



Gas
Industry
Co.

Quarterly Report

Quarterly Update

January 2022

About us

Gas Industry Company is the industry body that works alongside industry and government to co-regulate gas so that New Zealanders enjoy safe, efficient, reliable, fair, and sustainable gas delivery.

Gas Industry Company applies our knowledge about the gas sector to analyse issues and provide high quality advice to keep decision-makers informed.

1. Gas Today

Gas Industry Co as sector co-ordinating entity

Gas Industry Co continues its role as sector coordinating entity. This has included collating information from industry participants about risks to the gas industry arising from the COVID-19 outbreak to inform MBIE's reporting to cabinet.

We are maintaining our engagement as we enter the red traffic light setting. Gas Industry Co continues to offer industry support where it is needed, and we receive constructive engagement from MBIE. We are pleased to report that most issues continue to be resolved in a timely way as we work through these unique circumstances. Gas Industry Co is grateful to everyone involved for their continued engagement.

Gas supply outlook remains tight

In our Gas Market Settings Investigation, published in October 2022, we warned that gas supply could be very tight if hydro inflows are dry to normal. Lake levels are near average for the time of year, and we continue to caution that by mid-year the gas supply is expected to be constrained compared to demand. In late January we have seen gas spot prices increase to very high levels. Although almost all gas is sold on long term contracts, not on spot, higher prices reflect ongoing high demand and a market where supply cannot easily be increased.

In January, the government of Indonesia announced a pause in exports of coal to meet its domestic requirements. Reduced availability of Indonesia coal could lead to an increase in demand for gas at the Huntly generation plant. However, Genesis Energy has stated publicly that its coal reserves are adequate to provide back up to the electricity system. The export moratorium is expected to lift this month. We do not anticipate an effect on gas markets.

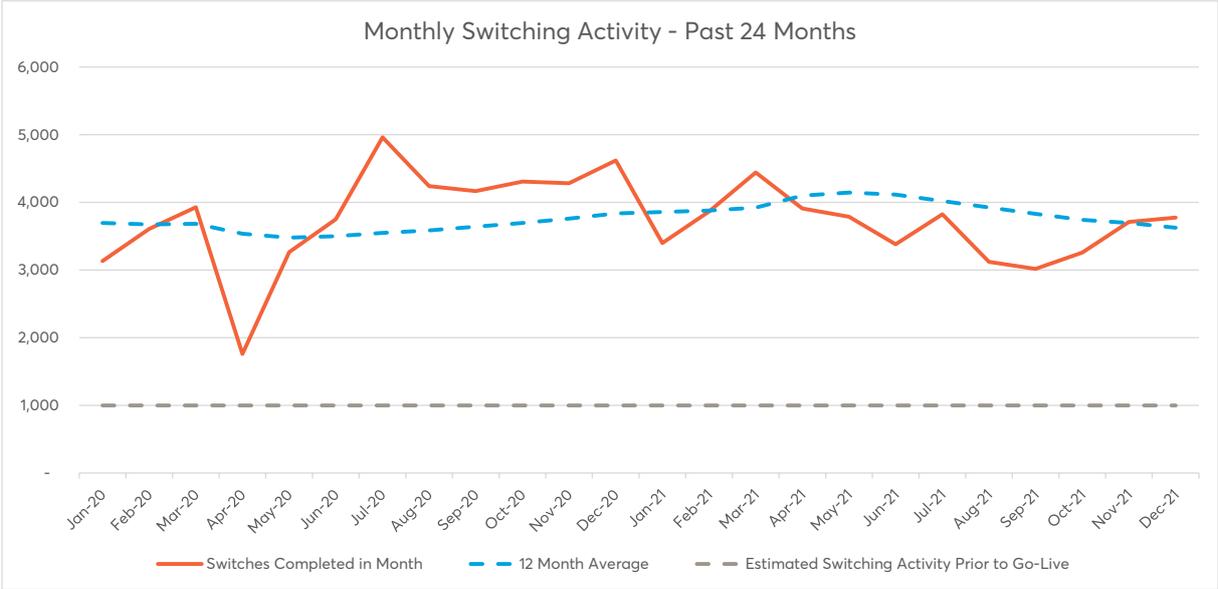
Globally, gas markets are seriously constrained, with both elevated demand and curtailed production. The market is affected by geopolitics, and changes to energy policy in large, developed countries. Electricity demand profiles are changing, with gas replacing coal in response to climate policy. As a result, global gas prices are elevated. New Zealand is not isolated from these price effects. For example, our domestic gas is used to produce methanol for export into global markets where methanol prices are high.

Although most gas prices are set under long term contracts, Gas Industry Co expects to see prices in new contracts to continue to rise to reflect both domestic conditions and the outlook for global markets, with resulting price impacts for consumers and businesses.

Residential gas customers continued to switch

Over the past 12 months an average of 3,624 switches per month were completed, which translates to an annual churn rate of about 15 percent.

	October	November	December
2020	4307	4282	4620
2021	3257	3711	3776



Around 80 per cent of consumer switches are completed within three business days and 97 per cent are completed within seven business days.

2. Our Work in Progress

FY2023 Work Programme and Levy paper out for consultation

Gas Industry Co's planned work programme for FY2023, 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.

We held our annual co-regulatory forum in early December, and the work programme reflects the priorities discussed there.

We are seeking submissions on the FY2023 Work Programme and Levy Consultation Paper, due by **5pm Tuesday 8 February 2022**.

Advanced Gas Metering Infrastructure – Submissions Review and Recommendations

Gas Industry Co published its [Advanced Gas Metering – Issues Assessment paper](#) on 24 September 2021. That paper set out a preliminary list of potential issues on the deployment of advanced metering technology into the gas market, with our initial commentary on each of the issues, and an initial assessment of the priority to be afforded to each issue.

We received five submissions on the issues assessment paper. We have reviewed all the submissions and have published its summary and assessment of the submissions, our updated assessment of the priority to be afforded to each of the identified issues, and our recommendations on how each of these issues should be progressed.

Submissions on this [Submissions Review and Recommendations paper](#) are welcomed. The deadline for making a submission is **14 February 2022 at 5.00 pm**.

Information Disclosure papers under development

We released the final Statement of Proposal: Gas Production and Storage Facility Outage Information (SOP) paper for consultation on 20 July 2021.

Our conclusion in this paper was that the most practical way to implement information disclosure arrangements for gas production and storage facility outage information is within a framework of regulations (and/or rules) under the Gas Act.

We are currently developing a recommendation to the Minister of Energy and Resources to make new gas governance arrangements for the disclosure of this information.

D+1 System launched

For the last seven years, Gas Industry Co has operated a pilot D+1 model which provides gas retailers and shippers with an estimate of their customers' consumption at each gas network, the day after gas has flowed.

At the beginning of December 2021, a new D+1 system was successfully launched, which replaced the pilot model. The new system offers substantial improvements in operability, resilience, and

security, and provides opportunities for improving the accuracy of D+1 allocations using state-of-the-art AWS tools.

The new system was delivered on time and under budget, with no disruption to industry participants.

Gas Industry Co is now focussed on an associated regulatory project, to embed the D+1 arrangements into the Gas (Downstream Reconciliation) Rules 2008. After the last few months engaging with an industry working group on possible rule changes, we have begun drafting a Statement of Proposal.

If stakeholders are supportive of the proposals, we hope to deliver a Recommendation to the Minister in mid-2022.

Critical Contingency Operator appointment

The transition to the new CCO, Plant & Platform, has commenced and is progressing well. The transfer of documents and IT licences has begun and Rene D'ath, the new member of the CCO team, has started training and is participating in the regular CCO and Transmission System Owner meetings.

As part of the transition plan, documents and processes are being revisited and updated accordingly.

Critical Contingency Management review

In August 2021 Gas Industry Co released our Summary of Submissions and Next Steps for amending the CCM Regulations. We were in the process of releasing the Statement of Proposal for a final round of consultation before making a recommendation to the Minister to change the regulations.

The Statement of Proposal includes a variety of proposed changes to the CCM Regulations, including an amendment to Schedule 1 (the critical contingency threshold limits). This proposed change was included as we had received a request from the Transmission System Owner (TSO) to do so and an external review found the recommendations sensible.

However, in November 2021, Gas Industry Co received a second letter from the TSO that makes several recommendations to further amend Schedule 1. The TSO sees that more flexibility is required in Schedule 1 to respond to the challenges posed by the rapidly evolving energy environment.

Given the importance of Schedule 1 to the integrity of the CCM Regulations we have decided to put the regulations change process on hold while we undertake an external review of the TSO's new recommendations. The review may result in further changes to Schedule 1 which we will want to include in the Statement of Proposal for feedback from the industry.

Gas Industry Insights

Gas production and major user consumption

Gas production and consumption charts showing gas output from most major fields and the consumption of gas by several large users are updated three times a week and can be found [here](#).

Find Us

Gas Industry Company 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