



Gas  
Industry  
Co.

Quarterly Report

# Quarterly Update

April 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

## Comprehensive Information About the Gas Sector

### Supply-demand balance not as tight as last year

The winter 2022 supply-demand balance is a lot less tight than in 2021 – although still not completely back in balance. That's the finding of our updated study of New Zealand's gas supply and demand outlook.

Improving supply and demand balance is the result of a significant projected increase in gas supply, coupled with a minor decrease in gas demand for power generation, and continued shutdown of Methanex's Waitara Valley plant.

Current conditions are projected to continue for Winter 2023 due to additional gas supply, plus a more significant reduction in gas demand for power generation due to renewable generation developments.

One outcome of our Gas Market Settings Investigation, published in late 2021, was a recommendation to provide more frequent gas supply and demand studies. The new outlook, produced for Gas Industry Co by Concept Consulting, delivers on that recommendation.

Since our previous supply and demand study was published in May 2021, gas producers have brought forward near-term investment plans. Increases in renewable generation, which will reduce the requirement for gas-fired power generation, also help to moderate concerns about scarcity.

However, the authors warn that changes are not sufficient to completely bring supply and demand back into balance for Winter 2022.

An increase in gas deliverability of 18% is projected for this year (compared to Winter 2021) and a further 12 per cent on top of that next year. At the same time, renewable power generation and other demand reductions (such as Marsden Point refinery closing) will lessen annual demand compared to previous forecasts. Subsequent to quarter end, Genesis NZF its JV partners announced declining deliverability at the Kupe gas field and noted this could affect future supply.

But some demand reduction will again be required in 2022, even though the shortfall between demand and supply is less than it was expected to be when previous forecasts were prepared.

The mothballing of Waitara Valley methanol production is the largest contributor to closing the gap between demand and supply.

There is sufficient gas to meet higher-value gas users' demands for the long term, plus continue to supply gas for methanol production – including the re-starting of the currently mothballed Waitara Valley plant around 2023/24 – until the latter half of the 2030s.

Outlooks comes with a warning, however: They rely on appropriate contracting between suppliers and consumers to manage the transition. "There are likely to be some challenging policy issues to address for this transition," the authors say.

Gas Industry Co is working with industry stakeholders to help facilitate the required contracting. A significant workstream to identify options that provide more certainty about contracting outcomes is a major focus for Gas Industry Co in the forthcoming financial year.

Read the report [here](#).

### Gas Industry Co as sector co-ordinating entity

Gas Industry Co continues our COVID-19 role of 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.

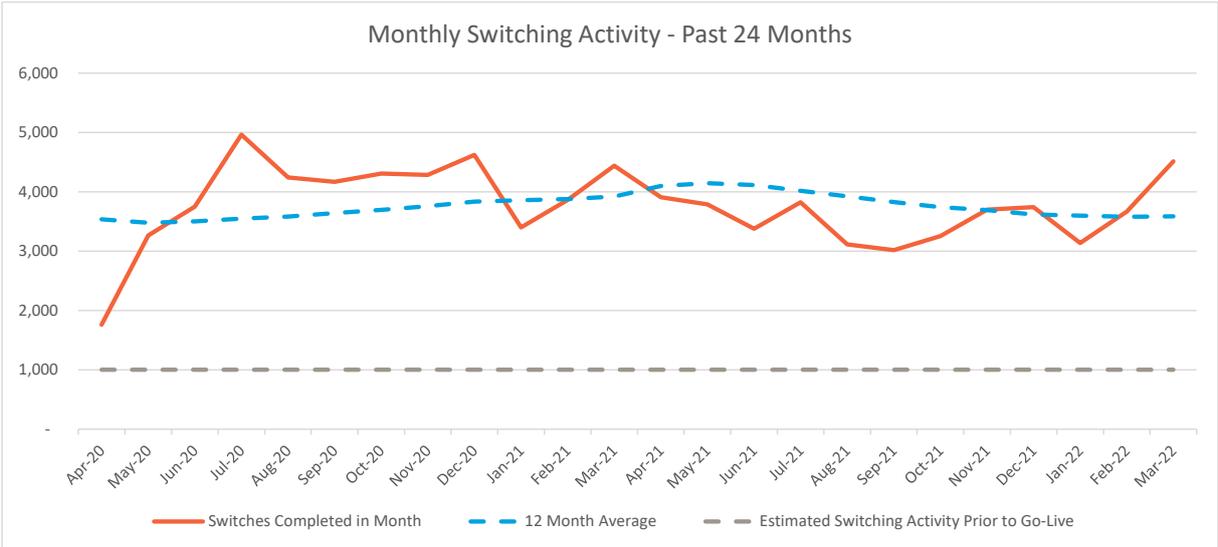
Gas Industry Co continues to offer industry support where it is needed. We work closely with MBIE, and we are pleased to report that most issues continue to be resolved in a timely way. Gas Industry Co is grateful to everyone in our sector for their continued engagement.

### Residential switching

#### 14% churn continues to indicate a healthy market

Over the past 12 months an average of 3,587 switches per month were completed, which translates to an annual churn rate of about 14 percent.

	January	February	March
<b>2021</b>	3399	3861	4439
<b>2022</b>	3137	3669	4514



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

### The Gas Industry Co Statement of Intent for the next three financial years will be published in July

Our Statement of Intent process includes a work programme and associated costs for the following financial year, and indicative activity for at least the subsequent two years.

Work programme costs are mostly funded through market fees under gas governance rules and through annual levy regulations.

The Statement of Intent is with the Minister of Energy and Resources for comment.

### 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 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 the Submissions Review and Recommendations paper closed on **14 February 2022 at 5.00 pm**. We received four submissions, they can be found [here](#).

### Information Disclosure Recommendation

On 18 February, we sent the following papers to the Minister of Energy and Resources, recommending that new gas governance rules are made for the disclosure of gas production and storage facility outage information:

1. Recommendation to the Minister of Energy and Resources: Information Disclosure Arrangements for Gas Production and Storage Facility Outages; and
2. Recommendation to the Minister of Energy and Resources: Amendments to the Gas Governance (Compliance) Regulations 2008.

The recommendations were published in the Gazette on 25 February.

MBIE has drafted a Cabinet paper and accompanying Regulatory Impact Statement (RIS) on these recommendation papers. We expect that this paper will be submitted to Cabinet in the next few weeks.

## Critical Contingency Management review: Regulations change process on hold

Gas Industry Co has decided to pause the process of changing Critical Contingency Management regulations, whilst we assess new information from First Gas.

In August 2021, Gas Industry Co released our Summary of Submissions and Next Steps for amending the CCM Regulations.

The process was then to release a Statement of Proposal for a final round of consultation, before making a recommendation to the Minister to change the regulations. The Statement of Proposal included proposed changes to CCM Regulations, including an amendment to Schedule 1 (the critical contingency threshold limits).

However, in November 2021 the Transmission System Owner wrote to Gas Industry Co making several recommendations to further amend Schedule 1. The Transmission System Operator sees that more flexibility is required in Schedule 1 to respond to the challenge of our rapidly evolving energy environment.

Schedule 1 is important to the integrity of the CCM Regulations, so Gas Industry Co put the regulations change process on hold while we undertake an external review of the Transmission System owner's new recommendations.

The review may result in further changes to Schedule 1. Those would be included in the Statement of Proposal for feedback from the industry.

# Gas Industry Insights

## Data about gas production and major user consumption

### Comprehensive gas industry info in our new portal

Gas Industry Co has refreshed its website and now makes comprehensive gas sector data easy to find 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.

Gas Industry Co is pleased to be the source of trusted information for New Zealand's energy sector.

## 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](mailto:info@gasindustry.co.nz) or head to our website [www.gasindustry.co.nz](http://www.gasindustry.co.nz)