



2015 NZ Gas Industry Forum

NZ Gas - some things change, some things stay the same

Steve Bielby
Chief Executive
5 November 2015

What I'll cover...

Change continues
to characterise
NZ gas market

What the NZ gas
consumer market
looks like

Where's the
NZ gas market
heading

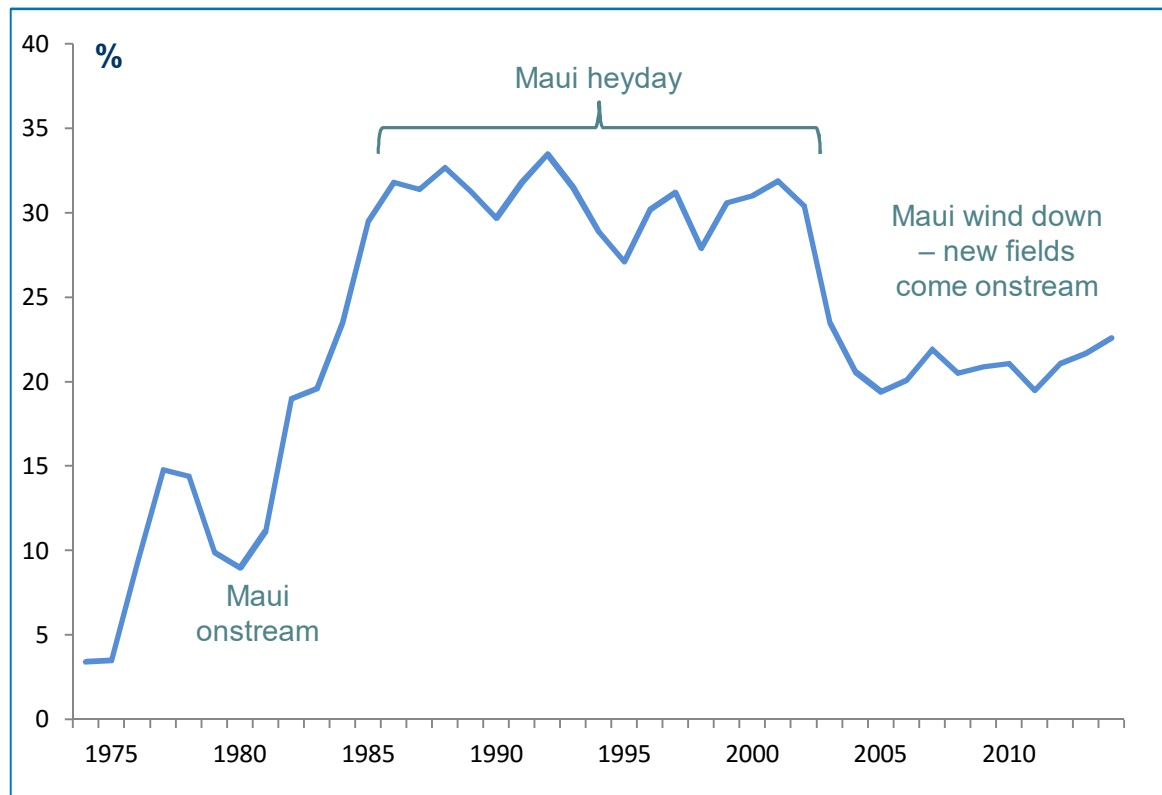
What's
occupying
GIC's attention

Overall gas
industry
health check



Contribution of gas to primary energy supply has changed...

Gas Contribution to Primary Energy Supply

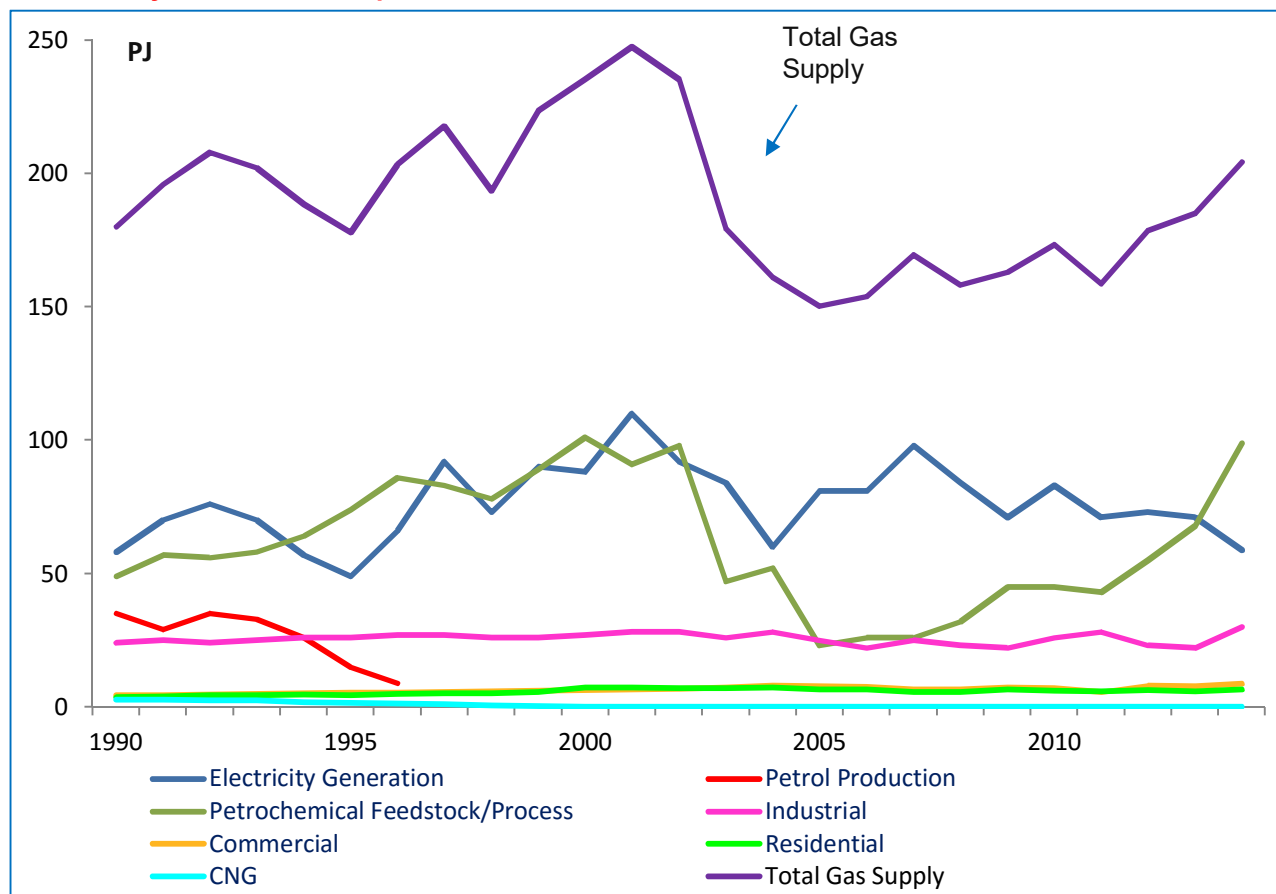


Source: 2015 Energy in New Zealand

Total primary energy supply 2014 = 905PJ; gas contribution 204PJ

Use of gas and size of market have also changed...

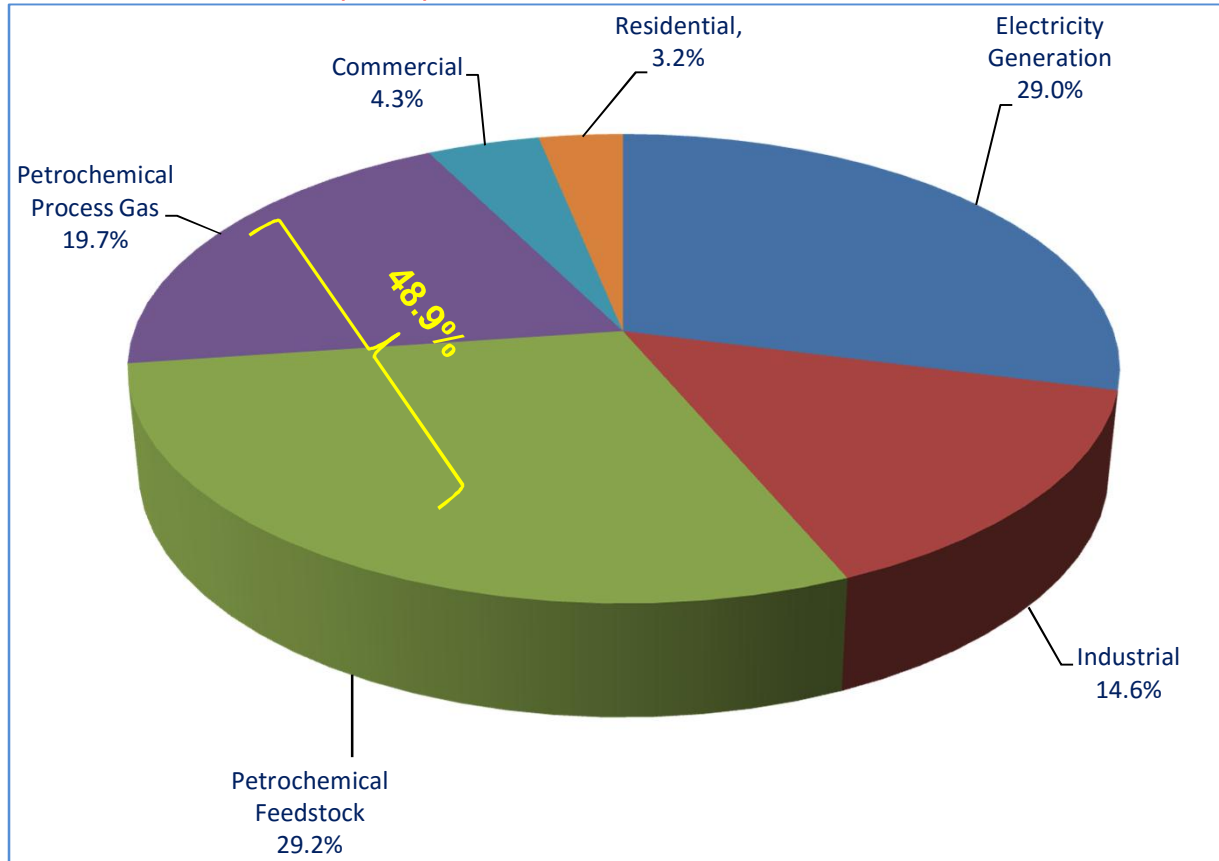
Gas Use by Consumer Group 1990-2014



Source: 2015 Energy in New Zealand

Current gas use looks like ...

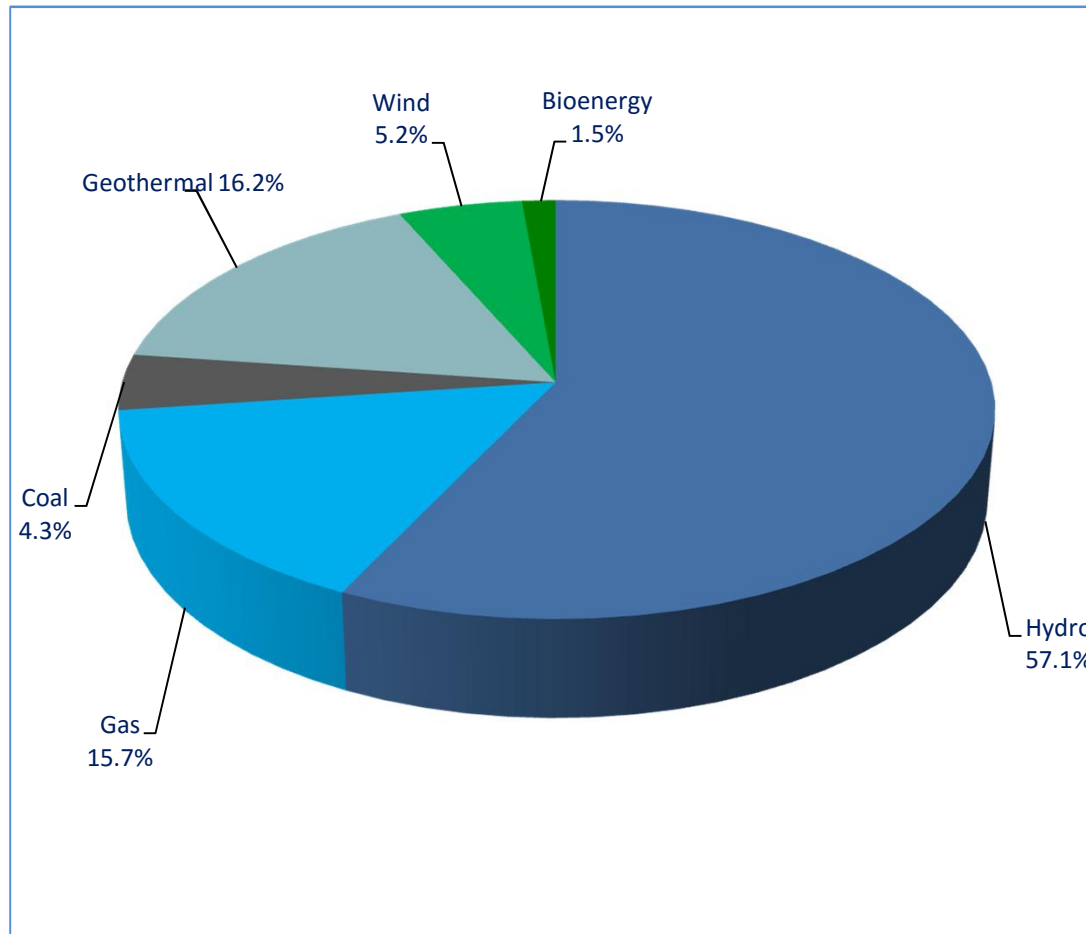
Consumer Gas Use 2014 (203PJ)



Source: 2015 Energy in New Zealand

Gas falls to third biggest electricity generation fuel

Electricity Generation by Energy Type 2014 (42,231 GWh –152PJ)

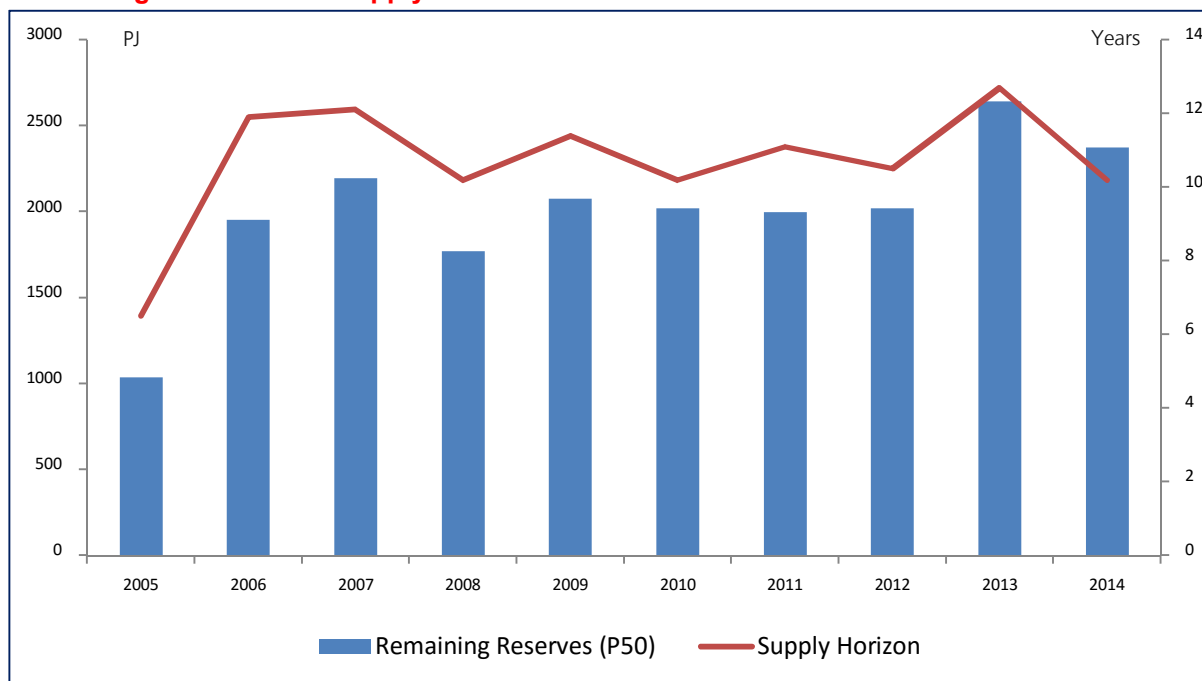


Source: 2015 Energy in New Zealand

Gas supply horizon has been reasonably stable

- Reserves/production ratio consistently in 10-12 year horizon, recovering from a low of around 6 years in 2005
- Current gas reserves: 2,373PJ
- Current supply horizon: 10 years
- Future?

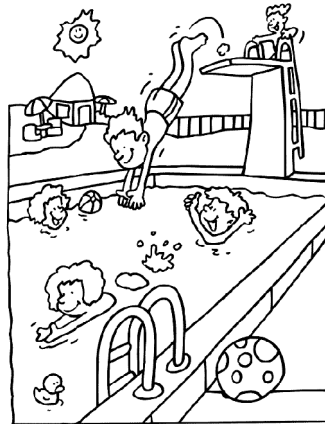
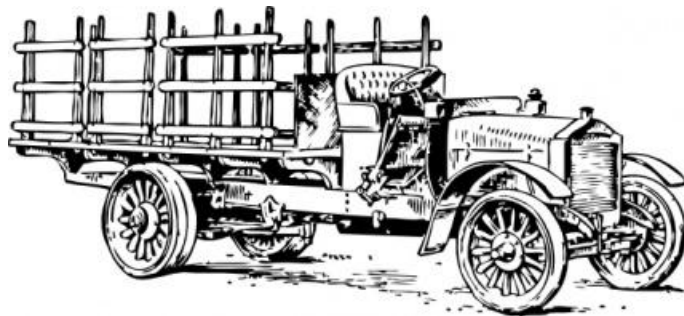
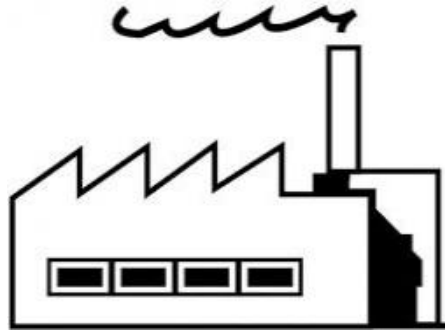
Remaining P50 Reserves/Supply Horizon 2005-2014



Source: 2015 Energy in New Zealand

Supply Horizon = annual reserves/gross production ratio. Gross production (233PJ) includes gas flared, gas injected, gas used for operational purposes, losses, and LPG extraction

Are we using gas for its highest and best use?



What the NZ gas consumer market looks like

Large gas consumers remain important to market and economy

Large users:

- Strong dependence on gas
- Less than 1% of gas consumers
- More than 90% market gas volumes



Gas consumer connections are increasing

270,000 consumers on the Gas Registry

6,000 new consumers in the past 5 years

LPG is also enjoying market growth

118,000 45kg customers (up 8%)

166,000 tonne market (up 6%)

Gas consumers have a broad choice of retailer



- Retail brands increase to 11
- 99% of customers have a choice of at least 8 retailers at their gas gate



Gas is returning to forefront of retail offerings

genesis ENERGY Need a hand?
Talk to us on 0800 300 400

The first big change in natural gas for years

[Switch now and save](#)

Natural gas. It's been a great option for decades, but when it comes to the way Kiwis buy it, not a lot has changed.

Until Now!

With our three revolutionary new gas plans starting from just \$79 a month on a 12 month plan, you get the freedom to use more than you pay for.

Gas Essentials Plan	Gas Plus Plan	Gas Unlimited Plan
Pay a flat monthly rate of	Pay a flat monthly rate of	Pay a flat monthly rate of
\$79 a month	\$99 a month	\$129 a month
Use up to \$103 a month over 12 months on a 12 month plan		

pulse energy

Moving House?

Pulse Energy will help you pack your electricity bags and turn the lights on in your new home!

[Find out more](#)

About pulse energy

Grey Power Electricity

Customer Hub

Gas

Contact Plans Products Perks Help

Piped gas on tap

With piped gas you're hooked up to our gas supply for continuous hot water, snuggly warmth and great cooking.

Gas Trust power

We're cooking, showering and heating with gas. At Trustpower, we connect homes and businesses around the North Island to reticulated (plumbed) natural gas. We also deliver LPG (bottled gas) to most areas around New Zealand. Both services link you to Trustpower's quality service.

[Reticulated gas](#)

At Trustpower, we're ready to connect your home or business to reticulated (plumbed) natural gas, whenever there's a gas line for use in your area. If you're currently with another gas provider, you can

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Our Energy Mix

Electricity

Nova Energy's electricity generation comes from a mix of energy types including renewables. We are also exploring future electricity generation technologies such as tidal.

Natural Gas

Natural gas is available in the North Island and is the efficient and eco-friendly way to heat your water and your home. Piped natural gas is constant and as gas only heats the water as you use it, you'll never have to deal with running out of hot

IN THIS SECTION

- Electricity
- Natural Gas
- LPG

Gas distributors are also playing their part

the gas hub
Your natural gas connection

About FAQs Links Legal Contact Us Competition Winners

Natural Gas feels better all over

Get Connected

Benefits Of Natural Gas Gas At Home Gas Appliances Gas In Action Using Natural Gas

Natural gas feels better all over

Nothing quite compares to natural gas. A natural gas home is warm, dry and luxuriously comfortable. For most people, natural gas also offers big savings over electricity. It simply feels better all over.

If you live in Wellington, Taranaki, Manawatu or Hawke's Bay, we can probably connect your home for free - that's a saving of around \$2,000. Choose hot water or central heating and ensure your home is within 40 metres of the gas pipe in your street - with easy access. [Read about our free connection conditions here.](#)

Natural Gas offers you the ultimate in:

Comfort Control Cost

Gas at Home

Hot water Heating Cooking

Using Natural Gas

Environment Safety & Reliability Healthy Homes Efficiency & Affordability

Special Offers

How much could you save? Calculate & compare the cost of hot water at your place.

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Get the lifestyle you demand

Gas is a clean burning, instant, efficient and economical source of energy

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In this section

Residential

Connections

Login to my gas orders

Pricing

Smart energy use

What you need to know

Business

Developers and consultants

Retailers and shippers

Safety

Connect to gas and discover the benefits of living with a clean, instant, efficient and economical source of energy. For endless hot water, precise control when cooking, heating or to enhance your outdoor entertaining, gas delivers the lifestyle you demand.

Your gas options

Use the [residential price estimator tool](#) to check for gas coverage in your area, request an estimate and apply

GasNet

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consumer

Safety Information

Connecting to Natural Gas

In an Emergency

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Consumer > Connecting to Natural Gas

Connecting to Natural Gas

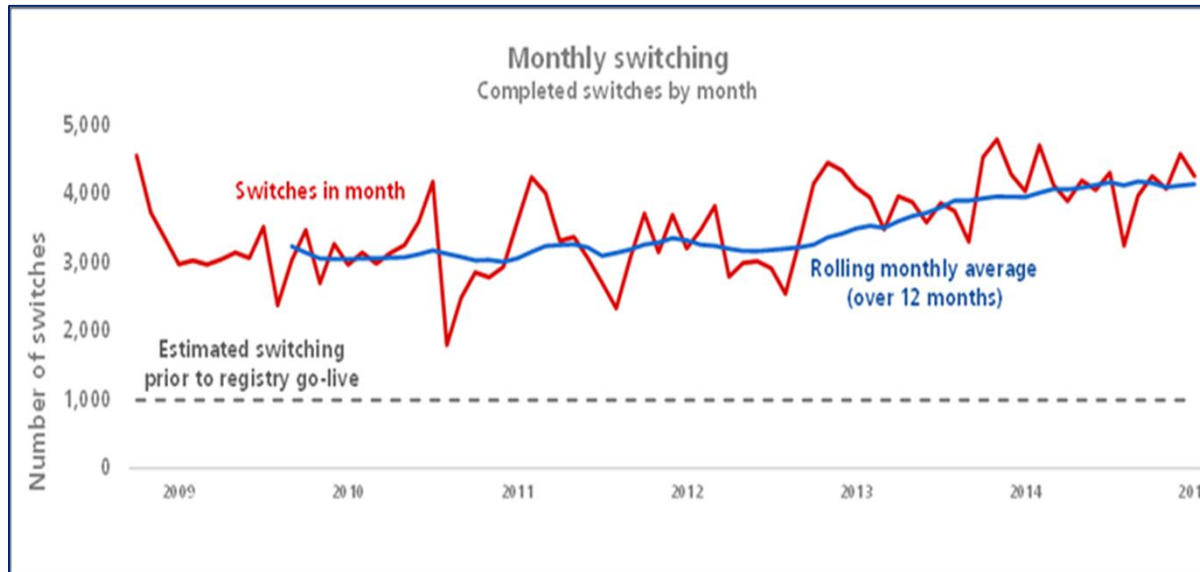
Contact Your Retailer

In all instances where you are looking to connect to gas - whether a property is already connected to gas or not - you must contact your retailer who will make the necessary arrangements for you.

GasNet is unable to act on a request that has not been accepted by the retailer, except where it is an emergency or where the requested information is of a general nature. Although at times this may appear confusing and inefficient, the process is essential because your gas supply and any problems that may occur are the retailer's responsibility; GasNet is contracted to the retailer, not the consumer, for provision of the network and metering services.

Consumers can easily switch retail supplier

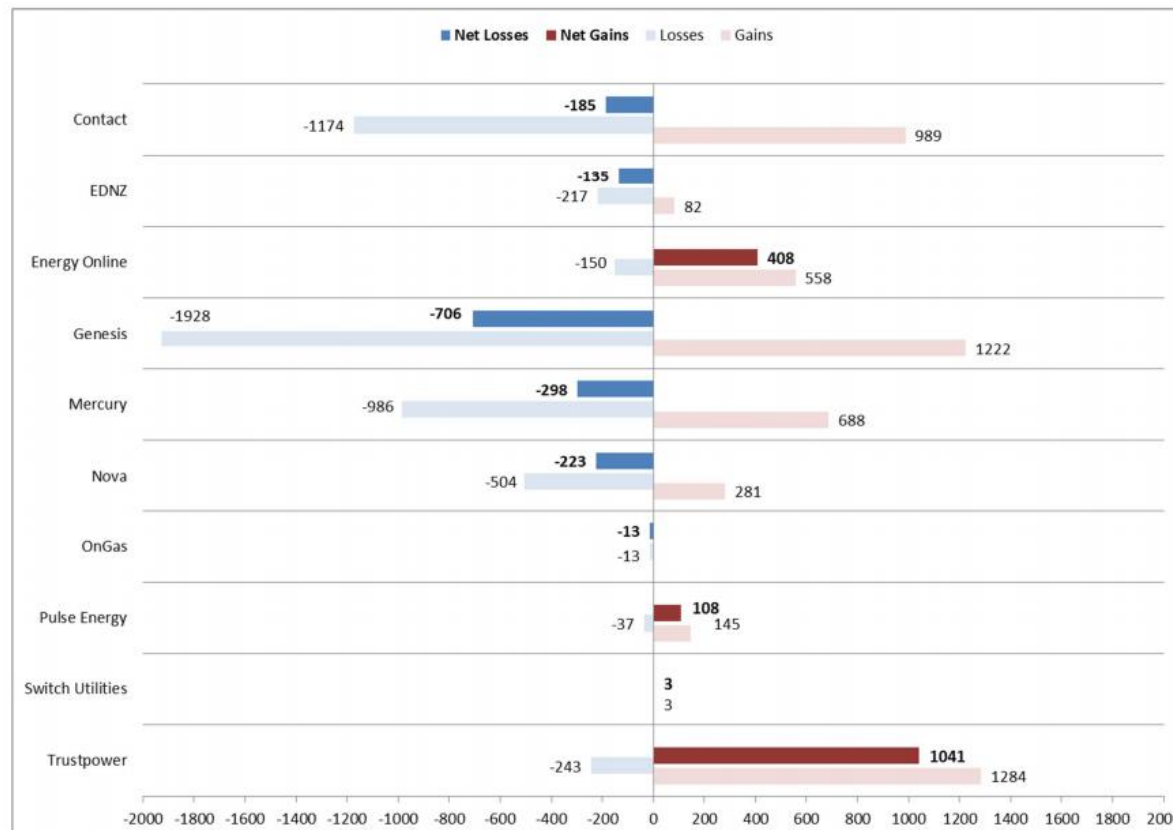
Gas Consumer Switching



- Monthly switches exceeded 5,000 for the first time in September 2015
- Annual churn 18.6%

There's a high level of customer market data transparency

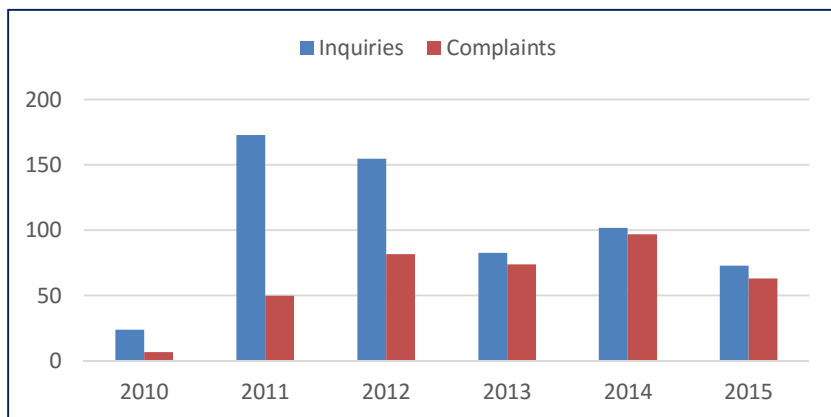
Switching gains and losses – September 2015



Extract from Gas Industry Co's Monthly Switching Report (September 2015)

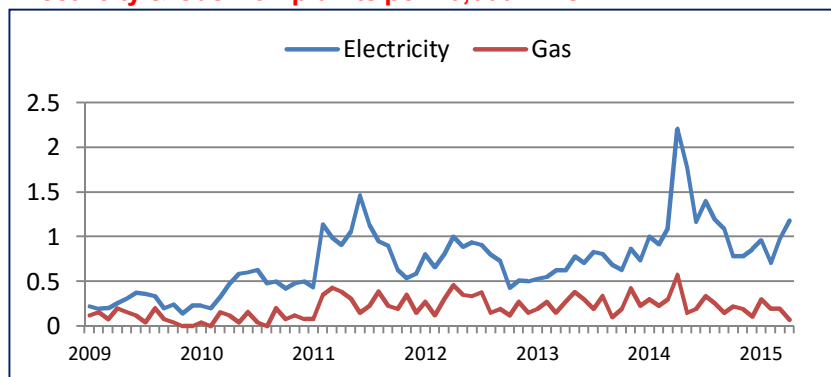
and a free and independent complaints process

Gas-related Inquiries & Complaints



- Gas complaints/inquiries 136 (2014: 199)
- Dual fuel (electricity and gas) inquiries/complaints 139 (2014: 104)
- Most common complaints are billing (almost half), customer service, metering, supply and lines issues
- Complaints per 10,000 ICPs: Gas is doing better than electricity (average 0.2/month vs 1.07/month)

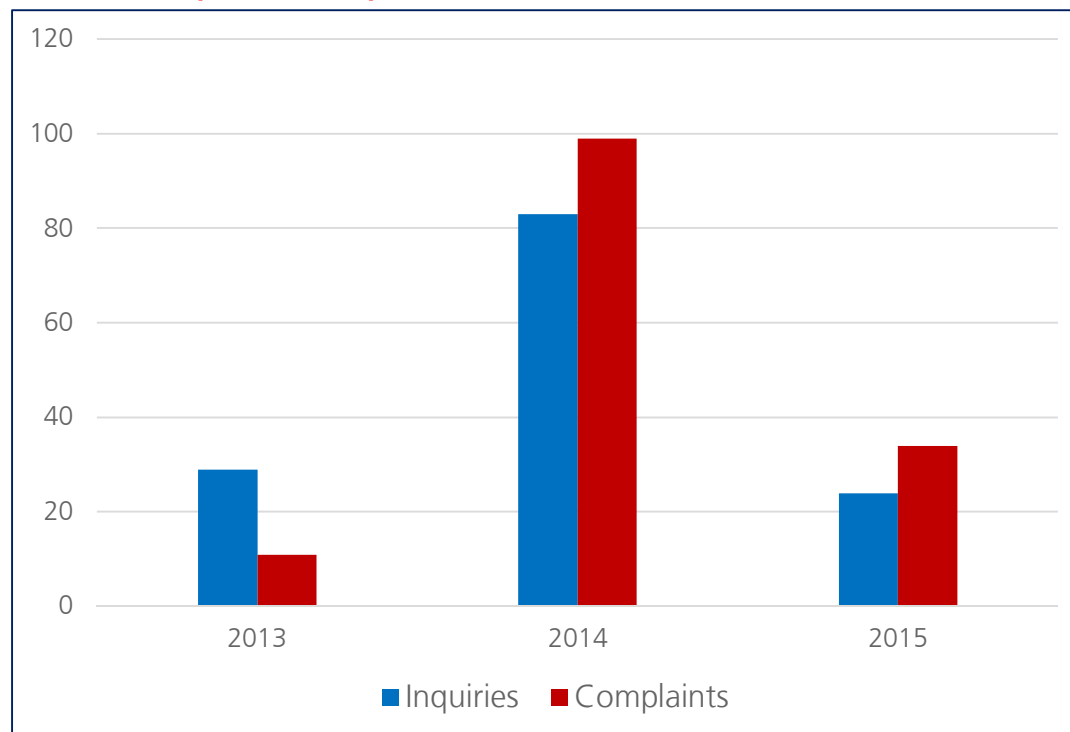
Electricity & Gas Complaints per 10,000 ICPs



Year ended 30 June

EGCC also considers LPG cases

LPG-related Inquiries & Complaints



Year ended 30 June

Of the total 280 inquiries and complaints, 170 related to reticulated LPG; 110 to bottles/cylinders

Where's the NZ gas market heading...

Important 2015 developments shaping the market's future

- Tiwai - Contact/Genesis/Trustpower support for Meridian Tiwai supply firms future role for gas-fired plant
- MRP – closing Southdown December 2015
- Genesis – proposed closing 2 coal/gas units 2018; stopped Solid Energy contract
- Contact – closed Otahuhu B in September 2015
- Potential sale of transmission and some distribution assets



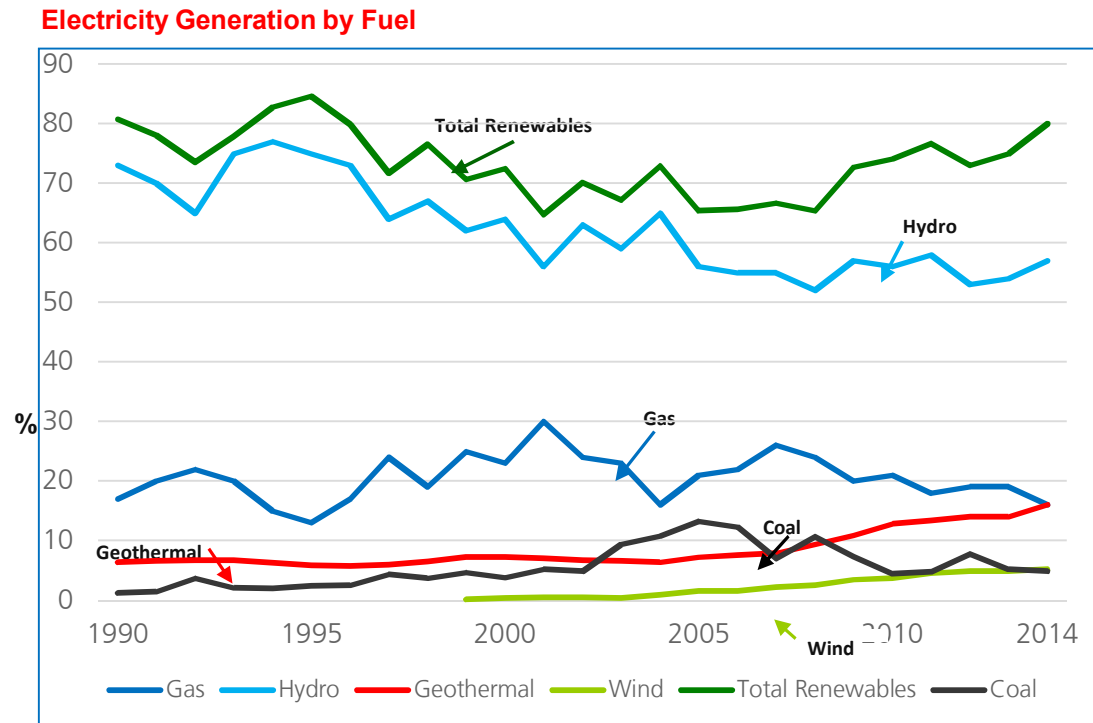
What the power station developments mean

- Southdown/Otahuhu closures:
 - no surprise
 - gas-fired plant now centred towards Taranaki
 - frees up 60% of Auckland transmission capacity
 - gas transmission congestion risks (and need for investment) retreat further
 - but issues for remaining users from reduced transmission utilisation



There will be more electricity generation change

- NZ at 80% renewable generation, aiming for 90%
- Electricity market delivering that without subsidies/compulsion
- Coal dropping down
- Gas-fired generation dropping below 15% in 2016
- Next generation plant otherwise needed 2019?
- Current
 - Nova – tender for new peaker plant (NZ's third)
 - Contact – TCC refurbishment; 'if required, a pipeline of thermal peaking developments'

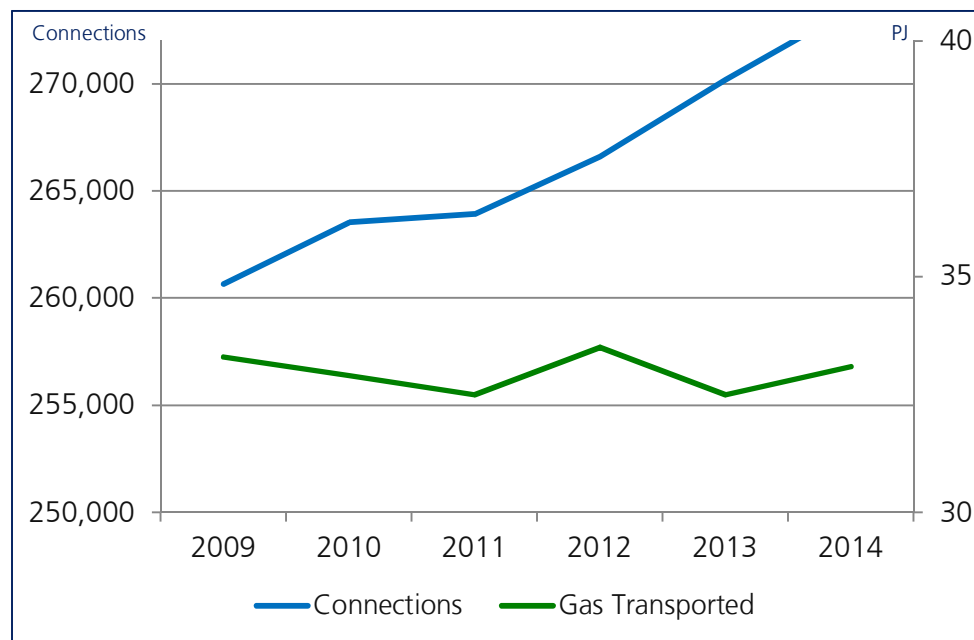


Source: 2015 Energy in New Zealand

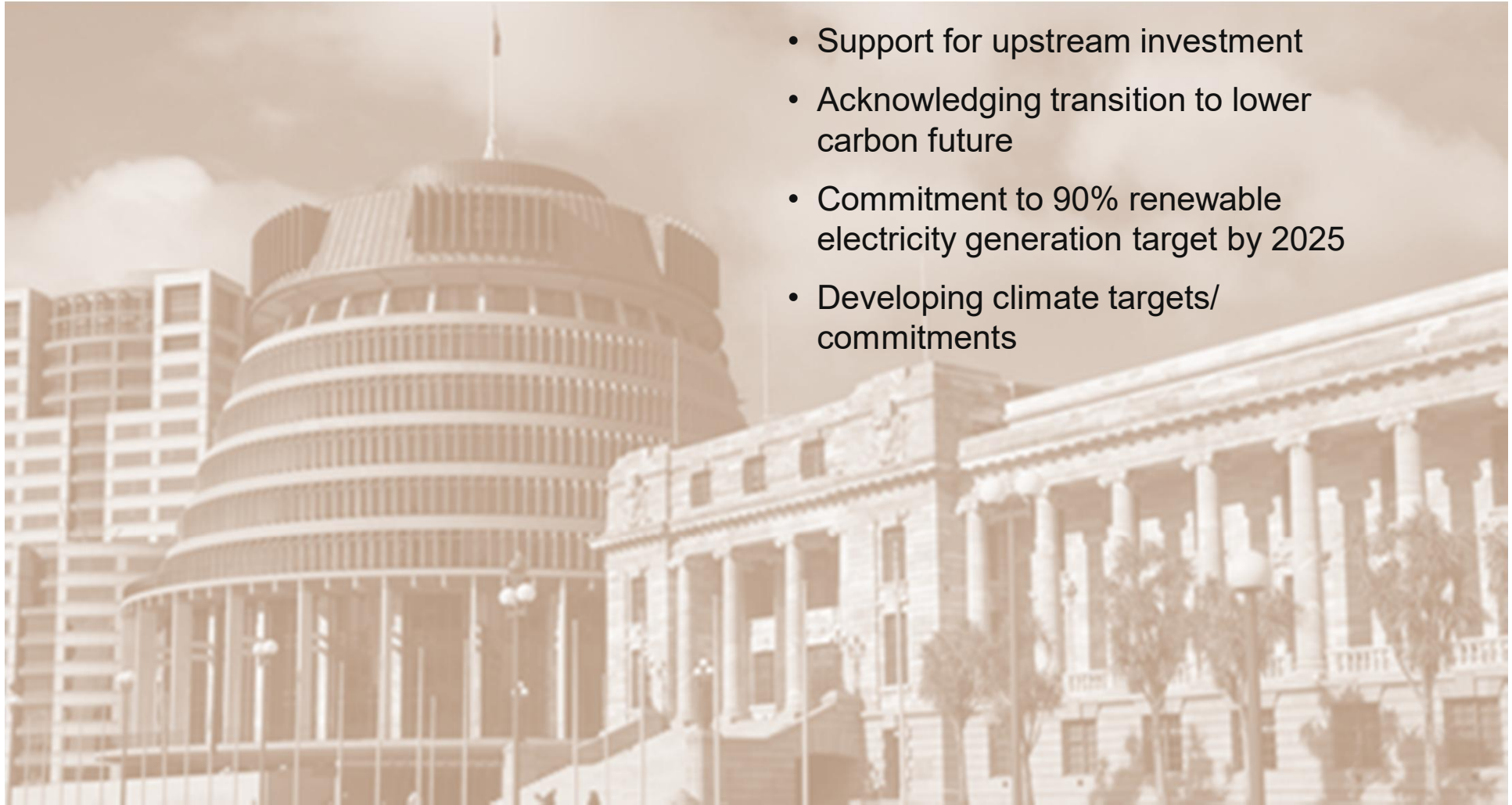
Distribution connections are growing, but throughput is static

- In the past five years:
 - total distribution network length has grown 850km to 17,559km primarily on Vector and Powerco networks
 - consumer connections up almost 10,000 to 273,500
- 33PJ sent through distribution networks in 2014
- Throughput has been flat/dropping, but there are signs of an upturn:

Vector reports 1.8% lift in gas distribution customers and 4.5% rise in distribution volumes in the September quarter.



Government policy will also influence the future role of gas...

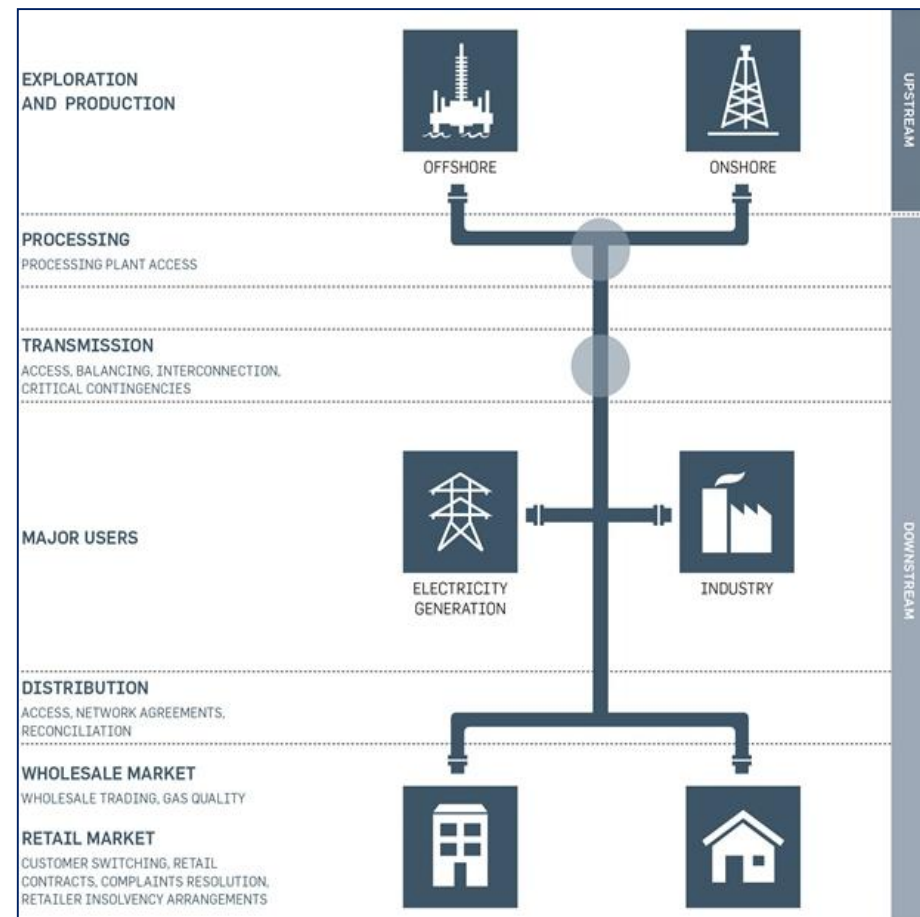


- Support for upstream investment
- Acknowledging transition to lower carbon future
- Commitment to 90% renewable electricity generation target by 2025
- Developing climate targets/ commitments

What's occupying GLC's attention

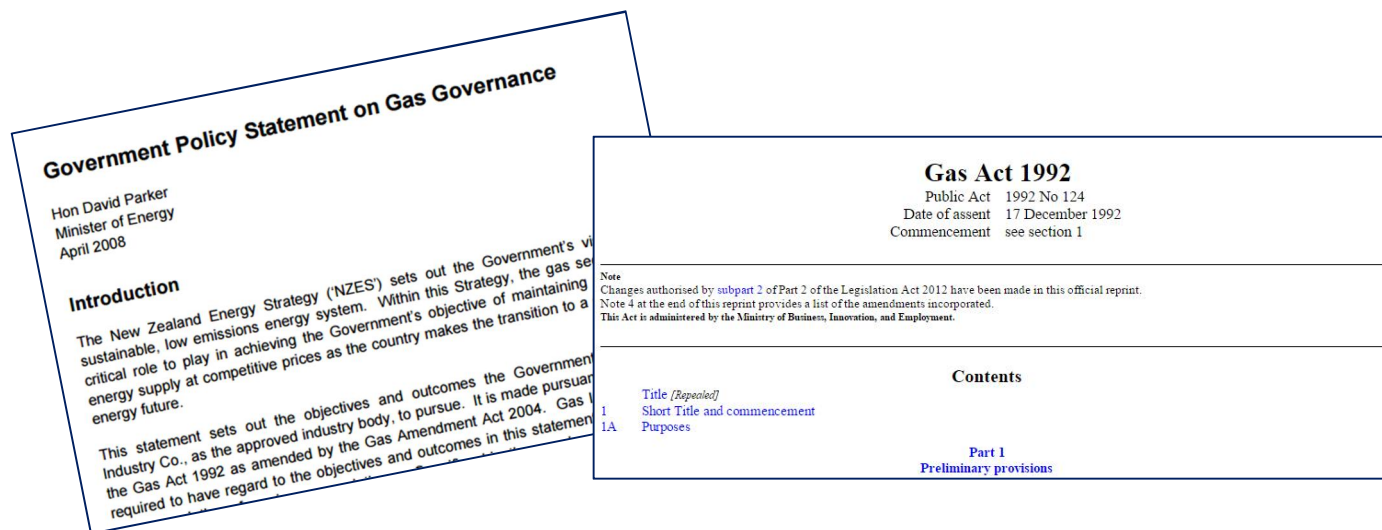
A quick reminder of who we are

- Formed in 2004 as the industry body under the Gas Act 1992
- The co-regulator providing – link between industry and Government under the unique co-regulatory governance of downstream gas sector
- Owned by the industry with 11 shareholders Contact, Genesis, Greymouth, Methanex, MRP, NZOG, Nova, OMV, Powerco, Shell, Vector
- Board of 7 Directors – four independent; industry-associated (CEOs of Contact, NZOG, Powerco)



Our principal objective is to develop governance arrangements that...

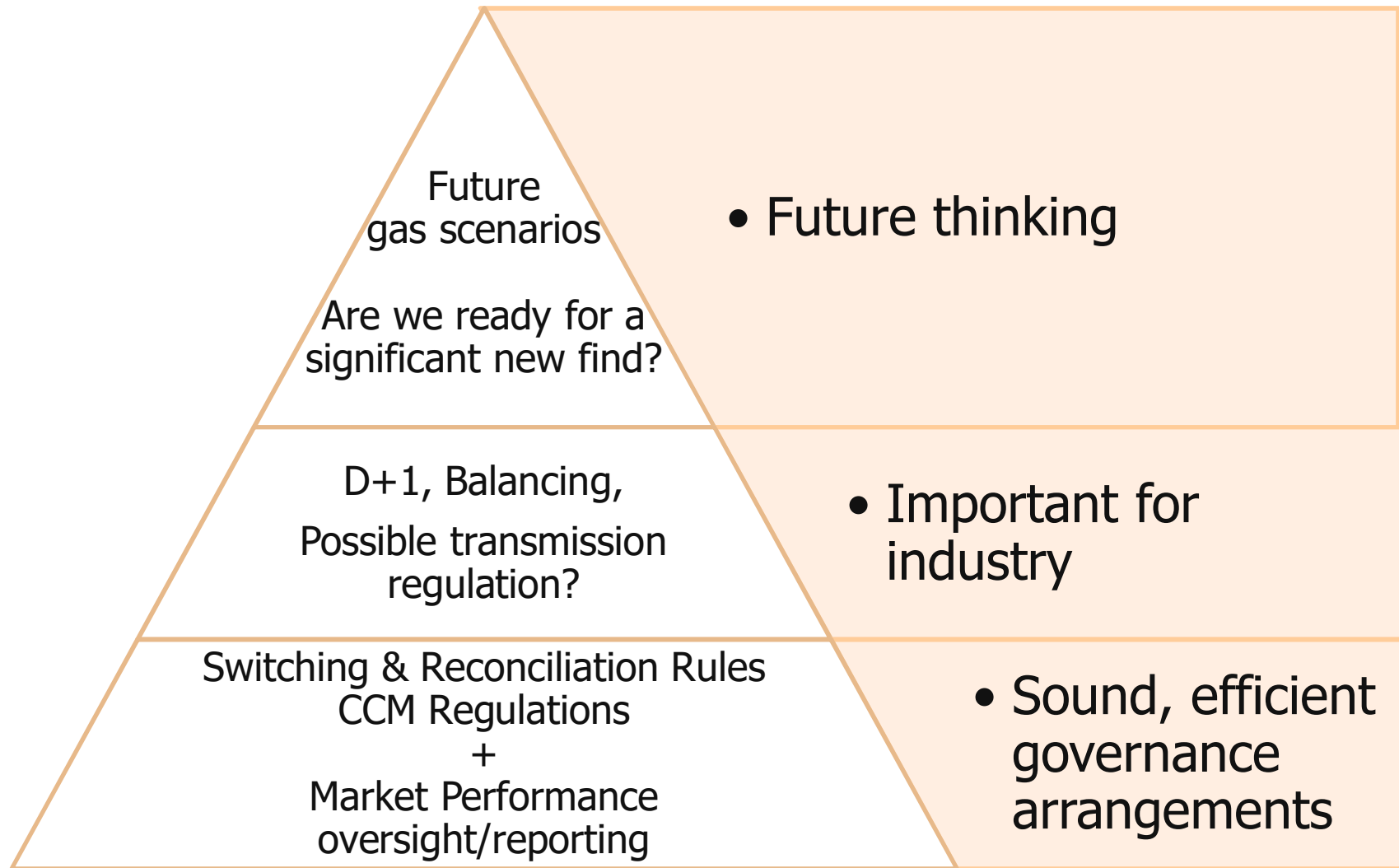
‘Ensure that gas is delivered to existing and new customers in a safe, efficient, reliable, fair and environmentally sustainable manner...’



Key GPS outcomes are now well advanced

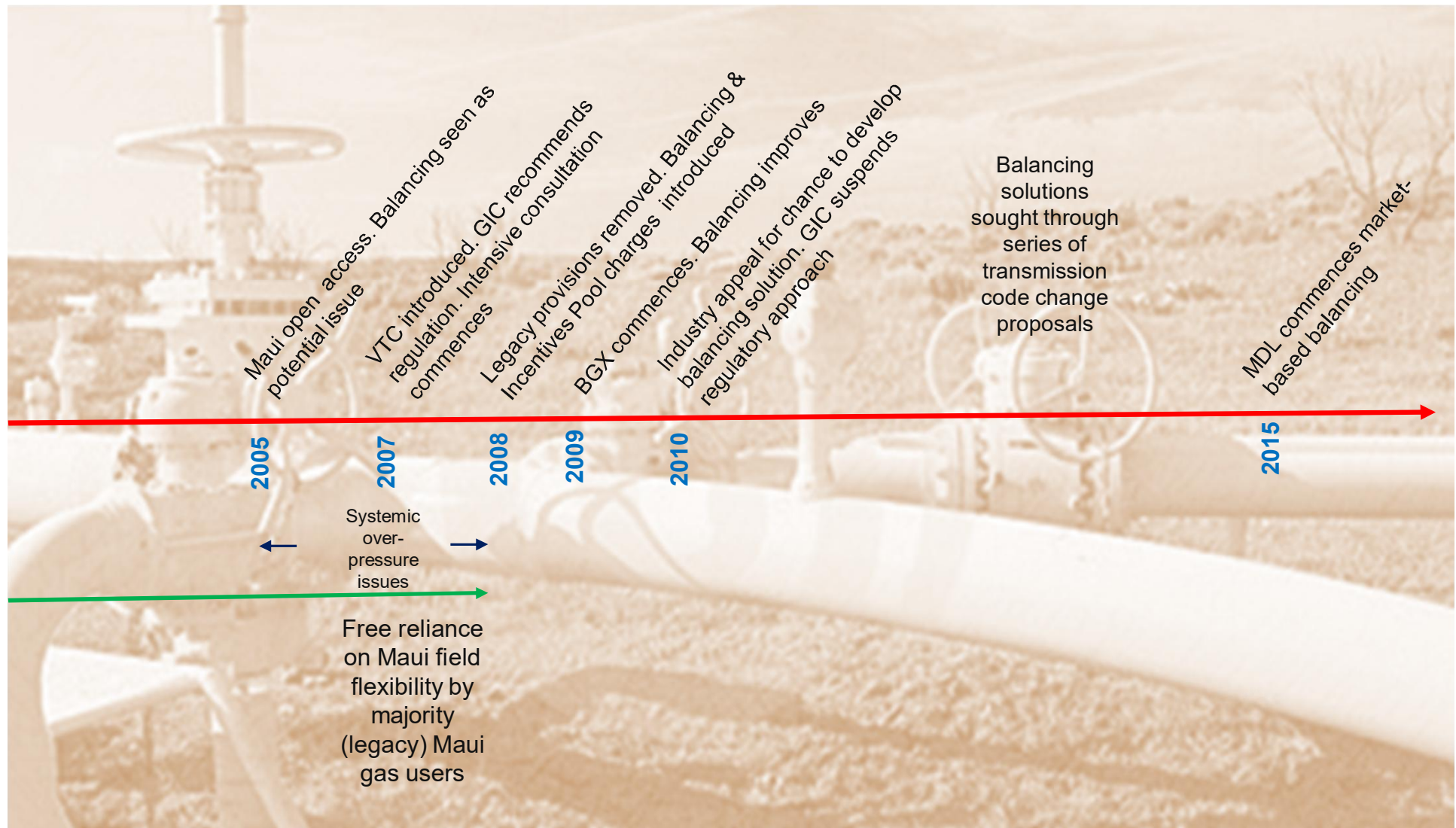
GPS Outcome	Status
Contractual arrangements between gas retailers and small consumers adequately protect the long-term interests of small consumers.	Retail Gas Contracts Benchmarks Oversight Scheme
Effective and efficient customer switching arrangements that minimise barriers to customer switching.	Gas (Switching Arrangements) Rules 2008
Accurate, efficient and timely arrangements for the allocation and reconciliation of downstream gas quantities.	Downstream Reconciliation Rules 2008: <ul style="list-style-type: none"> • D + 1 trial underway
Gas industry participants and new entrants are able to access transmission pipelines on reasonable terms and conditions.	Active workstreams: <ul style="list-style-type: none"> • Transmission Access & Pricing • Balancing
Sound arrangements for critical gas contingency management	Gas Governance (Critical Contingency Management) Regulations 2008
Efficient arrangements for the short-term trading of gas .	emsTradepoint wholesale market platform developing
All small gas consumers have effective access to a complaints resolution system	Electricity and Gas Complaints Commissioner – no significant gas consumer issues

Our focus for 2015 and beyond



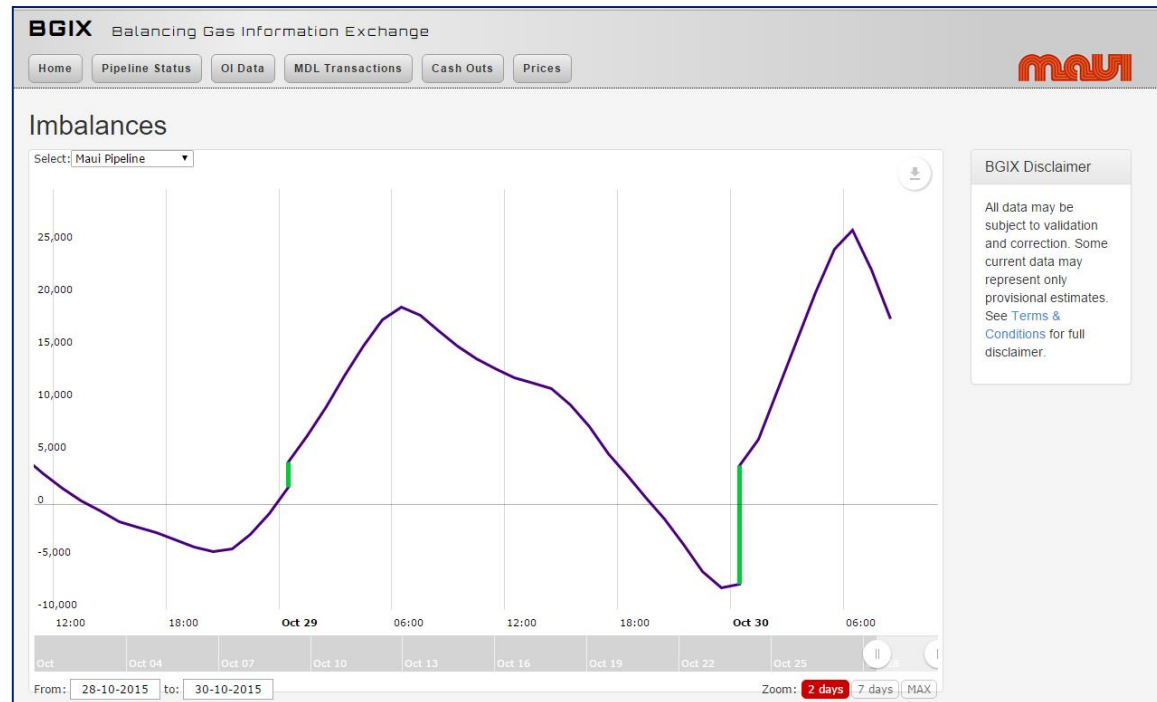
A closer look at two of our priorities...

1. Efficient transmission system balancing...

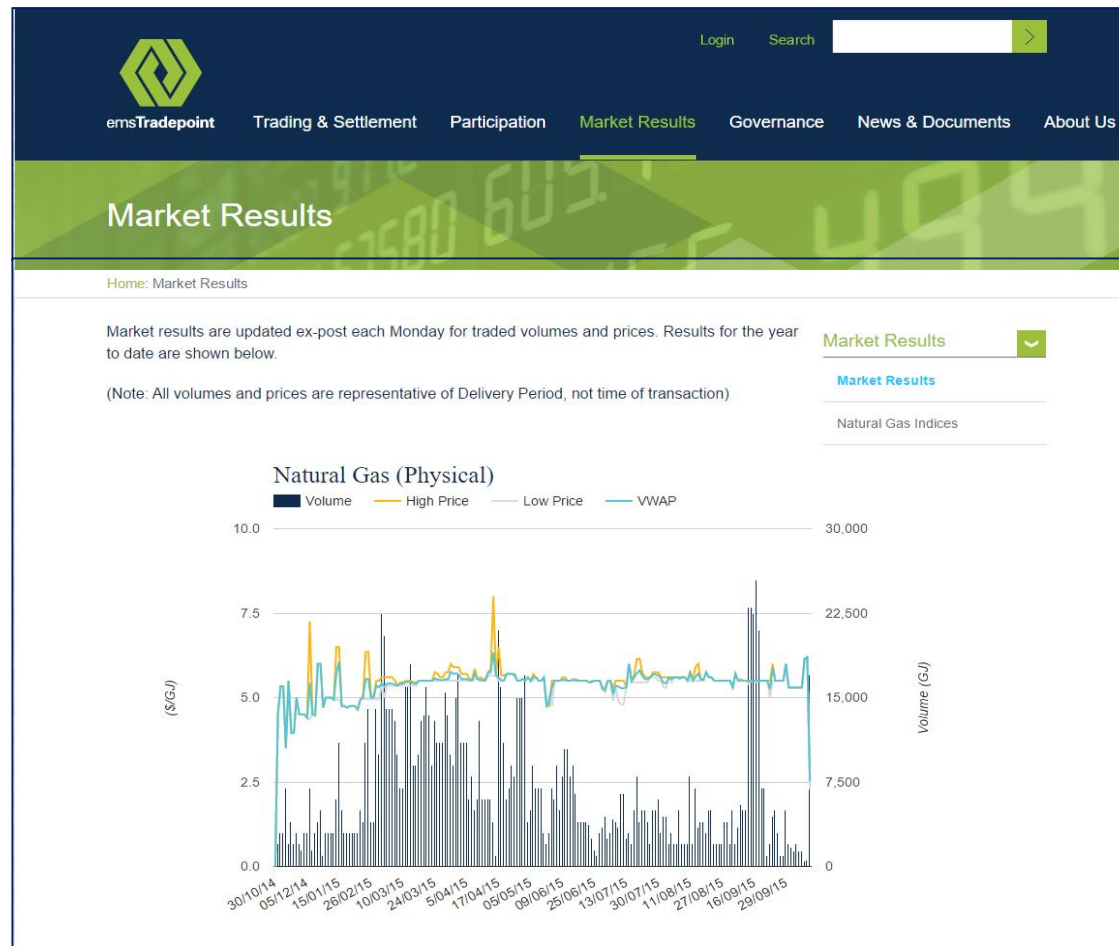


Market-based balancing is in motion

- Supported by GIC as MPOC change reviewer:
 - improve balancing incentives
 - positive cost/benefit
- Based on European Union arrangements
- Daily cash-outs
- Effective 1 October 2015
- Working through implementation issues

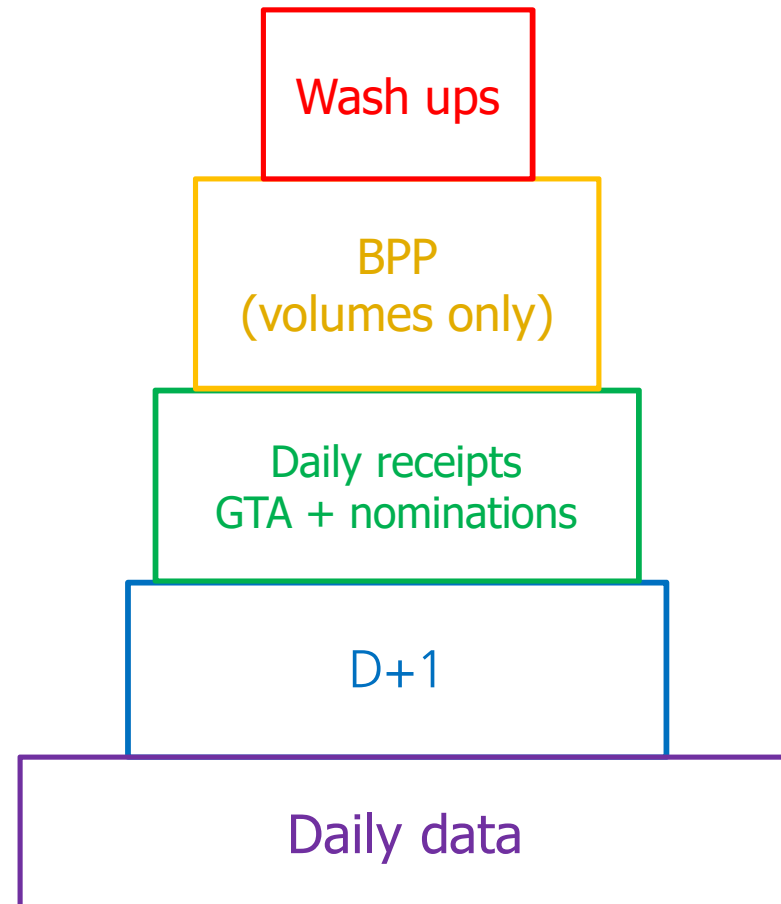


Balancing gas trading on emsTradepoint wholesale market for the first time



Parallel programme to improve information to shippers

- Day-after delivery (D+1) allocation trial
- Led by Gas Industry Co through Daily Allocation Working Group (DAWG)
- 2016 implementation through Downstream Reconciliation Rules amendments?



2. Critical contingency management fine-tuned since 2011 Maui pipeline outage

- Gas Industry Co review leads to amended CCM Regulations
- Nothing wrong with the regime, but aspects clarified and tightened
- Since then, 1 critical contingency event and two potential CC events
- Gas transmission extremely reliable, but..
- We are well prepared for another major incident



COREGROUP Critical Contingency Operator

Home Current CC Events Publications Historical CC Events About us Training FAQ Contact us

Current Critical Contingency Events

This page is used to publish notices and updates that relate to a Critical Contingency Event which is currently underway. For information relating to historical Critical Contingency Events, please refer to the [Historical CC Events](#) page.

Current Situation

Date	Time	Current Situation Summary
There are no current Critical Contingency Events		

Event Notices

These notices have been issued by the CCO to the Transmission System Owner (TSO). Please refer to the TSO's website for notices issued by the TSO - Refer [MDL TSO Website](#) for notices issued by MDL or [Vector TSO Website](#) for notices issued by Vector.

Date	Time	Notice ID	Notice Type	Issued To	Notice

Event Updates

Event updates are regularly published by the CCO when curtailment instructions impact Band 3 consumers and below.

Date	Time	Notice ID	Notice Type	Issued To	Notice
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Critical contingency management fine-tuned since 2011 Maui pipeline outage

Curtailment Band	Consumption	Description
0		Gas storage.
1	>15 TJ/day	Consumers with alternative fuel capability
2	>15 TJ/day	Consumers without an alternative fuel capability.
3	>10 TJ/annum	Industrial and commercial consumers
4	>250 GJ/annum	Medium-sized industrial and commercial consumers
5	>2 TJ/annum	Essential services designated consumers
6	< 250 GJ/annum	Small commercial customers
7	any	Critical care designated consumers

Special designations approved

- 193 critical care - hospitals, residential care etc..
- 4 essential services - public health and safety
- 4 critical processing - mitigate risks of immediate shutdown
- 1 electricity supply



Overall gas industry health check

The Gas Story remains positive

- Gas is still a good option for homes and businesses
- Retail demand has been flat (as for electricity demand), but showing signs of improvement
- Reserves/supply good – esp from rework of established fields
- Mature, well-functioning infrastructure
- NZ domestic market still a good support/backstop for upstream investors



There are some head winds...

- Gas in strong competition with electricity and other fuels
- Energy networks affected by distributed generation technologies
- Dealing with the carbon challenge
- Big new gas find is proving elusive
- Oil price downturn affecting investment



All up, the gas sector is in good health...

- The role of gas is changing, as it has over 40+ years...
- It continues to make a major contribution to the New Zealand economy and energy mix
- It is providing consumers with a competitive energy choice
- Existing infrastructure is sufficient until next step change (big jump in demand, major new find)
- New Zealand remains an attractive exploration destination
- Uses will be found for new gas





www.gasindustry.co.nz