



Gas
Industry
Co.

Quarterly Report

Quarterly Update

January 2023

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

Gas Industry Company is the industry co-regulator, working with industry and government for safe, efficient, reliable, fair, and sustainable gas delivery.

1. Gas Today

Security of Supply

The security of supply outlook remains unchanged since our last quarterly update, and continues to look tight over the coming year, before easing as new gas comes to market.

As at the end of last year, Gas Industry Co continues to urge caution about gas availability over the coming winter. Gas Industry Co expects the market to be very tight in 2023.

As advised in our last update, industrial and commercial customers with upcoming contract renewal should seek to manage risk associated with low hydro inflows impacting on gas supply and pricing in Q2, 2023 by looking to contract new supply well in advance of existing contracts expiring.

Field operators are continuing to commit development investment to maintain required volumes.

CO₂ outage

The Kapuni gas processing plant was shut in from late December. As Kapuni is New Zealand's only source of domestically produced CO₂, businesses that use CO₂ in their processes were affected.

MBIE has led the response, with some input from Gas Industry Co.

CO₂ has been regularly imported since production ended at Marsden Point (which produced CO₂ as a by-product of its refining process). Constraints in domestic production are typically met by imports. Field outages are a supply risk that will generally be met by storing some reserve and contracting for stand by supply. Gas Industry Co is currently studying options for increased domestic CO₂ production through emissions capture technologies 'CCS'), which are currently not used in New Zealand. Emissions capture may have the potential to significantly increase domestic CO₂ supply for industry.

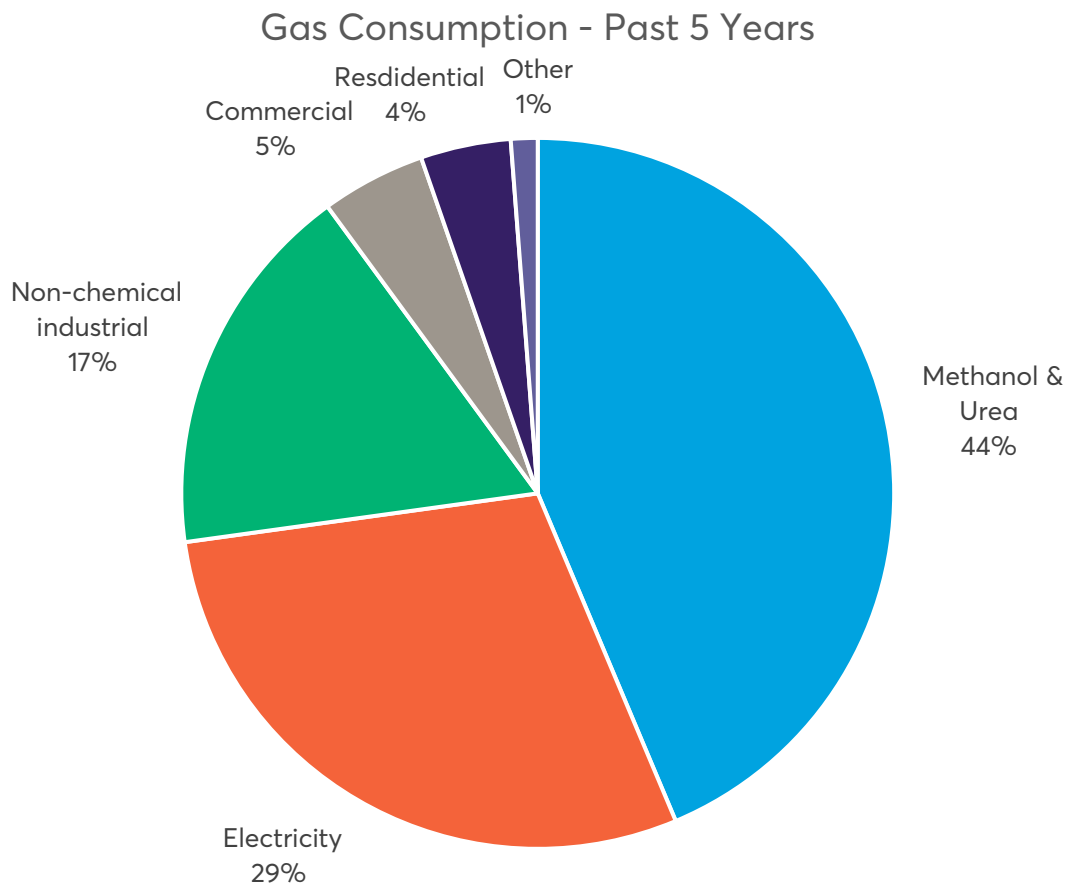
Gas Transition Plan work update

Gas Industry Co is continuing to work with MBIE on a draft Gas Transition Plan. Input advice from consultants continues to be finalised and drafting of the report is underway. The plan has identified a suite of initiatives that can help the gas sector to meet New Zealand's emissions budgets while maintaining security of supply for gas consumers and aligning with targets for equity of access, energy conservation and efficiency and sustainability.

The draft transition plan is expected to be released for public consultation in the second quarter of 2023, for finalisation in late 2023 as an input into the government's energy strategy due in 2024.

2. Gas Industry Insights

Only 9% of gas is used by households and small businesses. About a third is used to generate electricity.



Gas Industry Co has comprehensive gas sector information in our [data portal](#)

Data that is valuable for market participants includes daily gas production by major fields and consumption by the largest users. Monthly information about Ahuroa gas storage is displayed, along with average quarterly gas prices and supply.

Market analysts looking for detail about prices can quickly locate emsTradePoint daily gas prices and delivered quantity.

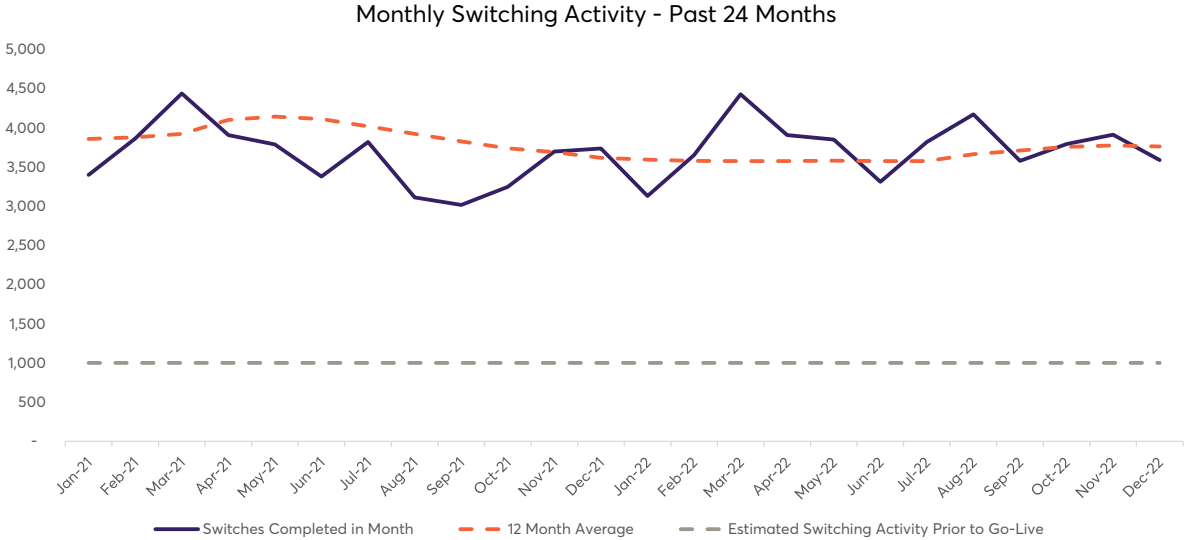
Detail to support security of supply, and help markets understand energy availability is provided through a portal recording planned gas production outages.

Quarterly Data

Residential switching still sits an annual churn rate of 15%

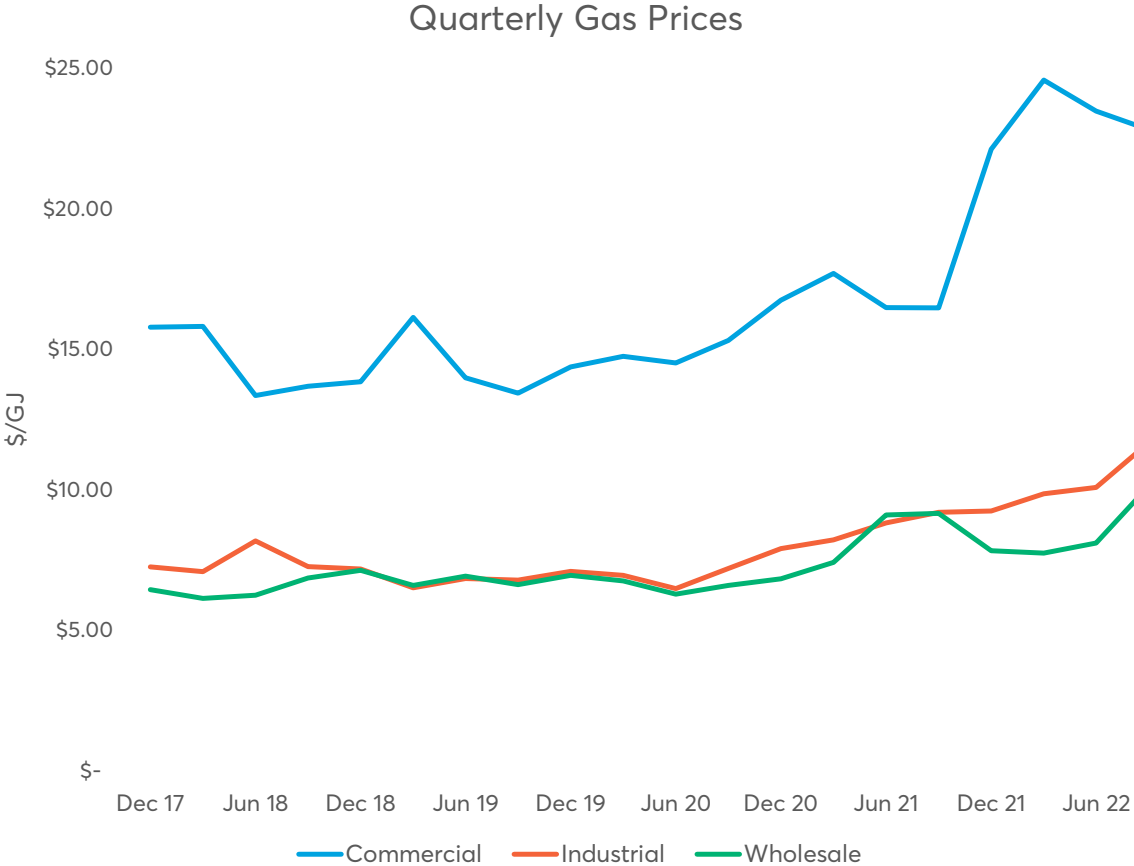
Over the past 12 months an average of 3,761 switches per month were completed, which translates to an annual churn rate of about 15 percent.

	October	November	December
2021	3246	3696	3735
2022	3793	3911	3588



Around 81 per cent of consumer switches are completed within three business days and 98 percent are completed within seven business days.

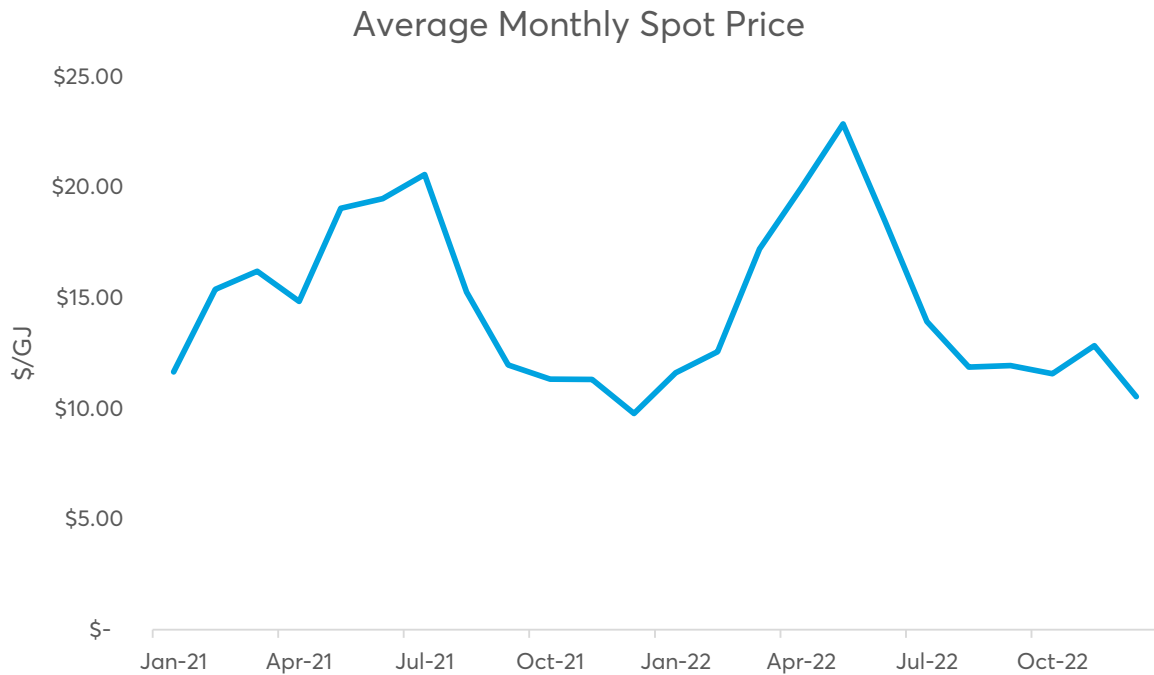
Quarterly Gas Prices show Commercial pricing has risen due to constrained supply



MBIE quarterly prices for commercial, industrial, and wholesale sectors have changed at different rates during the past 12-months. These prices are representative of all-natural gas produced in New Zealand, of which around 95% is traded via long-term bilateral contracts.

Commercial prices rose steeply between September and December 2021 and have remained elevated since. Industrial prices have risen steadily since mid-2020, while wholesale prices have risen and fallen over that time.

Monthly Spot Prices do not reflect trends in the contract market

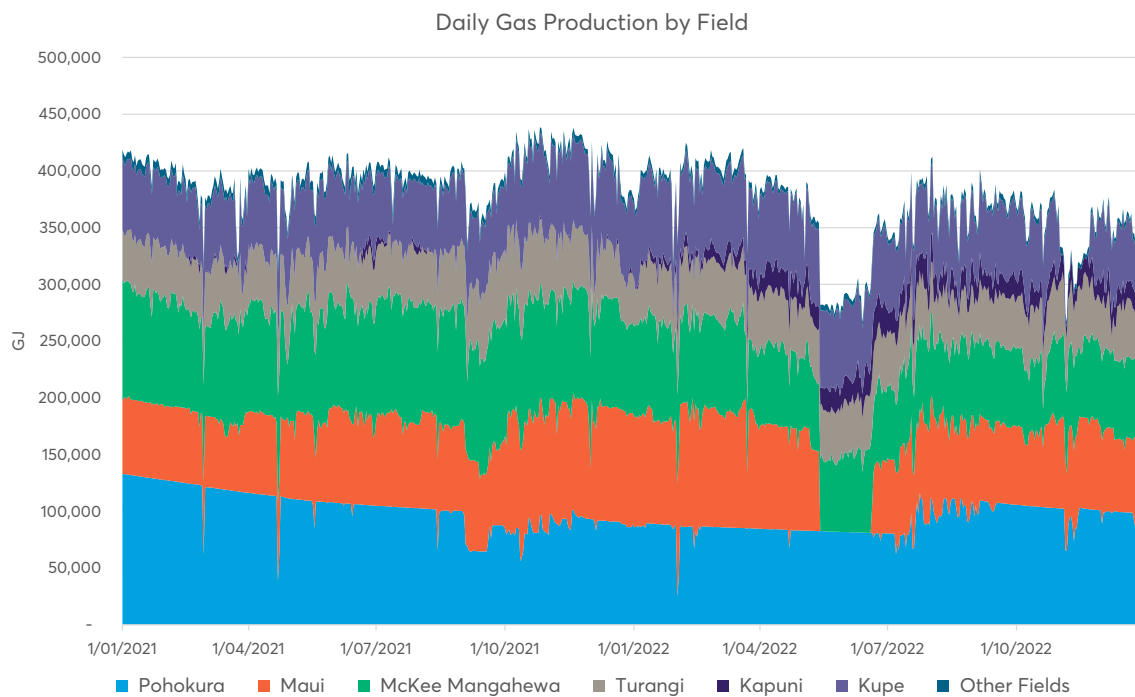


*Spot price includes daily trades and forward prices.

This graph shows the average, maximum and minimum price per month on gas delivered via emsTradeport. This covered approximately 4% of the total gas produced in 2022.

Spot market trades are not reflecting the trends in the contract markets.

Gas Production

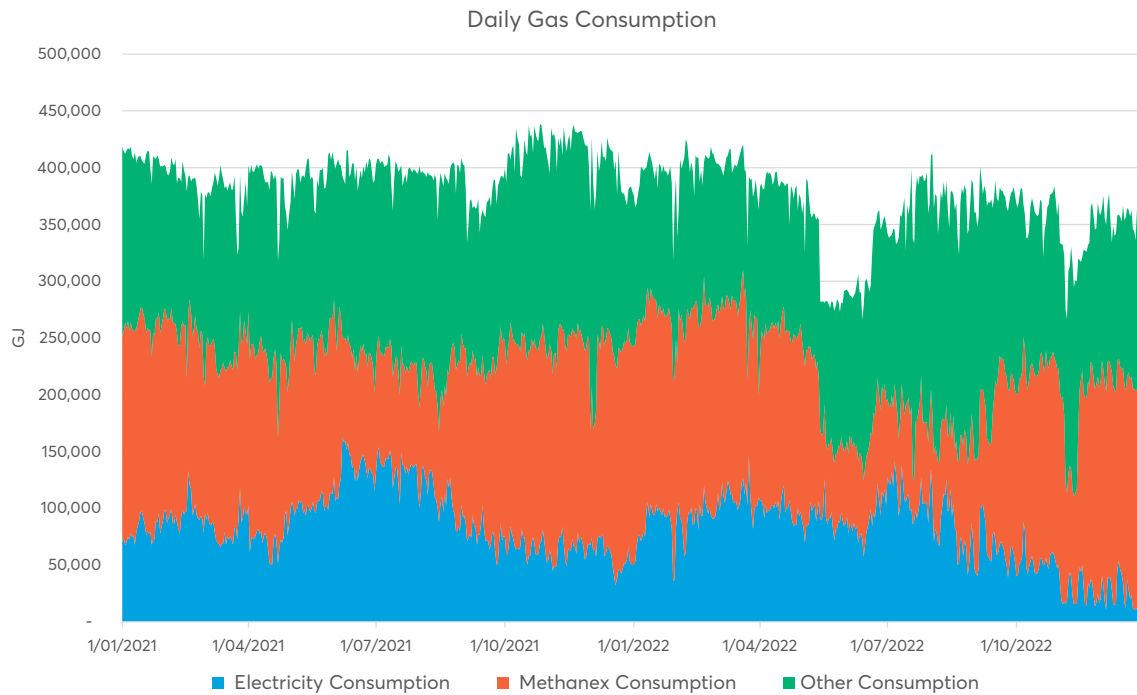


*Excludes gas sold through private pipelines.

This graph breaks down the production of gas delivered through the open access pipeline network by field.

Kupe had a major outage, being completely shut down for about 3 weeks in November. Pohokura has been relatively stable through the quarter but has experienced a slow decline in production.

Daily Gas Consumption affected by production outage



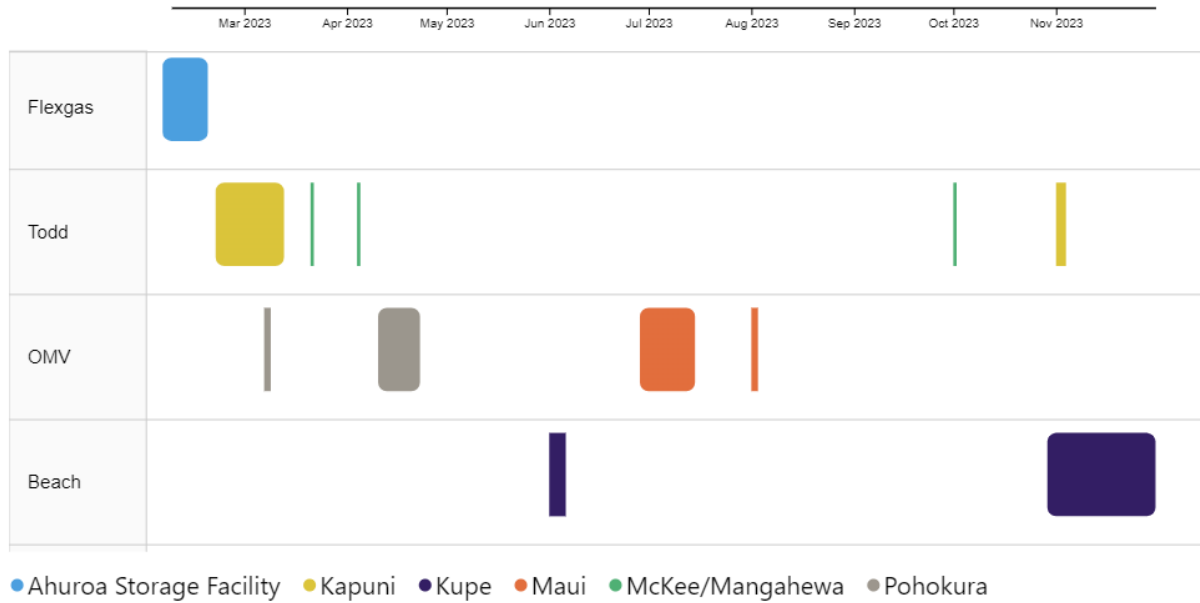
*Excludes gas sold through private pipelines

This graph breaks down the consumption of gas delivered through the open access pipeline network. The two largest users of gas are methanol production, followed by electricity generation and cogeneration.

Methanex's consumption fell during Kupe's outage in November, but otherwise remained high. Consumption for electricity generation fell over the quarter before plateauing in late November.

Upcoming planned outages

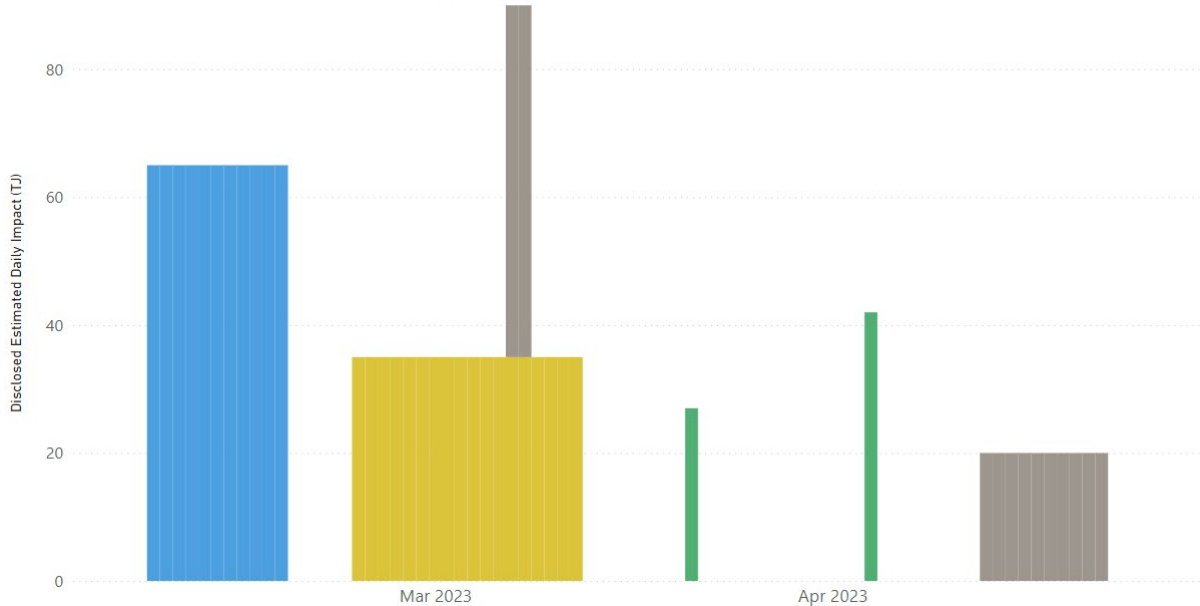
All Planned Outages



This graph shows all planned outages that have been disclosed through our website.

Daily Impact of Outages

● Ahuroa Storage Facility ● Kapuni ● McKee/Mangahewa ● Pohokura



This graph shows the planned outages at gas fields and storage facilities where information on the estimated daily impact on gas production or storage extraction is available. Note that producers are not required to disclose daily impacts for outages more than six months for the disclosure date.

For more information on planned gas production outages, see our [website](#).

3. Our Work in Progress

FY2024 Work Programme and Levy paper out for consultation

Gas Industry Co's planned work programme for FY2024, and the levy that industry participants will pay, is out for consultation. Our industry self-regulatory model depends on industry participants having a say about our work programme plans.

Our annual co-regulatory forum was held both online and in person on Thursday 1 December 2022, and the work programme reflects the priorities discussed at the forum.

The consultation document and co-regulatory forum materials can be found [here](#). Submissions close on 7 February 2023.

Gas Transition Plan

As mentioned above, Gas Industry Co is continuing to work with MBIE on a draft Gas Transition Plan.

The draft transition plan is expected to be released for public consultation in the second quarter of 2023, for finalisation in late 2023 as an input into the government's energy strategy due in 2024.

D+1 Options paper out for consultation

The D+1 pilot has been in operation for seven years. The pilot was not intended as a long-term solution, but the review and evolution of D+1 was delayed by the industry's collective efforts on GTAC and TACOS. With the decision by Firstgas to abandon GTAC, attention could return to D+1.

After several years' experience, stakeholder views of the pilot were that, while there was room for improvement in terms of accuracy and reliability, D+1 had become an industry critical system and, as such, should be made permanent. Gas Industry Co therefore began working on a Statement of Proposal to amend the Gas (Downstream Reconciliation) Rules 2008 to codify D+1.

In early 2022, we paused the Statement of Proposal in order to undertake additional work on identifying non-regulatory alternatives to the proposed rule changes.

Accordingly, we have identified five options for progressing from the D+1 pilot. The [consultation paper](#) introduces the options and invites industry feedback. Submissions close on Tuesday 31 January 2023.

Revised Critical Contingency Management Plan published

On 17 October 2022, a revised version of the Critical Contingency Management Plan (CCMP) was published on the Critical Contingency Operator's [website](#).

The published CCMP incorporates an amendment raised by First Gas. The amendment is minor in nature, including matters such as updates to the list of stakeholders, updating references to the Vector Transmission Code, grammatical and formatting corrections and updated Critical Contingency Operator Notice templates.

The amendment was approved by Gas Industry Co as required by the Gas Governance (Critical Contingency Management) Regulations 2008.

Outage Disclosure Platform in progress

Work is underway for a new Outage Disclosure Platform, where asset owners will be able to publish information about planned and unplanned outages at gas production and storage facilities.

We currently support the industry notifications page, however the new system will make it easier for participants to comply with the **Gas (Facilities Outage Information Disclosure) Rules 2022**, while also improving access to information about outages.

The new platform will be up and running to coincide with the new rules coming into force on April 1.

Find Us

Gas Industry Co is the industry body that co-regulates gas to ensure New Zealanders enjoy safe, efficient, fair, reliable, and environmentally sustainable gas delivery. We work closely with industry players and regulatory agencies to develop arrangements and regulations.

To get in touch or to find out more about the work we do, please contact us on 04 472 1800 or at info@gasindustry.co.nz or head to our website www.gasindustry.co.nz