to exercise all the financial powers of the Board in relation to the operation of Gas Industry Co in accordance with any applicable Board policies and directives, as well as defined financial delegations for business operations. The Board reserves to itself certain powers, including the approval of strategic and business plans, budgets, accounting policies and other financial matters, and transactions or contracts over specified thresholds.

Executive

Gas Industry Co has a small Senior Management Team and a total staff of around 12 who deliver the company's strategy and work programme.

Andrew Knight, BMS (Hons), CA

Chief Executive

Andrew Knight commenced as Chief Executive in March 2018. Before that he was Chief Executive of New Zealand Oil & Gas for five years. Andrew has held a range of roles across the energy sector in New Zealand and Australia as a listed and unlisted Company Director, Chief Executive Officer and Executive Manager. Andrew is also a Director or Chairman of several iwi investment organisations.



Susan Dunne, LLB, BCA, CA

General Manager Corporate Services and Company Secretary

Susan joined Gas Industry Co in April 2013 as Senior Legal Counsel. She was appointed Company Secretary in 2014 and General Manager Corporate Services in May 2017. As well as providing legal and company secretarial services to Gas Industry Co, Susan leads the Corporate Services team responsible for administrative support functions including finance, technology, human resources, risk and property management.

Before joining Gas Industry Co, Susan worked as both Legal Counsel and Tax Manager at Westpac New Zealand Limited. Susan began her career with PwC in Wellington.



Employee remuneration and benefits

Employees receiving remuneration and related benefits over \$100,000 per annum:

Year ended 30 June 2024	
\$110,001–\$120,000	2
\$180,001–\$190,000	1
\$190,001–\$200,000	1
\$200,001–\$210,000	1
\$210,001–\$220,000	1
\$250,001–\$260,000	1
\$520,001–\$530,000	1

Business governance and corporate responsibility

Gas Industry Co maintains a comprehensive suite of policies and procedures to govern behaviour and ensure employee wellbeing. These include:

Code of conduct and ethics

We expect our people to act ethically, safely and legally at all times in conducting the company's business, and to comply with the four principles of conduct outlined in the Code, as well as any ethical standards applying to them by virtue of their membership of a professional body.

Conflicts of interest

Employees must inform Gas Industry Co in writing where they enter into any business arrangement or have personal interests that may conflict with either the company's business or affect the full, effective, and impartial discharge of the employee's obligations with the company as the industry body and co-regulator.

Independent directors and employees have restrictions on ownership of interests in industry participants.

Harassment policy

We are committed to providing a work environment for our staff which is free from harassment, where staff are treated with dignity and respect. Gas Industry Co has a zero tolerance for harassment and considers any form of harassment to be unacceptable. We will take all practical steps to eliminate harassment and are committed to resolving issues of harassment as early as possible.

Gifts and hospitality

We require that our employees do not solicit, accept or offer money, gifts, favours, or entertainment that might influence, or appear to influence, their business judgment, particularly given the company's role as the industry body and co-regulator.

Health and safety

Gas Industry Co is committed to providing and maintaining a safe and healthy work environment for employees and visitors to its premises. Our Health and Safety Policy is set by the Board and includes a goal of zero harm with a range of initiatives designed to support employee health and wellbeing.

Confidential information and privacy

This policy provides that employees must protect the privacy of our confidential business information, except as permitted or required by law.

Risk management

Gas Industry Co's Risk Management Policy is set by the Board and includes an enterprise risk register to record and mitigate strategic, operational, and physical risks that could affect our business. We also maintain business continuity and emergency preparedness plans. The management team reviews the company's enterprise risk register each month and the register is presented to the Board each quarter.

A series of white, stylized wavy lines that resemble a series of connected arches or a stylized wave pattern, positioned in the upper left quadrant of the page.

Financial statements

Directors' Report

The Board of Directors have pleasure in presenting the annual report of Gas Industry Company Limited, incorporating the financial statements and the auditors' report, for the year ended 30 June 2024.

The Board of Directors of the Company authorised these financial statements presented on pages 46 to 57 for issue on 22 August 2024.

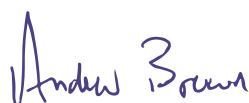
For and on behalf of the Board.



Rt Hon James B Bolger, ONZ

Chair

22 August 2024



Andrew Brown

Independent Director

22 August 2024

Independent Auditor's Report

To the shareholders of Gas Industry Company Limited

Report on the audit of the financial report

Opinion

In our opinion, the financial report of Gas Industry Company Limited (the 'company') on pages 46 to 66 presents fairly, in all material respects:

- i. the company's financial position as at 30 June 2024 and its financial performance and cash flows for the year ended on that date; and
- ii. the service performance for the year ended 30 June 2024 in accordance with the company's service performance criteria;

in accordance with Public Benefit Entity Standards Reduced Disclosure Regime (Not For Profit) issued by the New Zealand Accounting Standards Board.

We have audited the accompanying financial report which comprises:

- » the statement of financial position as at 30 June 2024;
- » the statements of comprehensive income, changes in equity and cash flows for the year then ended;
- » notes, including a summary of significant accounting policies; and
- » the statement of service performance on pages 60 to 66.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'), and the audit of the statement of service performance, in accordance with the New Zealand Auditing Standard 1 *The Audit of Service Performance Information* ('NZ AS 1'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards)* (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) and NZ AS 1 are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the company.

Other information

The Directors, on behalf of the company, are responsible for the other information included in the entity's Annual Report. Our opinion on the financial report does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the financial report

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the financial report in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards Reduced Disclosure Regime (Not For Profit)) issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error;
- service performance criteria that are suitable in order to prepare service performance information in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards Reduced Disclosure Regime (Not For Profit)); and

- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole and the statement of service performance is free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ and NZ AS 1 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate and collectively, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of this financial report is located at the External Reporting Board (XRB) website at:

www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-14/

This description forms part of our independent auditor's report.



KPMG
Wellington
22 August 2024

Gas Industry Company Limited

Statement of Comprehensive Revenue and Expenditure

for the year ended 30 June 2024

	Notes	2024 (\$)	2023 (\$)
Revenue from exchange transactions			
Operating income	4	5,258,689	5,597,834
Interest income		42,971	20,935
Net income		5,301,660	5,618,769
Expenditure			
Operating expenditure	5	5,128,056	5,610,296
		5,128,056	5,610,296
Surplus/(deficit) before tax		173,604	8,473
Income tax expense	6	12,032	5,865
Surplus/(deficit) for the year		161,572	2,608
Other comprehensive revenue and expenditure		–	–
Total comprehensive revenue and expenditure for the year		161,572	2,608

The accompanying notes form an integral part of these financial statements.

Gas Industry Company Limited

Statement of Changes in Equity

for the year ended 30 June 2024

	Industry Reserves (\$)	Retained Earnings (\$)	Total equity (\$)
<i>Balance at 1 July 2022</i>	(62,545)	806,000	743,455
Total comprehensive revenue and expenditure for the year			
Surplus/(deficit) for the year	–	2,608	2,608
Other comprehensive revenue and expenditure	–	–	–
Total comprehensive revenue and expenditure for the year	–	2,608	2,608
Transfer between equity reserves			
Industry Advances Reserve transfers	(21,392)	21,392	–
Balance at 30 June 2023	(83,937)	830,000	746,063
<i>Balance at 1 July 2023</i>	(83,937)	830,000	746,063
Total comprehensive revenue and expenditure for the year			
Surplus/(deficit) for the year	–	161,572	161,572
Other comprehensive revenue and expenditure	–	–	–
Total comprehensive revenue and expenditure for the year	–	161,572	161,572
Transfer between equity reserves			
Industry Advances Reserve transfers	137,572	(137,572)	–
Balance at 30 June 2024	53,635	854,000	907,635

The accompanying notes form an integral part of these financial statements.

Gas Industry Company Limited

Statement of Financial Position

as at 30 June 2024

	Notes	2024 (\$)	2023 (\$)
ASSETS			
Current assets			
Cash and cash equivalents	7	1,319,439	983,229
Trade and other receivables	8	125,802	5,743
Prepayments		70,388	120,365
Income tax receivable	6	–	–
Total current assets		1,515,629	1,109,337
Non-current assets			
Property, plant and equipment		79,357	29,998
Intangible assets		349,408	396,519
Total non-current assets		428,765	426,517
Total assets		1,944,394	1,535,854
LIABILITIES			
Current liabilities			
Trade and other payables	9	792,655	526,155
Employee entitlements		244,092	263,624
Redeemable shares	11	12	12
Total current liabilities		1,036,759	789,791
Total liabilities		1,036,759	789,791
Net assets		907,635	746,063
EQUITY			
Industry reserves	12	53,635	(83,937)
Retained earnings	12	854,000	830,000
Total equity		907,635	746,063

These financial statements were authorised for issue by the signatories below on 22 August 2024.

On behalf of the board



Rt Hon James B Bolger, ONZ
Chair



Andrew Brown
Independent Director

Gas Industry Company Limited

Statement of Cash Flows

for the year ended 30 June 2024

	2024 (\$)	2023 (\$)
Operating activities		
<i>Cash was provided from</i>		
Levy revenue	3,858,020	4,016,772
Market fee revenue	1,447,189	1,713,471
Annual fees	24,000	24,000
Interest received	42,971	20,935
Net GST	6,722	51,571
	5,378,901	5,826,749
<i>Cash was applied to</i>		
Payments to suppliers	(2,653,997)	(3,358,810)
Payments to employees	(2,149,483)	(1,940,021)
Payments to directors	(202,658)	(246,429)
Taxes paid	(12,032)	(5,865)
Net GST	–	–
	(5,018,170)	(5,551,125)
Net cash inflows from operating activities	360,732	275,624
Investing activities		
<i>Cash was applied to</i>		
Purchase of property, plant and equipment	(24,522)	–
Purchase of intangible assets	–	–
Term deposit	–	–
Net cash outflows from investing activities	(24,522)	–
Net increase/(decrease) in cash and cash equivalents	336,210	275,624
Opening cash and cash equivalents	983,229	707,605
Closing cash and cash equivalents	1,319,439	983,229

The accompanying notes form an integral part of these financial statements.

Gas Industry Company Limited

Notes to the financial statements

1. Reporting entity

These financial statements comprise the financial statements of the Gas Industry Company Limited (the "Company") for the year ended 30 June 2024.

Changes to the Gas Act 1992 (the "Act") in late 2004 provided for the co-regulation of the gas industry by the Government and an industry body. The Company was established to fulfil the role of the industry body under the Act and was approved by Order in Council on 22 December 2004.

The Company is a limited liability company incorporated and domiciled in New Zealand and is registered under the Companies Act 1993. The address of its registered office is 149 Featherston Street, Wellington.

The financial statements have been prepared in accordance with the requirements of the Gas Act 1992, the Financial Reporting Act 2013 and the Companies Act 1993.

The principal activity of the Company is to act as a co-regulatory body for the gas industry in New Zealand. This includes making recommendations to the Minister for Energy on a wide range of industry matters, including the making of rules and regulations in relation to the wholesaling, processing, transmission, distribution and retailing of gas.

The financial statements have been approved for issue by the Board of Directors on 22 August 2024.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the *PBE Accounting Standards* as appropriate for Tier 2 not-for-profit public benefit entities. The company is a Tier 2 reporting entity as it has total expenditure less than \$33 million in the two preceding reporting periods and is not publically accountable. All available exemptions under Tier 2 Reduced Disclosure Requirements have been applied.

(b) Basis of measurement

The financial statements have been prepared on a historical costs basis, except for certain financial assets and liabilities that have been measured at fair value. The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

(c) Presentation currency

The financial statements are presented in New Zealand dollars (\$), which is the Company's functional currency.

(d) Judgments and estimations

The preparation of financial statements in conformity with *PBE Accounting Standards* requires judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Where material, information on significant assumptions and estimates is provided in the relevant accounting policy or will be provided in the relevant note.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

(e) Comparatives

Where management have reclassified items in the financial statements, the related comparative disclosures have been adjusted to provide a like-for-like comparison.

3. Summary of significant accounting policies

(a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(b) Trade debtors and other receivables

Trade debtors and other receivables are measured at amortised cost using the effective interest method less any impairment losses.

A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable.

Receivables with a short duration are not discounted.

(c) Intangible assets

Software costs, which includes those items classified as "Industry Assets", have a finite useful life. Software costs are capitalised and amortised over an economic useful life of between 4 and 10 years.

"Industry Assets" relate to the databases created and established for the Downstream Reconciliation, Switching and Registry rules and D+1.

(d) Trade creditors and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(e) Employee entitlements

Short-term benefits

Employee benefits that the Company expects to be settled within 12 months of balance date are measured at nominal value based on accrued entitlements at current rate of pays.

These include salaries and wages accrued up to balance date and annual leave earned, but not yet taken at balance date.

The Company recognises a liability and expense for bonuses where they are contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term benefits

The Company does not provide long service leave to employees or members of the governing body and has not entered into any defined benefit/contribution pension plans.

(f) Preference shares

Preference share capital (disclosed as "Redeemable Shares") is classified as a liability if it is redeemable on a specific date or at the option of the shareholders.

(g) Revenue from exchange transactions

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as the principal or agent in a revenue transaction. In an agency relationship only the portion of revenue earned on the Company's own account is recognised as gross revenue in the Statement of Comprehensive Revenue and Expenditure.

The following specific recognition criteria must be met before revenue is recognised.

Levy revenue

Levy revenue comprises amounts received or due in accordance with the applicable Gas (Levy of Industry Participants) Regulations. Levy revenue is recognised when the underlying activities upon which the levy is raised have occurred and the amount of levy revenue can be reliably measured.

Market fee revenue

Market fees raised to recoup the capital and operating costs of implementing gas governance regulations are recognised in conformance with International Public Sector Board standard 23: Non-reciprocal transfers in the following manner:

- Market fees to recoup operating costs to be recognised as revenue at the time the invoice is raised as a proxy for recognising it at the time the leviable event occurs.
- Market fees to recover capital costs to be recognised as revenue once the expenditure the fees were raised to cover has been incurred.

Annual fees

Annual fees are recognised when invoiced.

Interest income

Interest income is recognised as it accrues, using the effective interest method.

(h) Revenue from non-exchange transactions

Non-exchange transactions are those where the Company receives value from another entity (eg: cash or other assets) without giving approximately equal value in exchange. During the year no non-exchange transactions were entered into.

i) Income tax

Taxation expense in the Statement of Comprehensive Revenue and Expenditure comprises current tax charges. Industry participation levies, annual fees and market fees received are not regarded as gross income, in terms of section CB 1 of the Income Tax Act 2007 and therefore are not taxable. Deductions are not available in respect of the costs incurred in providing services.

Current tax charges are based on taxable surplus for the year, which differs from the surplus before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible.

The Company has no material deferred tax balances as the majority of assets and liabilities are used to provide non-taxable activities.

(j) Goods and services tax (GST)

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the Inland Revenue is included as part of receivables or payables in the Statement of Financial Position.

(k) Reserves / Equity Policy

The Board holds surplus levy income in a dedicated industry advance reserve for the future reduction of levy income.

4. Operating income	2024 (\$)	2023 (\$)
Wholesale levy revenue	1,890,810	1,992,695
Retail levy revenue	2,015,131	2,023,656
Market fee revenue	1,328,748	1,557,483
Annual fees	24,000	24,000
Total operating income	5,258,689	5,597,834

5. Operating expenditure	2024 (\$)	2023 (\$)
Depreciation and amortisation	78,984	79,263
Operating lease expenses	313,098	276,470
Fees paid to audit firm – financial statement audit	34,125	36,000
Fees paid to audit firm – other services	–	–
Bad debts	–	–
Directors' fees	259,820	253,660
General expenses	386,127	355,517
Recruitment expenses	23,259	49,719
Technical, economic, and legal advice	712,157	1,328,965
Service provider fees	1,213,032	1,282,329
Kiwisaver contributions	61,280	56,438
Employee benefit expense	2,046,174	1,891,935
Total operating expenditure	5,128,056	5,610,296

6. Income tax	2024 (\$)	2023 (\$)
(a) Income tax expense		
Current year income tax expense	12,032	5,865
Deferred tax movement	–	–
Total income tax expense	12,032	5,865
(b) Reconciliation of current year income tax expense		
Surplus/(deficit) for the year	173,604	8,473
Income tax expense at 28 percent	48,609	2,372
Permanent differences	(36,577)	3,493
Timing differences	–	–
Current year income tax expense	12,032	5,865
(c) Income tax receivable		
Opening balance	–	–
Tax refunds received	–	–
Current year income tax expense	(12,032)	(5,865)
Income tax paid	12,032	5,865
Closing balance	–	–

The Company has no material deferred tax balances on temporary or permanent timing differences.

7. Cash and cash equivalents	2024 (\$)	2023 (\$)
Bank account	997	1,070
Interest bearing account	1,318,442	982,159
Total	1,319,439	983,229

The carrying amount of cash and cash equivalents approximates their fair value.

Cash at bank and the interest bearing account earns interest at floating rates based on daily deposit balances.

8. Trade and other receivables

	2024 (\$)	2023 (\$)
Levy debtors	125,802	5,743
GST receivable	–	–
Total	125,802	5,743

9. Trade and other payables

	2024 (\$)	2023 (\$)
Accounts payable	344,719	239,411
Accrued expenses	384,666	248,630
GST payable	63,270	38,114
Total	792,655	526,155

Trade creditors and other payables are non-interest bearing and are normally settled on 30-day terms; therefore the carrying value of trade creditors and other payables approximates their fair value.

10. Related party transactions**(a) Transactions with shareholders**

Levy payments (which are detailed in note 4) are made by industry participants who, in many cases, are also shareholders of Gas Industry Company Limited.

During the year ended 30 June 2024, the Company paid service provider fees of \$383,979 and consulting fees of \$78,800 to Transpower, the parent company of emsTradepoint, a shareholder of the Company (2023: \$474,434 and \$308,800 respectively). At 30 June 2024, \$41,191 is included within accounts payable (2023: \$44,763).

(b) Transactions with key management personnel

	2024 (\$)	2023 (\$)
Salaries and other short-term employee benefits	1,031,446	975,760

Key management personnel include the Chief Executive, the GM Corporate Services and the four independent Directors.

The above includes remuneration of \$259,820 (30 June 2023 \$253,660) paid and payable to the independent Directors for the year.

11. Redeemable shares

	2024 (\$)	2023 (\$)
Redeemable shares – value in dollars	12	12
Redeemable shares – number	12	12

All redeemable shares rank equally with one vote attached to each fully paid share. The shares are redeemable at any time for the consideration of \$1 payable on redemption. The redeemable shares confer on the shareholders the rights set out in section 36(1) of the Companies Act 1993.

12. Reserves and retained earnings

	2024 (\$)	2023 (\$)
Industry advances reserve	53,635	(83,937)
Retained earnings	854,000	830,000
Total equity reserves	907,635	746,063
(a) Industry advances reserve		
Opening balance	(83,937)	(62,545)
Transfer from/(to) retained earnings	137,572	(21,392)
Closing balance	53,635	(83,937)

To allow for the timely enactment of the levy regulations each financial year, Gas Industry Company Limited must set its budget and work programme nine months prior to the beginning of that year and prior to the completion of the Strategic Plan. In practice, this requires the company to forecast where it expects to be in the policy development process before it has fully analysed the issues, or engaged with stakeholders on their concerns.

This factor, and the fact that the levy is based in part on variable gas sales volumes, means every year there is a risk of over or under recovery of levy funds.

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, 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 Board holds surplus levy income in a dedicated industry advance reserve and if approved by the Board provides refunds to levy payers.

(b) Retained earnings

	2024 (\$)	2023 (\$)
Opening balance	830,000	806,000
Surplus/(deficit) for the year	161,572	2,608
Transfer from/(to) industry advances reserve	(137,572)	21,392
Closing balance	854,000	830,000

13. Contingencies

As at 30 June 2024, the Company has no contingent liabilities (2023: nil). There is an arrangement with Westpac New Zealand Limited whereby Gas Industry Company has a business card facility (limit \$100,000), a payroll letter of credit facility (limit \$180,000), and a bank bond issued in favour of Robt. Jones Holdings Limited for the value of \$143,865.74.

14. Commitments

(a) Capital commitments

The Company has no material capital commitments (2023: nil).

(b) Operating lease commitments

	2024 (\$)	2023 (\$)
<i>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</i>		
Within one year	254,242	371,803
Later than one year but not later than five years	1,271,209	1,251,007
Later than five years	741,539	979,955
Total	2,266,990	2,602,765

(c) Service provider commitments

Service provider agreements for the Downstream Reconciliation, Switching and Registry and Critical Contingency Management Rules are payable as follows:

Within one year	1,011,304	909,096
Later than one year but not later than five years	1,441,361	1,473,621
Later than five years	–	–
Total	2,452,665	2,382,717

15. Subsequent events

No significant events, which would materially affect the financial statements, have occurred subsequent to year end that require disclosure or adjustment to the carrying value of assets or liabilities in these set of financial statements.



Consolidated statement of service performance

for the year ended 30 June 2024

This report has been prepared in accordance with PBE FRS 48 Service Performance Reporting. The Board believes that the statements contained in the report accurately reflect the overall performance of Gas Industry Co.

Who are we and why do we exist?

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

Our role as the industry body is to:

- develop arrangements, including regulations where appropriate, which improve:
 - » consumer outcomes;
 - » the operation of gas markets; and
 - » access to infrastructure;
- 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.

When recommending industry arrangements, Gas Industry Co takes into account the objectives of the Gas Act and the Government Policy Statement on Gas Governance 2008 (GPS).

What do we do?

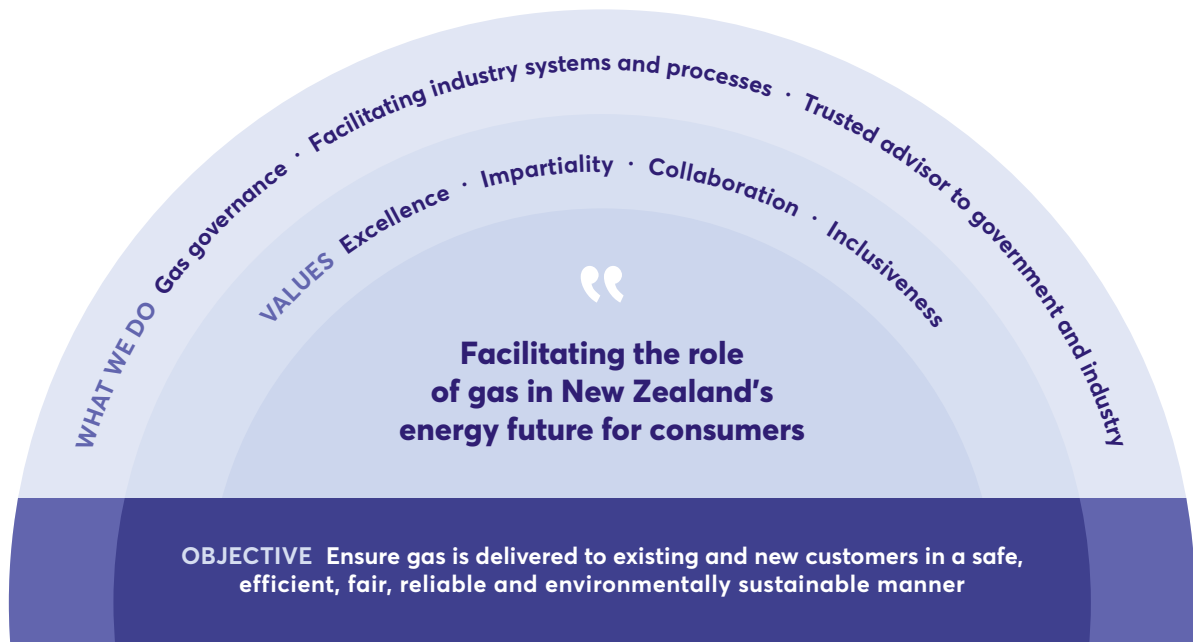
What we do is grouped into three classes of activities. These activities make up our work programme:

- **Gas governance:** The Gas Act and GPS guide us in these activities where we have statutory roles as well as oversight of the industry processes or regulations with the intention of ensuring appropriate activities are being undertaken. Examples of our Gas Governance roles include the determination of breaches or undertaking compliance audits. Our Gas Governance roles are normally designed to provide security of supply, build consumer trust, or oversight of competition and markets.
- **Facilitating industry systems and processes:** Gas Industry Co has regulatory defined roles and has undertaken activities where 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.
- **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 Supply and Demand studies, engagement with government agencies such as MBIE or the Climate Change Commission, and discussions with industry regarding government processes. It is important to note here that our role is limited to informing, we are not an advocate or lobbyist for industry.

Gas Industry Co's Strategy

Our strategy includes our core theme of "facilitating the role of gas in New Zealand's energy future for consumers". Our core theme recognises that:

- Gas Industry Co's roles are broader than only providing governance;
- Gas has a role in New Zealand's energy future;
- Gas Industry Co has a role in supporting the energy transition;
- Gas includes gases of increasing importance in our energy ecosystem (hydrogen and/or biogas); and
- Gas Industry Co's regulatory roles are designed to either provide greater security of supply or oversight of competition and markets.



How did we perform?

Class of activities	Work programme	What we said we would do in the SOI
Trusted Advisor to Government and Industry	Gas Transition Plan	Recommendations from the Gas Transition Plan may be implemented in FY2024 and may include more use of renewable gas and measures to bring renewable gases into the natural gas market, and new regulatory arrangements to support and strengthen gas security of supply, including security for industrial use and electricity.
Trusted Advisor to Government and Industry	Energy Transition	<p>Work on issues relating to the gas transition will continue to be required in FY2024, further issues in the energy transition will overlap and complement the substance of the Gas Transition Plan. Examples of energy transition issues include:</p> <ul style="list-style-type: none"> • investment in ongoing field development and measures to support investment confidence identified in our 2021 gas market settings investigation; • measures to ensure gas is available to support electricity when it is needed; • consideration of whether new mechanisms are needed to ensure natural gas is available to industrial users in times of tight supply; and • engagement with peer agencies to ensure alignment between security of supply and emissions reductions plans in the gas sector.
Gas Governance	Levy	<p>Carry out the following activities to enable the Gas (Levy of Industry Participants) Regulations 2024 to be in place by 1 July 2024:</p> <ul style="list-style-type: none"> • hold an annual Co-Regulatory Forum; • publication of Consultation Paper; • publish Analysis of Submissions; • make a Recommendation to the Minister.

What we did	Prior year comparative*
<p>We worked with MBIE to develop the Gas Transition Plan; however, it has not been finalised. It is expected to be a key input into a broader energy strategy. See more about the GTP on MBIE's website. MBIE's latest update notes that "we expect to be able to update you on next steps in the new year when the incoming Government provides direction". Gas Industry Co's draft GTP was published with the Briefing to the Incoming Minister.</p>	<p>One-off project so no prior year comparatives available.</p>
<p>Key issues have been picked up and are being addressed as part of the newly formed Gas Security Response Group. The Group reported back to the Minister in July 2024 with options for dealing with both short and medium/long term gas supply issues. Gas Industry Co is working with MBIE to lead or facilitate a number of workstreams set up as part of this Group. Gas Industry Co had previously flagged key issues to industry and Government in our draft GTP, resulting in a heightened awareness of the need to address these.</p>	<p>One-off project so no prior year comparatives available.</p>
<p>All activities completed. Levy Regulations passed and will come into force on 1 July 2024. Details included on our website.</p>	<p>All activities completed in 2023. The Gas (Levy of Industry Participants) Regulations 2023 were passed and came into force on 1 July 2023 following the same statutory timeframe as the 2024 Regulations.</p>

*The nature of our work programme (being a mixture of one-off and recurring activities) means not all activities have prior year comparatives.

Class of activities	Work programme	What we said we would do in the SOI
Gas Governance	Critical Contingency Management	Make a Recommendation to the Minister to amend the CCM Regulations relating to a number of identified improvements to the efficiency and effectiveness of the Regulations.
Gas Governance	Guidelines to Enhance Consumer Outcomes	Complete 12-month review of dual fuel retailers' steps to comply with new gas industry guidelines to enhance consumer outcomes.
Gas Governance	Advanced Gas Metering	Consider changes to the Gas (Switching Arrangements) Rules 2008, Gas (Downstream Reconciliation) Rules 2008 and industry arrangements in response to the rollout of advanced gas meters.
Gas Governance	Downstream Reconciliation	Complete regulatory process to codify D+1 (assuming a regulatory solution is the outcome of the FY2023 Options Paper), undertake a procurement process and execution of new service provider agreement for the Allocation Agent and ensure alignment of allocation system and processes with market changes (D+1, advanced gas metering, renewable gases).

What we did	Prior year comparative*
The Recommendation to the Minister for Energy to make changes to the Gas (Critical Contingency Management) Regulations 2008 was approved by the Gas Industry Co Board on 21 June and was sent to the Minister on 1 July 2024. Further detail can be found on our website .	One-off project so no prior year comparatives available.
Dual fuel retailers completed a self-assessment of their alignment with the consumer guidelines during FY2024. The Assessment of Retailer Alignment with Consumer Guidelines was published on our website .	One-off project so no prior year comparatives available.
Changes to the Rules were included in the Statement of Proposal: Changes to Gas Governance Arrangements which was consulted on with industry (see further details on our website). The next step is to prepare a Recommendation to the Minister (expected to be approved by the Board in August 2024).	One-off project so no prior year comparatives available.
<p>The regulatory process to codify D+1 was included in the Statement of Proposal: Changes to Gas Governance Arrangements outlined above.</p> <p>The procurement process for the Allocation Agent was successfully completed effective 1 April 2024 with the incumbent provider Transpower (EMS) reappointed. This is outlined on our website.</p> <p>Ensuring alignment of allocation system and processes with market changes will continue into FY2025.</p>	One-off project so no prior year comparatives available.

*The nature of our work programme (being a mixture of one-off and recurring activities) means not all activities have prior year comparatives.

Outlook for 2025 and beyond

The energy sector is in a period of great change and upheaval, which can make forward planning our work programme somewhat difficult. All forecast activities are subject to change due to the pending outcome of pieces of work such as the Gas Transition Plan paired with the changed political environment. We have outlined our work programme themes for 2025 and beyond in as much detail as we currently can, but it is important to recognise the uncertain nature of our work programme.

Gas governance and facilitating industry systems and processes: work programme themes for 2025 and beyond

Future activity for our gas governance and facilitating industry systems workstreams will focus on:

- delivering on our obligations under each of the governance arrangements, for example appointing and managing service providers, monitoring market behaviour, reporting, investigations and compliance;
- ensuring our governance arrangements and industry systems remain fit for purpose as the gas market develops (particularly with respect to the energy transition, renewable gases, potential market consolidation, further penetration of advanced gas meters and greater availability and granularity of gas market data). This will be implemented using our standard policy development process: issue identification, developing options, industry consultation, statements of proposal and recommendations to the Minister; and
- ensuring industry systems stay up to speed with technological developments, security requirements and IT industry best practice.

Trusted Advisor to Government and Industry: work programme themes for 2025 and beyond

Our Trusted Advisor to Government and Industry workstreams – which includes the Gas Transition Plan and Energy Transition workstreams – are the areas of work for Gas Industry Co that have the greatest breadth of future work. Dependent on the reception of the Gas Transition Plan, our forward work plan could vary greatly. Likely activities could include any of the following:

- involvement in consultation and implementation of new regulatory arrangements relating to both CCUS and blending of renewable gas;
- security of supply arrangements;
- solutions to investment confidence issues;
- monitoring of the uptake and effectiveness of guidelines;
- responding to emerging issues and changing policy decisions;
- consulting with industry on solutions to potential new issues;
- taking compliance action where necessary; and
- other business-as-usual activities.

Gas Industry Company Limited

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Auditors

KPMG, Wellington

Bankers

Westpac New Zealand Limited



Gas Industry Co.