

Gas Industry Co Conference 2009
"Making Gas Markets Work"
Opening Remarks- Hon Jim Bolger, Chair
9.00am, 11 August 2009

Welcome industry participants and other stakeholders to the fifth annual Gas Industry Company Conference. It is great to have you all here today. We certainly have a full day ahead of us.

It is now my fifth year as Chairman of Gas Industry Company and in that time I have seen the Company grow from a concept into a fully functioning co-regulatory body. The Company has experience in both policy development and market operations. Since last year's conference, Gas Industry Co has successfully implemented downstream reconciliation and switching market arrangements and also established a tailor-made compliance regime to give market participants confidence that the new rules will be complied with. Gas Industry Co has gone from policy maker to market maker- an important transition for the Company. As today's theme shows us, we now have the knowledge and the tools to make gas markets work.

And, if, as the Government has signaled, gas is to play a big part of New Zealand's future energy mix then Gas Industry Company plays an even bigger part in making sure this will happen- from production to consumption.

In the last twelve months, we have seen a change of government, which brings with it new opportunities for the industry.

One of Minister Gerry Brownlee's first moves in office was to table a bill repealing the ten year thermal ban. This showed us that the Government recognised the importance of natural resources, including gas, in ensuring New Zealanders have access to an affordable and reliable source of electricity.

Hon Pansy Wong, Associate Minister of Energy and Resources has recently been given responsibility for matters related to the Gas Industry Company including both policy and implementation. The Minister was featured in the latest GANZ newsletter being quoted, 'I am excited about the prospects and the potential to increase the use and demand for gas in our country...I believe there is a much bigger potential in New Zealand for the direct use of gas and I am excited about the future of gas in our country.' And we are fortunate to have her here with us today to share with us that vision.

Once Pansy has finished, we will hear from Christine Southey, the Chief Executive of Gas Industry Company. She'll be updating us with key developments since our last conference and provide us with a snapshot of what is coming up in the next twelve months.

I would also like to welcome Isaac Katz from Harding Katz who has joined us from Australia. Isaac is a close follower of trends in energy governance around the world. His presentation will touch on regulatory reforms that have occurred in both the UK and Australia and how governance arrangements have evolved in response. No doubt he will be able to provide New Zealand with some important lessons based on these overseas examples.

After Isaac, we will welcome Ian Wilson, Gas Industry Company's Principal Adviser of the Infrastructure Access Group. He will provide us with an overview of the transmission access work stream including the prospect of direction for new pipeline balancing arrangements. Clearly an important part of making markets work is ensuring access to an efficient means of transportation.

At 11:40 we'll welcome our next guest speaker, Heather Kirkham, joining us from the New Zealand Stock Exchange. Heather will take us up to lunch by presenting on another of the important players in making gas markets work – the service provider. Having recently acquired M-Co, NZX have added to their core business an innovator in online energy trading platforms and a specialist in providing market services to the gas and electricity industries. No doubt with their combined experience they are in

an excellent position to make our gas markets work more efficiently than now.

It is important to recognise that, despite our best intentions, there are inevitably times when markets do not work – (something that we are witnessing presently on a global scale). Gas Industry Co's most recently approved set of regulations address situations where, for whatever reason, the normal market arrangements governing the balance of gas in our transmission pipelines fail, and intervention is required to prevent a critical contingency escalating to a catastrophe.

The industry's response to and management of critical contingencies has been an important work stream and we warmly welcome Steve Ilkovics from Vector who, after lunch, is going to tell us about Vector's role, as Critical Contingency Operator, in the new contingency management arrangements. This position carries the responsibility of making the decision on when to declare a contingency event, the communication of the event to all necessary parties, and – perhaps most importantly-when to curtail load in order to restore balance to the pipeline. (And when Steve has managed that simple task he will then turn his attention to the sub-prime mortgage markets).

Assuming no contingency events occur and we stick to the schedule, we will hear from John Kidd from McDouall Stuart after Steve. John has become a regular feature at the industry conference and I greatly anticipate his review of the sector. Hopefully he will relay some good news to us.

At 1:45, Graham Cockroft, Chief Operating Officer of Contact Energy, will share with us his experience of making gas markets work overseas. Prior to joining Contact Graham was BG Group's Asset General Manager based in São Paulo, Brazil, with responsibility for the company's activities in Bolivia, Chile, Argentina and Uruguay and for regional strategy development.

Graham has only been in New Zealand for a few weeks but if he does have any insights into how we can make gas markets work better here- I hope he will share them with us.

And to round off the conference, Gas Industry Co's Principal Adviser of the Market Operations Group, Ian Dempster, will take a closer look at the new retailer switching arrangements.

The recently implemented switching and registry regime is already showing signs of success and Ian will be highlighting some of the key benefits of the new system over the old arrangements, and how Gas Industry Co has helped to make this market operate efficiently and effectively.

The day ahead is certainly full and the presentations will undoubtedly leave you with much to think about. I sincerely appreciate having everyone here today. Many of you have shown great commitment to Gas Industry Co and the co-regulatory model upon which it is founded. These commitments are evident through the improvements seen in the gas market- it shows we have all been working hard and working together to make the market work.

And now I would like to welcome and introduce our first speaker of the day, Hon Pansy Wong. In addition to being the Associate Minister of Energy and Resources, Pansy's extensive portfolio includes being Minister for Ethnic Affairs, Women's Affairs, as well as Associate Minister for Disability Issues and ACC. Pansy first entered politics as a Canterbury Regional Councillor in 1989, and first entered Parliament in 1996 as a National List MP and New Zealand's first Asian MP. She moved to Auckland in 2002 and won the seat of Botany with a margin of over 10,000 in the 2008 General Election thus making her the first Asian to win an electorate as well as the first Minister of Cabinet of Asian ethnicity. Would you please now join me in welcoming, Hon Pansy Wong. Thank you.