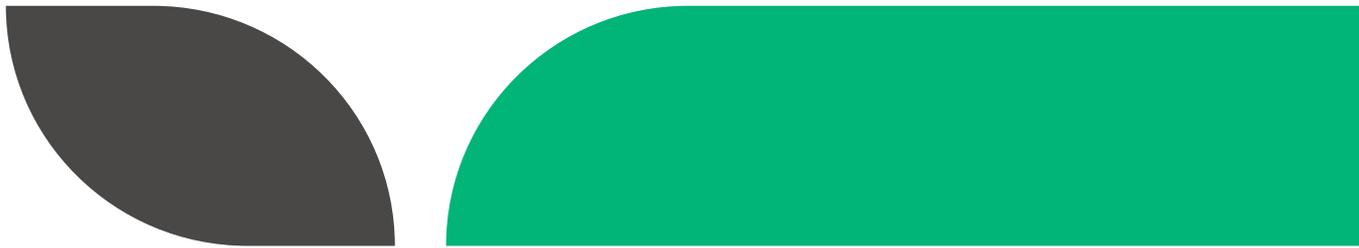


# Statement of Intent

Financial Years 2025–2027



Gas Industry Co.





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Gas Industry Company Limited  
(Gas Industry Co) was established in  
2004 as the industry body under  
Part 4A of the Gas Act 1992 (Gas Act).

This Statement of Intent has been prepared by Gas Industry Co to meet the requirements of section 43ZQ of the Gas Act. It sets out the intended scope and objectives of Gas Industry Co's operations for the financial year ended 30 June 2025, and the following two financial years (30 June 2026 and 30 June 2027), and it provides information about the Company and its operating environment.

The work programme described in this Statement of Intent is designed to meet the governance objectives set out in section 43ZN of the Gas Act, with regard also to the objectives and outcomes of the April 2008 Government Policy Statement on Gas Governance, as well as the wider strategic objectives of the Company.

### The Company's role is to:

- Develop arrangements, including regulations where appropriate, which improve:
  - » The operation of gas markets;
  - » Access to infrastructure; and
  - » Consumer outcomes.
- Develop these arrangements with the principal objective of ensuring that gas is delivered to existing and new customers in a safe, efficient, reliable, fair and environmentally sustainable manner; and
- Oversee compliance with, and review, such arrangements.

Gas Industry Co is required to report on the achievement of those objectives and on the performance and the current state of the New Zealand gas industry.



**Rt Hon James B. Bolger, ONZ**  
Chair  
June 2024



**Andrew Brown**  
Director  
June 2024

# Foreword

This Statement of Intent has been prepared against a background of a changing context and constrained gas supplies. Gas production is declining. There is insufficient gas available to meet market demand and the shortfall will continue throughout the financial year covered by this Statement and for the remainder of the decade.

The work programme outlined in this plan comprises initiatives that respond to our changing context.

Public expectations for the role of gas have been renewed, while gas will continue to be a significant source of energy throughout the transition.

Many industrial and commercial consumers rely on gas to support their businesses. Some of these are the largest energy consumers in New Zealand, using gas to transform products for export. Electricity is likely to continue to need gas to support renewable generation until well into the 2030s. Hundreds of thousands of consumers continue to choose natural gas and LPG in their homes.

Consumers of all sizes expect that their supply will be reliable, and gas will be available when needed. To provide secure, reliable supplies to all these gas consumers, ongoing investment in gas production is needed.

At the same time, the public also expects industry will play its part in creating a sustainable future.

Our busy work programme helps to create a market where new technologies can provide solutions to security, price, and sustainability challenges. Initiatives such as carbon capture and biogas are examples.

Our role is to facilitate markets, provide governance to the sector and offer trusted advice so that new and existing consumers enjoy safe, efficient, reliable, fair, and sustainable gas supply.

To do our job, we need to engage and consult widely across industry along with government, fellow regulators and all our stakeholders. We are grateful for their contribution, and ongoing constructive involvement.



**Rt Hon James B. Bolger, ONZ**

Chair

June 2024



**Andrew Knight**

Chief Executive

June 2024

# Summary of work programme priorities

This section summarises some of the priority items in Gas Industry Co's work programme for FY2025. The work programme is summarised in Table 1.

The work programme is grouped into the three classes of activities:

- Gas governance;
- Facilitating industry systems and processes; and
- Trusted advisor to government and industry.

The work programme structure fulfils our statutory role through efficient governance arrangements, progressing industry systems and processes, and facilitating forward-looking discussion on future strategic issues through our trusted advisor role.

Our work programme structure requires flexibility year-to-year as work programmes move between categories and multi-year pieces of work take shape.

This coming FY2025 our work programme focuses on our gas governance role through a number of recently commenced or proposed changes to gas governance arrangements. We also continue our gas transition work.

**Table 1. Gas Industry Co's roles and activities**

Role	Comprising
<b>1. Gas governance</b>	<ul style="list-style-type: none"> <li>• Critical Contingency Management</li> <li>• Guidelines to Enhance Consumer Outcomes</li> <li>• Advanced Gas Metering</li> <li>• Retail Gas Contracts Oversight Scheme</li> <li>• Gas Distribution Contracts Overnight Scheme</li> <li>• Downstream Reconciliation and D+1</li> <li>• Switching and Registry</li> <li>• Compliance and Enforcement</li> <li>• Statement of Intent and Annual Report</li> <li>• Other Reporting</li> </ul>
<b>2. Facilitating industry systems and processes</b>	<ul style="list-style-type: none"> <li>• Information Disclosure</li> <li>• Gas Transmission Pipeline Access</li> </ul>
<b>3. Trusted advisor to government and industry</b>	<ul style="list-style-type: none"> <li>• Gas Transition Plan</li> <li>• Energy Transition</li> </ul>

# Consultation process

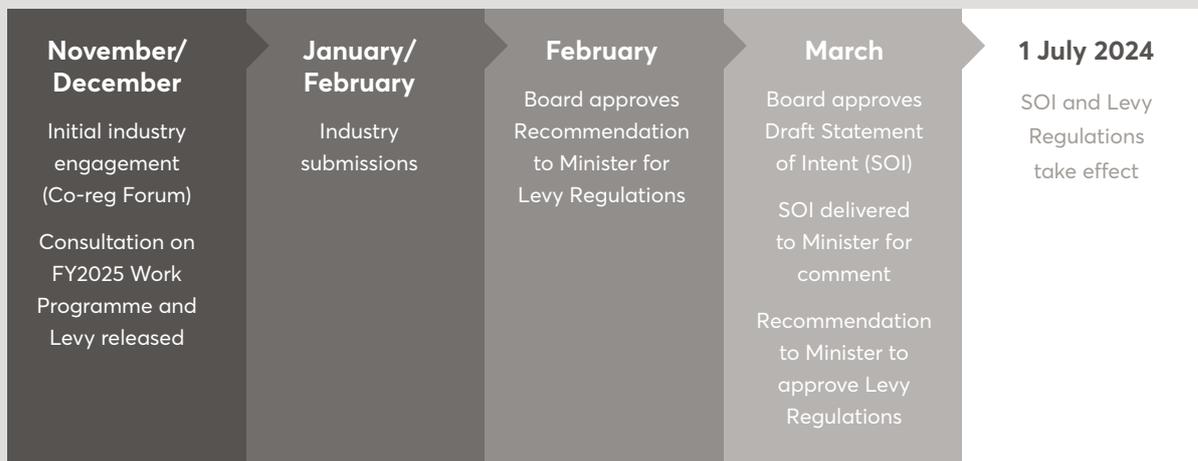
Consultation with industry stakeholders on Gas Industry Co's intended work programme and budget requirements commenced with the Co-regulatory Forum, which was held in November 2023.

The work programme and budget addressing the Company's strategic priorities were detailed in a Consultation Paper, which was issued in December 2023. Submissions on the Consultation Paper were considered in finalising the recommendation to the Minister for levy funding through regulations (Levy Recommendation) for the financial year ending 30 June 2025.

The consultation process led to the development of this Statement of Intent which, along with the Levy Recommendation, provides the basis for Gas Industry Co to deliver robust outcomes for gas consumers and the wider industry as part of our mandate as the industry body. The Levy Recommendation and draft Statement of Intent are presented to the Minister in March each year.

Figure 1 sets out the consultation and approval processes leading to the annual promulgation of Levy Regulations.

**Figure 1. Consultation process**



# Operating environment

Gas Industry Co's work programme is directly influenced by the industry structure, and the legislative and policy framework. Together these form the Company's operating environment.

## Industry context

Gas Industry Co regularly updates its estimates of gas supply and demand. New updates, first published in late 2023, indicate testing imbalances between supply and demand, with a probable shortfall in supply occurring in the 2020s. All of New Zealand's major producing fields are in decline and investment in field development is currently below levels required to bring sufficient gas to market.

The supply and demand context creates special pressure on the transition. If the industry expects insufficient gas will be available for large industrial demand to be sustained, it may not invest in production, creating a self-fulfilling outcome. Undermining of the case for investment in field development will potentially compromise reliability of supply and flexibility for other gas consumers.

Meanwhile, national emissions budgets assume an orderly decline in emissions from gas throughout the 25-year pathway to net zero 2050.

Gas transition analysis by Gas Industry Co has demonstrated that emissions budgets can be achieved efficiently. An optimal pathway would see gas exit baseload electricity generation in the 2020s, although remaining available for peaking support for a mostly renewable electricity grid; the introduction of carbon capture and sequestration to remove some industrial emissions. Together with industrial and commercial reductions in emissions from efficiencies, market exit and fuel switching, these initiatives will achieve the emissions reductions out to 2035. Biogas is available to replace natural gas in distribution lines beginning in the 2020s, supporting the preferences of residential consumers, while eliminating carbon emissions.

The highest priorities for the industry in this context are investment in field development, and especially confidence to invest for the transition, and measures to improve the

electricity-gas interface. Electricity will increasingly rely on intermittent gas delivery to support renewables, but market incentives to support this security are not currently sufficient with consequent risks to wider energy security. Intermittency in gas demand from electricity generators can drive gas prices up to the electricity sector's willingness to pay, with consequent outcomes for longer-term gas consumers in other sectors. Gas Industry Co works with the Ministry of Business, Innovation and Employment (MBIE), the Electricity Authority (EA) and other energy regulators to develop a policy response.

## Legislative and policy framework

The gas industry downstream of the exploration and production sector is operated under a co-regulatory model. Gas Industry Co is the industry body. It creates the link between government and industry, delivers improved governance arrangements for participants and consumers, and provides high quality advice.

Gas Industry Co's regulatory oversight spans wholesale and retail natural gas markets, processing facilities, transmission, and distribution, and early-stage planning for the emergence of hydrogen and biofuels.

Gas Industry Co's role in relation to the gas transmission and distribution sector focuses on open access to pipelines. The Commerce Commission has a complementary role in relation to economic regulation of those assets. The Gas Act provides for the two agencies to work together on any areas of overlap.

The settings are 'co-regulatory' because the Gas Act framework has Gas Industry Co making recommendations to the Minister of Energy and Resources, having regard to the objectives for the industry body in the Gas Act, and the objectives and outcomes in the Government Policy Statement.

The industry body's principal objective in recommending regulations is to ensure that gas is delivered to existing and new customers in a safe, efficient, and reliable manner.

The government policy statement has a broader policy objective: it sets, for the entire gas industry, the objective of ensuring that gas is delivered to existing and new customers in a safe, efficient, fair, reliable and environmentally sustainable manner.

### Other objectives specified by the Gas Act for the industry body in recommending regulations include:

- Facilitating and promoting the supply of gas to meet New Zealand's energy needs, by providing access to essential infrastructure and competitive market arrangements;
- Ensuring barriers to competition are minimised, and incentives are maintained or enhanced for investment in gas processing facilities, transmission, and distribution;
- Delivered gas costs and prices are subject to sustained downward pressure;
- Risks relating to security of supply, including transport arrangements, are properly and efficiently managed by all parties; and
- Consistency is maintained with the government's gas safety regime.

### Additional objectives for Gas Industry Co and the gas industry are set out in the Government Policy Statement, and include:

- Efficient use of energy and other resources that deliver gas to consumers;
- Facilitating competition in upstream and downstream gas markets by minimising barriers to access to essential infrastructure to the long-term benefit of end-users;
- The full costs of producing and transporting gas are signalled to consumers;
- Where gas services include a trade-off between quality and price, as far as possible they reflect customers' preferences; and

- The gas sector contributes to the government's climate change objectives (as set out in the New Zealand Energy Strategy, or any other document the Minister may specify from time to time) by minimising gas losses and promoting demand-side management and energy efficiency.

The Minister has statutory powers to make rules or to recommend regulations on a wide range of gas governance matters. The industry body, as co-regulator, advises the Minister about the exercise of many of these powers and must follow prescribed procedures before making a recommendation to the Minister. Mandatory requirements include consultation with affected stakeholders and assessment of the costs and benefits associated with any recommendation. The co-regulator must consider all reasonably practicable options, including non-regulated options that achieve the same outcome.

Gas Industry Co monitors existing arrangements for effectiveness and relevance.

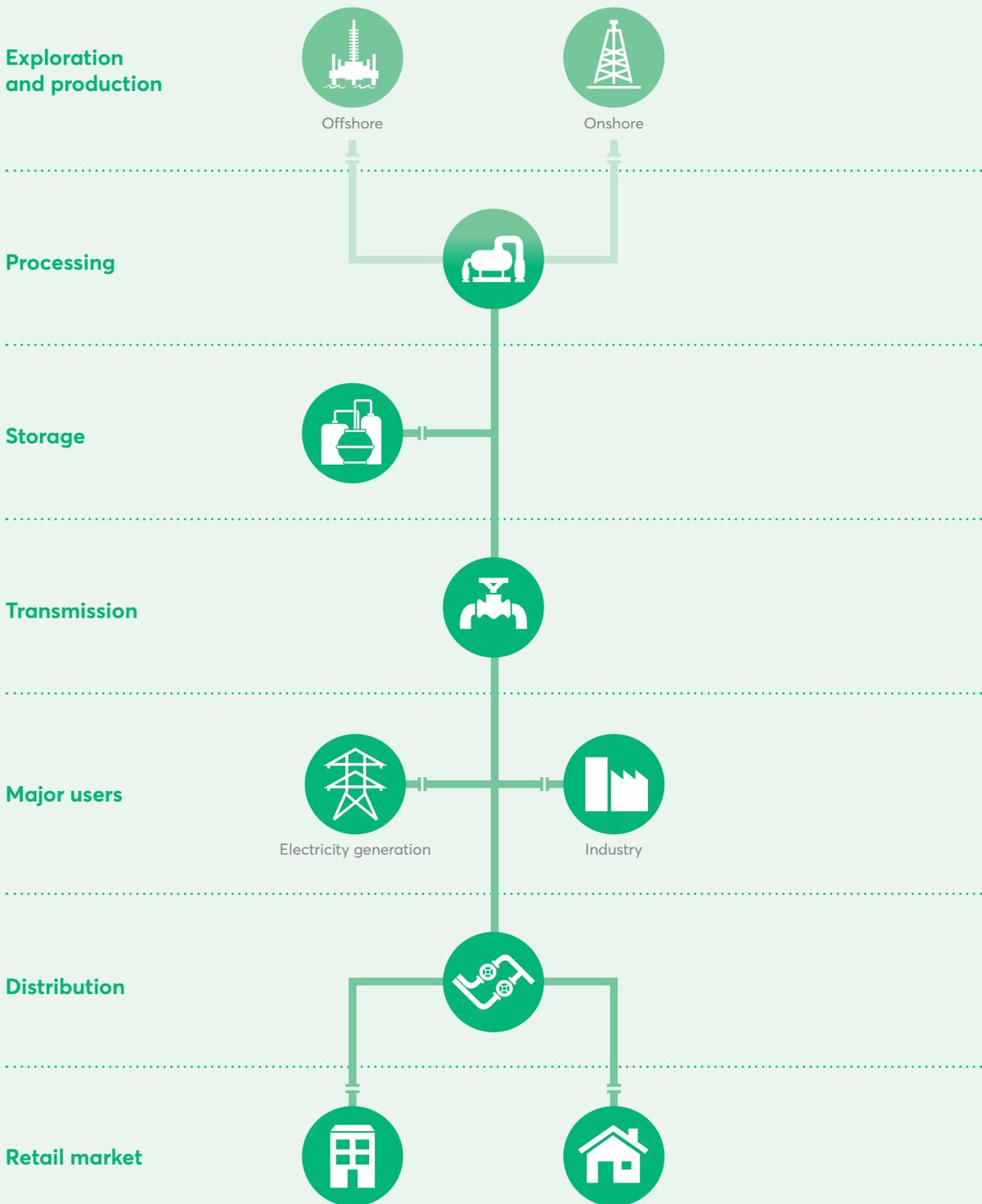
### Gas Industry Co governance

Gas Industry Co is owned by industry participant shareholders and is incorporated as a company under the Companies Act 1993.

Strategic oversight of the Company is provided by the Board of seven directors, all elected by the shareholders. Four directors, including the chair, are independent (having no material or financial interest in an industry participant), and three are non-independent directors (usually senior executives of industry participants).

The Board meets about eight times a year and whenever matters requiring immediate attention require. The Board has one standing committee, the Independent Directors' Committee, comprising the four independent directors. The committee addresses matters where the industry-associated directors have potential or actual conflicts of interest.

Figure 2. Gas industry structure



## Gas Industry Co's Strategy

Gas Industry Co's strategy is to deliver its statutory role, and frame its proposed FY2025 work programme.



# Industry performance

Gas Industry Co's strategic and work programme objectives seek to align with government policy objectives and outcomes, and to support industry performance, particularly in relation to consumer switching, downstream reconciliation, critical contingency management and transmission system balancing.

Gas Industry Co tracks the performance of the Switching Rules, Reconciliation Rules and CCM Regulations and reports on their ongoing effectiveness, the competitive outcomes they foster, and industry participants' adherence to them.

## The retail market is vibrant and competitive

Annual switching rates (an indicator of contestability in the market) have ranged from 14 per cent to 16 per cent in the last five years. **See Figure 3 on page 14.**

## Switches are completed quickly

On average, switches take place in just over two business days. As a comparison, gas switches in the United Kingdom take about 17 days for domestic consumers.<sup>1</sup> **See Figure 4 on page 14.**

## Gas customers generally have choice

The seven largest retailers are active at gas gates (where gas leaves the high-pressure transmission system and enters the local gas distribution networks) that together represent 99 per cent of consumers.

## Market concentration has increased slightly

While the market is significantly more competitive than it was a decade ago, it has become slightly less competitive over the past year. This is primarily due to the sale of Trustpower's retail business to Mercury. **See Figure 5 on page 15.**

## Unaccounted for gas is down over the past decade

Unaccounted-for gas (UFG) is the difference between the *declared* gas volumes used, and the *actual* gas volumes used. It is measured at individual gas gates, which are points where the primary gas transmission system connects to local gas distribution networks. There are several causes of UFG which include meter errors, data errors, theft, and system leakage. However, it is complex to determine the extent that each one of these causes is responsible when issues arise.

If left unchecked, UFG imposes a cost on the market because it represents gas that has been used but not disclosed. The cost of this unaccounted-for gas is then spread across and paid for by all connected parties on the distribution network for that gas gate. It is therefore a measure of market efficiency.

The Gas (Downstream Reconciliation) Rules 2008 were introduced to provide a process to correctly allocate gas volumes used to responsible retailers. These rules have been instrumental in keeping UFG at low levels with associated cost savings estimated to be worth several million dollars a year.

1. The UK regulator, Office of Gas and Electricity Markets (Ofgem), publishes a number of retail market indicators, including switching times, on its website at <https://www.ofgem.gov.uk/data-portal/retail-market-indicators>



**On average, switches take place in just over two business days. As a comparison, gas switches in the United Kingdom take about 17 days for domestic consumers.<sup>1</sup>**

Benefits include improved market efficiency, more accurate retailer reporting, more equitable allocation of UFG among retailers, greater information transparency, and auditing that can more readily identify anomalies in consumption data.

In 2010, UFG was around 2.0 per cent of injections and dropped to less than 1.3 per cent for several years (see Figure 6 on page 15). Today UFG is sitting around 1.6 per cent, and although it remains at normal levels by international standards,<sup>2</sup> we are currently investigating why it has lifted since early 2020.

### Critical Contingency Management

The CCM Regulations outline the industry's response during supply emergencies. The response can include demand curtailment.

The CCM Regulations have been activated five times since they came into full effect in 2010. The most recent event was in May 2017, caused by a system imbalance related to excess demand during a planned production station outage.

Gas Industry Co monitors the effectiveness of the CCM Regulations through reviews of critical contingency events and annual exercises.

### Compliance with Governance Rules and Regulations

The Compliance Regulations provide for the monitoring and enforcement of the other gas governance rules and regulations. They are designed as an efficient, low-cost means of determining and, where appropriate, settling rule breaches that raise material issues.

Allegations of breaches are first considered by Gas Industry Co as the market administrator. If it deems a material issue exists, the matter is referred to an independent investigator for further examination and, where appropriate, settlement.

Settlements must be referred to the Rulings Panel for approval or rejection.

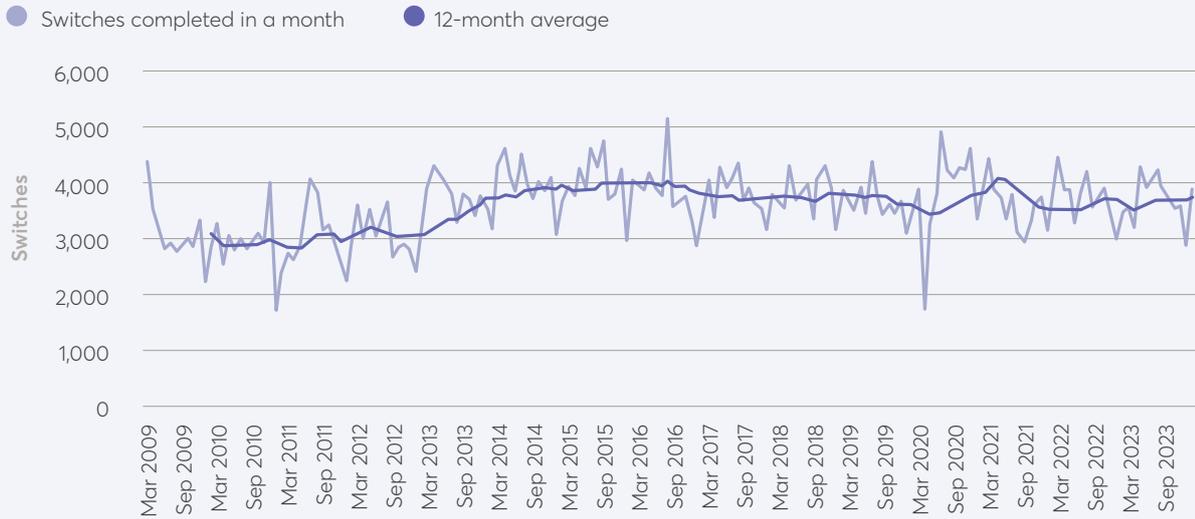
The Rulings Panel is a one-person quasi-judicial body appointed by the Minister. It also considers matters where parties are unable to settle.

The Rulings Panel can issue fines, make orders for compensation or direct compliance, and suspend or terminate the rights of an industry participant.

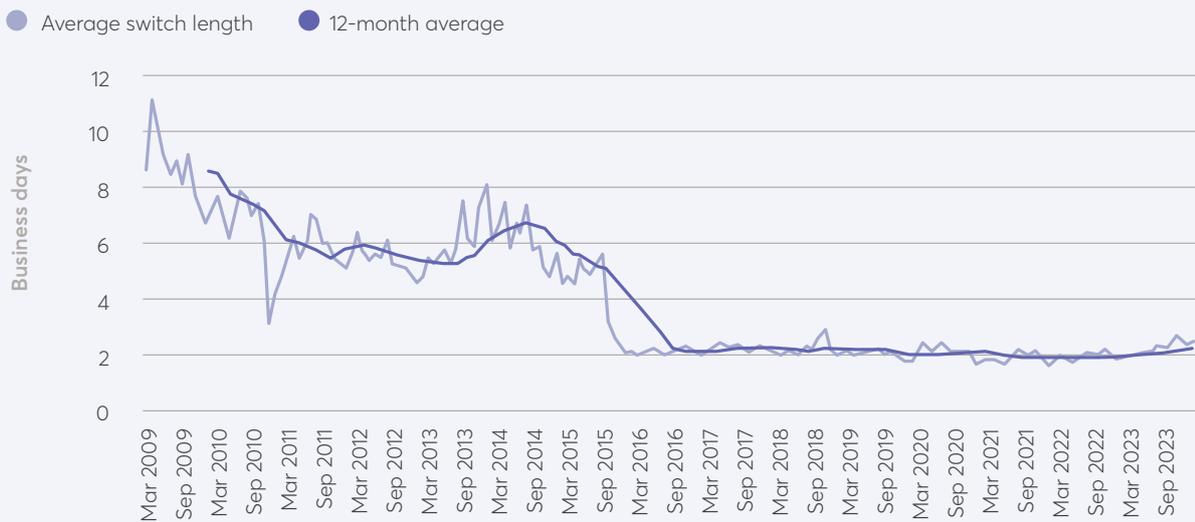
Gas Industry Co liaises with market participants and promotes awareness of regulatory requirements.

2. Australia benchmarks UFG at 0.3 per cent for networks with large industrial customers, and 4.0 per cent for smaller commercial and residential customers (source: Essential Services Commission, Review of Unaccounted for Gas Benchmarks).

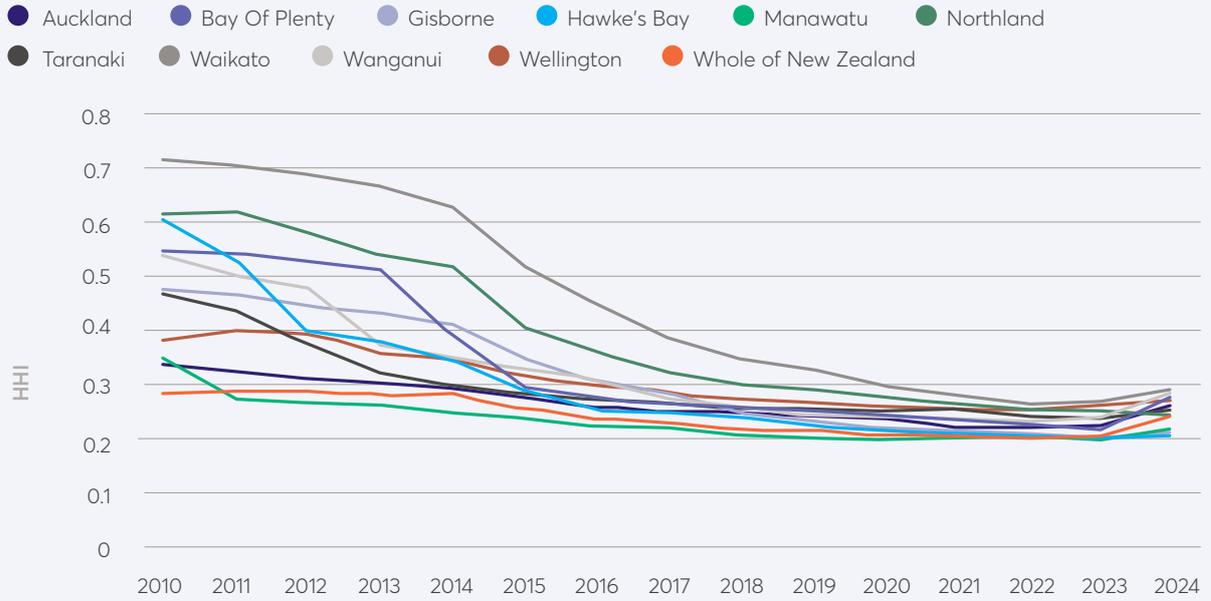
**Figure 3. Monthly switching rates**



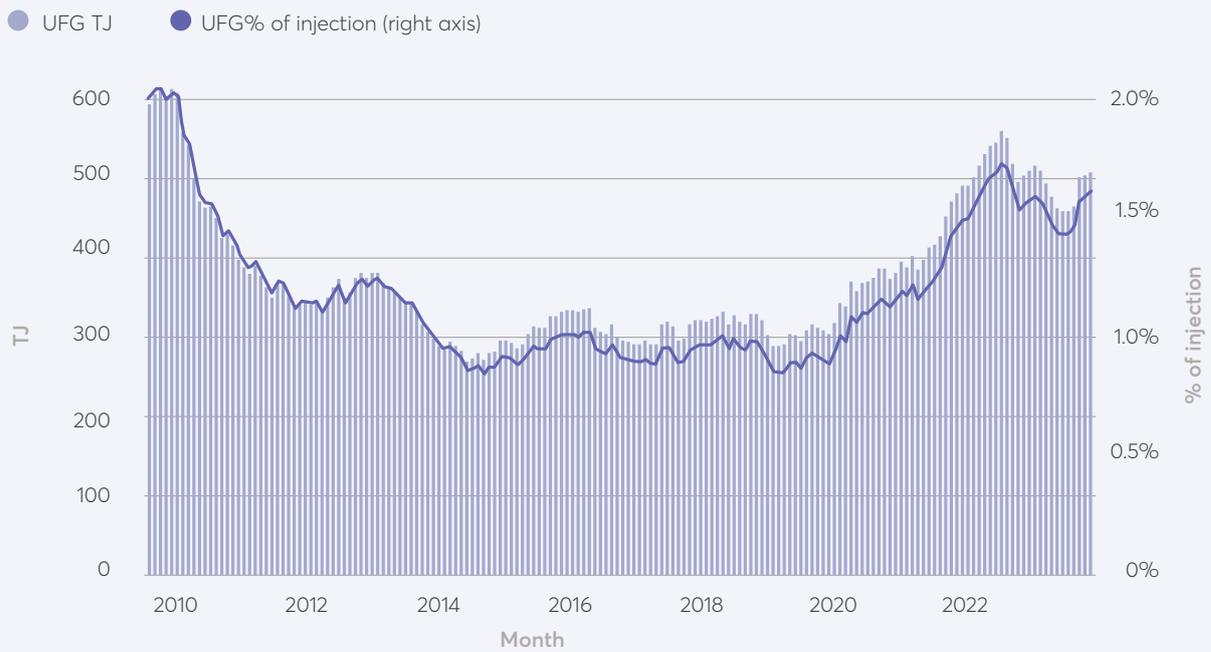
**Figure 4. Average time to switch a customer**



**Figure 5. Retail market concentration**



**Figure 6. Annual unaccounted for gas**



# Work programme and indicative activities

This section outlines the scope of Gas Industry Co's operations for the financial years ended 30 June 2025 to 30 June 2027.

The FY2025 work programme has been developed having regard to:

- The Gas Act and Government Policy Statement objectives and outcomes for the gas industry;
- Gas Industry Co's statutory accountabilities under existing governance arrangements; and
- Reporting requirements under the Gas Act and Companies Act.

The Statement of Intent focuses on the first year of the three-year period and indicative activity in the subsequent years.

Below, the FY2025 forecast activities for each work programme are outlined. These forecast activities are specific and confirmed, following our FY2025 Work Programme and Levy consultation process with industry stakeholders. Indicative themes are provided for our work programme for the following two financial years, FY2026 and FY2027, to provide guidance about likely future direction.

The work programme was broadly supported in submissions. The submissions themselves, and the Analysis of Submissions, can be found on Gas Industry Co's website.

The work programme is grouped into the three classes of activities:

- Gas governance;
- Facilitating industry systems and processes; and
- Trusted advisor to government and industry.

## Gas governance

Work programme activities that relate to gas governance are given priority in the work programme given that they are, or stem from, statutory obligations. Funding for gas governance activities is derived from a combination of market fees and levy.

## Facilitating industry systems and processes

Gas Industry Co has undertaken activities requested by industry to deliver independent or centralised services. Examples of the facilitation role includes a wide set of activities including management of the D+1 model, the gas registry, or reconciliation processes, through to hosting the website for upstream outage disclosures.

Meaningful progress on these projects requires that these projects are budgeted and included in the work programme. These activities are funded by the levy.

## Trusted advisor to government and industry

The trusted advisor role reflects the activities we undertake to inform about the gas industry. This role has become more pronounced as the wider energy sector and government entities have sought to develop their understanding of the changing energy future. Examples include the Gas Market Settings Investigation report, supply and demand studies, engagement with government agencies such as MBIE or the Climate Change Commission, and discussions with industry regarding government processes.

Gas Industry Co's role as a trusted advisor has grown as the wider energy sector and government entities have sought to develop their understanding of the changing energy future.

It is essential that sufficient budget is included to allow these activities to be undertaken. They are funded by the levy.



## We are currently progressing a number of amendments to the CCM Regulations to improve the efficiency and effectiveness of those Regulations.

### FY2025 WORK PROGRAMME: GAS GOVERNANCE

#### Review of Existing Levy Methodology

The Gas Act provides for a levy on industry participants to fund the activities of Gas Industry Co (as industry body) pursuant to the Gas Act. The levy is implemented through annual regulations following industry consultation.

Gas Industry Co's existing levy method:

- Is based on a set of levy principles. In summary, those principles are economic efficiency, beneficiary pays, rationality, simplicity, equity, and revenue sufficiency; and
- Has two components: a wholesale component and a retail component. These components are apportioned according to the cost allocated to each part of the annual work programme and apportioned among levy payers pro rata with either their wholesale levy volumes or ICP market shares. In years when the work programme focuses on retail issues, for instance, the retail levy rate will increase while the wholesale levy rate will decrease.

These arrangements have remained unchanged since 2007. However, forecast declining wholesale levy volumes are likely to lead to a scenario where wholesale levy rates would need to increase to an unsustainable level to continue to fund our work programme.

#### Forecast activities in FY2025

- Review Gas Industry Co's levy funding method, explore any viable alternatives, and consult with industry.

### Critical Contingency Management

The purpose of the Gas Governance (Critical Contingency Management) Regulations 2008 (CCM Regulations) is to achieve the effective management of critical gas outages and other security of supply contingencies without compromising long-term security of supply. The CCM Regulations provide for the appointment of a Critical Contingency Operation (CCO) and that role is responsible for determining, managing, and terminating critical contingencies, as well as associated activities such as stakeholder training and running exercises.

We are currently progressing a number of amendments to the CCM Regulations to improve the efficiency and effectiveness of those Regulations. These changes have been driven by experience with the Regulations and feedback on events and exercises.

#### Forecast activities in FY2025

- Support MBIE through the legislative change process; and
- Implement proposed changes to the CCM Regulations including consequential changes to existing industry processes.

### Advanced Gas Metering

In December 2023, Gas Industry Co released a Statement of Proposal on amendments to gas governance arrangements. The paper includes proposals to amend the Gas (Downstream Reconciliation) Rules 2008 (Reconciliation Rules), the Gas (Switching Arrangements) Rules 2008 (Switching Rules), and associated systems, to account for advanced gas metering infrastructure (AGMI) and the more timely and granular consumption data that it provides.

## Work programme and indicative activities

Once submissions have been received and considered, we expect to make a Recommendation to the Minister to amend the rules, in the final quarter of FY2024. At the same time, we will engage with industry on rule drafting and detailed specifications for the implementation of the system changes. We expect the latter work to run into FY2025.

In addition to the proposals for rule amendments, our previous work identifying issues associated with the rollout of AGMI surfaced some non-regulatory work, for example consulting on and publishing guidelines and information exchange protocols. We will continue to progress these non-regulatory items in FY2024 and aim to complete this work in FY2025.

### Forecast activities in FY2025

- Finalise rule drafting for changes to the Reconciliation Rules and Switching Rules;
- Document functional changes required to industry systems and processes;
- Go-live of amended rules and implementation of functional changes/begin transition period for other process changes; and
- Complete non-regulatory work arising that was prioritised by the AGMI working group from the AGMI issues paper.

## Retail Gas Contracts Oversight Scheme

In 2010, Gas Industry Co established a Retail Gas Contracts Oversight Scheme. This was designed to assess retailers' contracts with residential and small commercial/ industrial consumers, against a series of Benchmarks and Reasonable Consumer Expectations. Reviews are undertaken by an Independent Assessor usually on a three-yearly basis.

The last full assessment was undertaken in FY2023, with overall alignment of all published supply arrangements against the Benchmarks and Reasonable Consumer Expectations being 'substantial' – in line with previous assessments.

In FY2024 a review of the Scheme's Benchmarks and Reasonable Consumer Expectations was initiated in light of changes to industry processes (eg Consumer Care Guidelines)

and legislative changes. Any resulting changes will be implemented following engagement with industry participants and prior to the next independent review of retailer alignment taking place.

### Forecast activities in FY2025

- Implementation (including further engagement on and consultation with industry participants as appropriate) of any proposed amendments arising from FY2024 review of Benchmarks and Reasonable Consumer Expectations;
- Review new-entrant retail contracts, as requested; and
- Provide information to new entrant retailers to help them understand their obligations and the governance processes.

## Gas Distribution Contracts Oversight Scheme

In 2012, Gas Industry Co established the Gas Distribution Contracts Oversight Scheme. This is an industry agreed scheme which assesses standard contracts between gas distributors and gas retailers against a set of principles.

Gas Industry Co appointed an independent assessor in FY2014 who found that contracts offered by distributors exhibited 'substantial' alignment with the set of principles agreed upon.

Following the 2014 assessment, Gas Industry Co's assessments would be undertaken on an exceptions basis (as contracts are revised or replaced). Firstgas has recently finalised a new distribution contract which we expect to be subject to review in accordance with the Scheme. We expect to commence a review of Firstgas's distribution contract in FY2024 with the review process running into FY2025.

### Forecast activities in FY2025

- Complete an assessment of Firstgas's new distribution contract; and
- Action any changes to the Scheme that are necessary to improve its effectiveness and to ensure that the principles continue to be appropriate.

## Downstream Reconciliation

The purpose of the Reconciliation Rules is to establish a set of uniform processes that enable fair, efficient, and reliable downstream allocation, and reconciliation of downstream gas quantities. The Reconciliation Rules provide for the appointment of the allocation agent, who is responsible for operating the allocation system to perform allocations. The allocation agent's role is currently performed by EMS, a subsidiary of Transpower.

The Statement of Proposal on amendments to gas governance arrangements includes changes to the Reconciliation Rules that:

- Codify the downstream aspects of D+1 in order to transition away from pilot arrangements;
- Improve the accuracy of D+1 allocations by requiring retailers to install telemetry on certain sites and provide daily data to the allocation agent where possible;
- Amend allocation group definitions and allocation methodologies to account for AGMI-metered customers;
- Pave the way for renewable gas injection into distribution networks by making sure all gas quantities are appropriately metered and reconciled; and
- Make other minor and technical amendments to ensure the smooth and effective operation of the rules.

The process following the Statement of Proposal is outlined in the Advanced Gas Metering section. As mentioned above, we expect the project to implement these proposals to begin in FY2024 and continue throughout FY2025.

## Switching and Registry

The purpose of the Switching Rules is to establish a set of gas switching and registry arrangements that enable consumers to choose, and alternate, efficiently, and satisfactorily between competing retailers. The Switching Rules provide for a centralised database, the gas registry, which stores key technical parameters about every customer installation, and facilitates and monitors each customer switch from initiation through to completion.

The Switching Rules provide for the appointment of the registry operator. In addition to business-as-usual activities, Gas Industry Co will carry out an assessment of options in preparation for the expiry of the current Gas Registry Operator contract in 2025 with a view to deciding whether to extend the existing contract or undertake a procurement process.

### Forecast activities in FY2025

- Assess options for the Gas Registry Operator contract (current contract expires in February 2025) with a view to deciding whether to extend the existing contract or undertake a procurement process;
- Assess the ongoing performance of the Switching Rules (including changes necessitated from the rollout of Advanced Gas Meters);
- Monitor and report on switching statistics;
- Make determinations under the Switching Rules as required;
- Commission performance and event audits as required; and
- Follow up on any issues identified in the switching audits.

## Compliance and Enforcement

The Gas Governance (Compliance) Regulations 2008 (Compliance Regulations) provide for monitoring and enforcement of the other gas governance rules and regulations. The compliance arrangements are designed as an efficient, low-cost means of determining or, where appropriate, settling breaches of rules/regulations that raise material issues.

### Forecast activities in FY2025

- Perform market administrator role;
- Assess ongoing performance of the Compliance Regulations;
- Assist investigator and Rulings Panel as required; and
- Monitor compliance trends for indications of regulatory inefficiency.

## Statement of Intent and Annual Report

The Gas Act requires that the industry body provide its annual report to the Minister within three months of the end of the financial year (the Minister then tables it in the House of Representatives). Similarly, annual statements of intent (SOI) are required to be submitted to the Minister for comment prior to being finalised and published.

### Forecast activities in FY2025

- Prepare and publish the SOI to meet statutory timeframes;
- Provide the draft SOI to the Minister for comment prior to publication; and
- Prepare and publish the annual report and meet requirements for tabling in Parliament.

## Other Reporting

Gas Industry Co is required by the Gas Act to report on the present state and performance of the gas industry. It does this through a number of publications, including Switching Statistics, the Quarterly Report and Industry Performance Measures.

### Forecast activities in FY2025

- Prepare and publish Switching Statistics and Industry Performance Measures; and
- Continue engagement and communications for interested stakeholders.

## FY2025 WORK PROGRAMME: FACILITATING INDUSTRY SYSTEMS AND PROCESSES

### Information Disclosure

In 2018, Gas Industry Co commenced a workstream to assess the level of information disclosure in the industry and to consider options to address any issues found, including disclosure of gas production and storage facility outage information. A Statement of Proposal was consulted on, and the conclusion from this work was that the regulatory objective was unlikely to be satisfactorily achieved by any reasonably practicable means other than through regulation.

In FY2022 Gas Industry Co made a recommendation to the Minister, with the Gas (Facilities Outage Information Disclosure) Rules 2022 subsequently coming into effect on 1 April 2023. These rules provide for:

- The disclosure of information regarding an unplanned outage or planned outage at a gas production facility or a gas storage facility; and
- The disclosure of information to the industry body to enable it to monitor compliance with these rules.

### Forecast activities in FY2025

- Review performance of the Gas (Facilities Outage Information Disclosure) Rules 2022 including disclosing party compliance.

## Guidelines to Enhance Consumer Outcomes

Gas Industry Co developed new guidelines for the gas industry to enhance consumer outcomes in response to the recommendations arising from the Electricity Price Review for the electricity industry. The guidelines are as follows:

- **Gas Consumer Care Guidelines** set out guidelines for gas retailers in helping residential gas consumers who may experience insufficient access to gas or payment difficulties.
- **Gas Saves and Winbacks Guidelines** provide guidance for gas retailers in managing the saves and winbacks behaviour.
- **Guidelines for Raising Awareness of Utilities Disputes and Powerswitch** provide guidance for gas retailers and gas distributors to raise consumer awareness of the services provided by Utilities Disputes and Powerswitch through their customer communications.

In August 2023, we assessed dual-fuel retailer alignment with these guidelines.

During our assessment of gas retailer alignment with the guidelines, we received feedback from retailers that aspects of the guidelines should be reviewed, and consideration given to whether the guidelines are appropriate.

We committed to undertaking a review of the guidelines.

Subsequently, we have also been informed that the Electricity Authority has commenced a workstream to review the workability of the electricity Consumer Care Guidelines as part of its process to make the electricity guidelines mandatory.

We believe that, in the context of the above, it is sensible to defer our assessment of alignment scheduled for August 2024 until we have had an opportunity to consider the final form of the electricity Consumer Care Guidelines. This will enable us to undertake a review of any changes to the electricity Consumer Care Guidelines and, where appropriate, make changes to ensure consistency.

### Forecast activities in FY2025

- Review retailer feedback on the guidelines, including feedback from the Electricity Authority's review of equivalent guidelines for electricity retailers, and consider whether any changes are appropriate; and
- Assess retailer and distributor alignment with the guidelines.

## Gas Transmission

The Gas Act and GPS provide for Gas Industry Co to have oversight of access to, and use of, gas transmission pipelines.

### Forecast activities in FY2025

- Consider any emerging issues regarding the suitability of transmission arrangements during the energy transition;
- Monitor asset management plans for gas transmission and report on any significant matters;
- Assess any proposed changes to the transmission codes, including changes arising from Firstgas's consideration of its approach to transmission pricing; and
- Review transmission pipeline interconnections as required, address any concerns regarding reasonable access, and amend the guidelines as required.

## FY2025 WORK PROGRAMME: TRUSTED ADVISOR TO GOVERNMENT AND INDUSTRY

### Gas Transition Plan and Energy Transition

Gas Industry Co is dedicating significant resources to transition issues such as its work with MBIE on the Government's Gas Transition Plan.

The energy sector is in a period of change as it transitions to a lower-carbon future. The pace of change and uncertainties over where intervention will be required make forward planning our work programme subject to amendment and revision. All forecast activities for FY2025 are subject to change due to the pending outcome of the Gas Transition Plan and the incoming government's decisions about its energy strategy. We have forecast activities for FY2025 with as much detail as currently possible, recognising that changes are likely to be sought.

In August 2023, MBIE released the Gas Transition Plan Issues Paper for consultation, along with a package of consultation papers, each addressing a different challenge in the energy transition. At the time it was announced, the government intended that the final Gas Transition Plan would form part of a broader energy strategy, guiding emissions reductions from gas in line with targets in emissions budgets, in legislation, and in New Zealand's international commitments.

Public consultation on the Issues Paper ran until 2 November 2023. Further work on energy priorities is expected in 2024, and this is expected to include progress on initiatives identified in the Issues Paper.

### Forecast activities in FY2025

Recommendations from the final Gas Transition Plan may be implemented in FY2025. Recommendations may include any of the following:

- Blending of renewable gas into gas networks and measures to bring renewable gases into the natural gas market, such as tradeable renewable gas certificates and other market measures;

## Work programme and indicative activities

- New regulatory arrangements relating to CCUS; and
- Measures to support and strengthen gas security of supply, including security for industrial use and electricity.

Recommendations arising from the Gas Transition Plan may require new gas governance arrangements or amendments to existing arrangements.

While work on issues relating to the gas transition will continue to be required in FY2025, further issues in the energy transition will overlap and complement the substance of the Gas Transition Plan. Examples of energy transition issues include:

- Investment in ongoing field development, and solutions to investment confidence issues identified in the 2021 gas market settings investigation, where those are not fully addressed in the Gas Transition Plan;

- Measures to ensure gas is available, including for electricity (where responsibility for markets involves collaboration between regulatory agencies);
- The role of gas in security of supply including technologies for gas storage;
- Consideration of whether additional or changed mechanisms are needed to ensure natural gas is available to industrial users in times of unexpectedly tight supply;
- Our regular supply and demand studies; and
- Engagement with agencies responsible for achieving emissions reductions to ensure measures align with security of supply and emissions reductions plans in the gas sector.



## FORECAST ACTIVITIES FOR FY2026 AND FY2027

The Statement of Intent focuses on the first year of the three-year period and indicative activity in the subsequent two years. The multi-year scope reflects the requirement for funding to be approved by regulation each year, the changing nature of the industry and the co-regulatory role.

The multi-year focus also recognises that policy development requires comprehensive consultation, which provides the opportunity for continuous improvements in policy thinking.

The energy sector is in a period of great change and upheaval, which can make forward planning our work programme somewhat difficult. All forecast activities for FY2026 and FY2027 are subject to change due to the pending outcome of pieces of work such as the Gas Transition Plan paired with the changing political environment. We have outlined our indicative activities for these future years in as much detail as we currently can, but it is important to recognise the uncertain nature of these workstreams.

### Gas governance and facilitating industry systems and processes

#### FY2026 and FY2027 indicative activities

Future activity for our gas governance and facilitating industry systems workstreams will focus on:

- Reviewing the existing levy methodology and consulting on any changes that may be made following the review process;
- Undertaking the Retail Gas Contracts Oversight Scheme Benchmark Assessment Report in 2027;
- Actioning any network owner changes under the Gas Distribution Contracts Oversight Scheme;
- Delivering on our obligations under each of the governance arrangements, for example appointing and managing service providers, monitoring market behaviour, reporting, investigations, compliance;
- Ensuring our governance arrangements and industry systems remain fit for purpose as the gas market develops (particularly with respect to the energy transition,

the future of the networks, renewable gases, potential market consolidation, further penetration of AGMI and greater availability and granularity of gas market data).

This will be implemented using our standard policy development process: issue identification, developing options, industry consultation, statements of proposal and recommendations to the Minister; and

- Ensuring industry systems stay up to speed with technological developments, security requirements and IT industry best practice.

### Trusted advisor to government and industry

#### FY2026 and FY2027 indicative activities

In carrying out the government policy statement on gas, we provide trusted advice to government and industry about safe, efficient, reliable fair and sustainable delivery of gas to consumers. Issues identified in gas transition workstreams are likely to require further activity in FY2026 and FY2027. Activities that may be part of those workstreams are inherently uncertain and require responsiveness to priorities of government, industry and other regulatory agencies. Indicative activities are currently expected to include:

- Assessments of the security of gas supply and investment in gas deliverability;
- Analysis of gas markets and the balance between supply and demand;
- Monitoring the gas transition and providing early warning and advice about transition issues;
- Updating estimated emissions from various uses of natural gas use and the most efficient distribution;
- Considering models for allocating constrained gas supply;
- Reviewing the LPG market; and
- Improved assessment of consumer preferences and effects on consumers of changes in the market.

# Financial matters

Gas Industry Co develops funding budgets to support its work programme proposals as part of the consultation process discussed in the section [Work Programme Priorities](#) above.

Gas Industry Co has three sources of funding to meet the expected costs of delivering effective co-regulation and fulfilling its statutory and GPS obligations. They are:

## Levy funding

Section 43ZZB of the Gas Act enables Gas Industry Co to recommend to the Minister that regulations be made to require industry participants to pay a levy to cover the costs of Gas Industry Co exercising its functions as the industry body. The levy covers the costs of the Company's policy work and market administration excluding external service providers and some consultants. Any excess levy recovered in a financial year is generally refunded to levy payers in the following year unless special circumstances warrant otherwise.

## Market fees

Section 43S of the Gas Act enables gas governance regulations or rules to be made that provide for the funding by industry participants of the operation of those regulations or rules. The Switching Rules, Reconciliation Rules, CCM Regulations, and Compliance Regulations contain market fee provisions. These fees are used to recover costs of external service providers and consultants, as provided for in the relevant regulations.

## Annual fees

Gas Industry Co's Constitution provides that the Board may set an annual fee each year in respect of each share issued. The annual fee is currently \$2,000 per shareholder per annum. The Board has resolved that these fees will be set aside to establish cash reserves.



## Flexibility and cost efficiencies

It is always possible that unplanned, unbudgeted work might be needed because of the changing nature of the industry and the period between development and implementation of plans.

Gas Industry Co prefers not to budget contingency amounts to keep the levy at a reasonable level. If unplanned or unbudgeted work becomes a priority, Gas Industry Co will reassess its planned workstreams and milestones. We have been successful over recent years using this approach, progressing key industry priorities while maintaining appropriate cost discipline.

Gas Industry Co aims to deliver value in both its operational workstreams and in the provision of support services. There is a specific focus on delivering efficiency and value for money. As well, Gas Industry Co has considered carefully how each line item in the work programme should be budgeted. Some areas are demand-driven, and it does not make sense to make full provision for each of these individually. Instead, Gas Industry Co makes a modest provision for these items and manages the global amount.

## FY2025 levy funding summary

Details of funding for FY2025 are included in industry consultation and the annual recommendation to the Minister, which results in annual levy regulations.

In summary for FY2025:

- An annual levy of \$4,422,758 (\$4,455,703 in FY2024), and market fees of \$1,694,566 (\$1,621,000<sup>3</sup> in FY2024). Added together, these result in total work programme costs for FY2025 of \$6,117,324 (\$5,943,453 in FY2024).
- The wholesale levy revenue is \$2,392,751 for FY2025 and will be collected each month from the relevant levy payers at a rate of 1.5952c/GJ based on each industry participant's volume of gas purchased from gas producers (the wholesale levy is 11.35 per cent higher than in FY2024).
- The retail levy revenue is \$2,030,007. This is calculated based on Gas Industry Co's estimate of 311,000 active ICP's, at a levy rate of \$6.53/ICP per annum (the retail levy is 0.19 per cent lower than in FY2024).

3. This is the formal estimate for FY2024 which differs from the placeholder number included in the Consultation on Gas Industry Co FY2024 Work Programme and Levy (\$1,487,750).

# Financial statements

In accordance with section 43ZR of the Gas Act, Gas Industry Co's forecast financial statements are set out as follows:

These statements have been prepared using information consistent with that used for the calculation of the FY2025 Gas Industry Co levy.

Further detail about the assumptions, revenue calculations and workstream expenses used to calculate the FY2025 levy can be found in the document, Consultation on Gas Industry Co FY2025 Work Programme and Levy, issued in December 2023.

The FY2024 forecast was approved by Gas Industry Co's Board and includes actual results for the period 1 July 2023 to 29 February 2024, and an up-to-date forecast to 30 June 2024.

We acknowledge responsibility for the forecast financial statements contained in this report and for the judgments used in their preparation.

We certify that the information in this report is, except where noted, consistent with the budget estimates contained in Gas Industry Co's FY2025 Levy Recommendation that has been made to the Minister of Energy under section 43ZZB of the Gas Act.

**Rt Hon James B Bolger, ONZ**  
Chair  
June 2024

**Andrew Brown**  
Director  
June 2024



## Forecast Statement of Financial Performance

	Budget FY2025 (\$)	Forecast FY2024 (\$)	Actual FY2023 (\$)
<b>REVENUE</b>			
Wholesale levy	2,392,751	2,103,126	1,992,695
Retail levy	2,030,007	2,016,294	2,023,656
<b>Levy revenue subtotal</b>	<b>4,422,758</b>	<b>4,119,420</b>	<b>4,016,351</b>
Market fees	1,694,566	1,200,940	1,557,483
Annual fees	24,000	24,000	24,000
Interest income	600	11,687	20,935
<b>Subtotal other revenue</b>	<b>1,719,166</b>	<b>1,236,627</b>	<b>1,602,418</b>
<b>Total revenue</b>	<b>6,141,924</b>	<b>5,356,047</b>	<b>5,618,769</b>
Refunded levies	–	–	–
<b>Net revenue</b>	<b>6,141,924</b>	<b>5,356,047</b>	<b>5,618,769</b>
<b>EXPENSES</b>			
Depreciation and amortisation	91,605	79,003	79,263
Operating lease expenses	250,000	316,003	276,470
Fees paid to audit firm – financial statement audit	37,800	34,125	36,000
Directors' fees	262,460	268,627	253,660
General expenses	367,980	365,552	355,517
Recruitment expenses	–	36,000	49,719
Technical, economic, and legal advice	1,144,600	733,636	1,328,965
Service provider fees	1,694,566	1,200,940	1,282,329
KiwiSaver contributions	62,135	61,583	56,438
Employee benefit expense	2,206,178	2,077,817	1,891,935
<b>Total expenses</b>	<b>6,117,324</b>	<b>5,173,286</b>	<b>5,610,296</b>
Finance costs	–	–	–
<b>Total expenditure</b>	<b>6,117,324</b>	<b>5,173,286</b>	<b>5,610,296</b>
<b>Profit/(loss) before tax</b>	<b>24,600</b>	<b>182,761</b>	<b>8,473</b>
Income tax expense	168	3,272	5,865
<b>Profit/(loss) for the year</b>	<b>24,432</b>	<b>179,489</b>	<b>2,608</b>

## Forecast Statement of Financial Position

	Budget FY2025 (\$)	Forecast FY2024 (\$)	Actual FY2023 (\$)
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	1,405,849	1,359,812	983,229
Term deposit	–	–	–
Trade and other receivables	6,841	44,662	5,743
Prepayments	85,719	87,167	120,365
Income tax receivable	–	–	–
<b>Total current assets</b>	<b>1,498,409</b>	<b>1,491,641</b>	<b>1,109,337</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	46,481	79,358	29,998
Intangible assets	302,297	349,408	396,519
<b>Total non-current assets</b>	<b>348,778</b>	<b>428,766</b>	<b>426,517</b>
<b>Total assets</b>	<b>1,847,187</b>	<b>1,920,407</b>	<b>1,535,854</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	617,825	741,767	526,155
Employee entitlements	279,366	253,076	263,624
Redeemable shares	12	12	12
<b>Total current liabilities</b>	<b>897,203</b>	<b>994,855</b>	<b>789,791</b>
<b>Total liabilities</b>	<b>897,203</b>	<b>994,855</b>	<b>789,791</b>
<b>Net assets</b>	<b>949,984</b>	<b>925,552</b>	<b>746,063</b>
<i>Represented by</i>			
Retained earnings	949,984	925,552	746,063
<b>Total shareholders' funds</b>	<b>949,984</b>	<b>925,552</b>	<b>746,063</b>

## Forecast Statement of Movement in Equity

	Retained earnings	
	Budget FY2025 (\$)	Forecast FY2024 (\$)
Opening balance	925,552	746,063
Net surplus/(deficit) for the year	24,432	179,489
<b>Forecast closing balance</b>	<b>949,984</b>	<b>925,552</b>

## Forecast Statement of Cash Flows

	Budget FY2025 (\$)	Forecast FY2024 (\$)	Actual FY2023 (\$)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Levy revenue	4,422,758	4,119,419	4,016,772
Market fee revenue	1,694,566	1,634,434	1,713,471
Annual fees	24,000	24,000	24,000
Interest received	600	11,203	20,935
Net GST	–	–	51,571
	<b>6,141,924</b>	<b>5,789,056</b>	<b>5,826,749</b>
<i>Cash was applied to</i>			
Payments to suppliers	(3,495,114)	(2,924,621)	(3,358,810)
Payments to employees	(2,268,313)	(2,163,738)	(1,940,021)
Payments to directors	(262,460)	(253,813)	(246,429)
Taxes paid	–	(2,050)	(5,865)
Net GST	–	(17,251)	–
	<b>(6,025,887)</b>	<b>(5,361,473)</b>	<b>(5,551,125)</b>
<b>Net cash inflows from operating activities</b>	<b>116,037</b>	<b>427,583</b>	<b>275,624</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(70,000)	(51,000)	–
Purchase of intangible assets	–	–	–
<b>Net cash flows from investing activities</b>	<b>(70,000)</b>	<b>(51,000)</b>	<b>–</b>
<b>Net cash flows</b>	<b>46,037</b>	<b>376,583</b>	<b>275,624</b>
Opening cash balance	1,359,812	983,229	707,605
<b>Closing cash balance</b>	<b>1,405,849</b>	<b>1,359,812</b>	<b>983,229</b>

## Statement of Contingent Liabilities and Commitments

Gas Industry Co has no known contingent liabilities or assets.

Gas Industry Co's lease commitment in relation to its current premises commenced on 1 June 2023 and expires on 31 May 2033 at an annual rental of approximately \$250,201.

Gas Industry Co has various ongoing commitments for the operation of the Company.

	Budget FY2025 (\$)	Forecast FY2024 (\$)
<b>OPERATING LEASE COMMITMENTS</b>		
Within one year	250,201	250,201
Later than one year but not later than five years	1,230,156	1,251,007
Later than five years	229,351	729,754
<b>Total operating lease commitments</b>	<b>1,709,709</b>	<b>2,230,962</b>
<b>SERVICE PROVIDER COMMITMENTS</b>		
Within one year	847,016	1,011,304
Later than one year but not later than five years	564,677	1,411,693
Later than five years	–	–
<b>Total service provider commitments</b>	<b>1,411,693</b>	<b>2,422,997</b>

## Statement of Accounting Policies

The following accounting policies apply to these financial statements:

### Reporting entity

Gas Industry Co is a company incorporated under the Companies Act 1993 that was approved as the co-regulator of the gas industry by Order in Council on 22 December 2004. These prospective financial statements have been prepared in accordance with section 43ZR of the Gas Act 1992 and the Financial Reporting Act 1993.

### Measurement base

These financial statements have been prepared on an historical cost basis.

### Particular accounting policies

These financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The following particular accounting policies that materially affect the measurement of financial performance, financial position, and cash flows have been applied consistently.

### Revenue

Revenue is derived from Gas Industry Co's levies and market fees imposed under Subpart 2 of Part 4A of the Gas Act 1992; from annual fees charged to shareholders and from interest on deposits. Such revenue is recognised when earned and is reported in the financial period to which it relates.

### Taxation

With the exception of its interest income, Gas Industry Co's revenue is not regarded as gross income in terms of section CB 1 of the Income Tax Act 2007.

### Goods and services tax (GST)

The Statement of Financial Performance and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST.

### Accounts receivable

These are carried at estimated realisable value after providing for debts where collection is doubtful.

### Employee entitlements

Employee entitlements to salaries and wages, annual leave, and other benefits are recognised when they accrue to employees.

### Financial instruments

Financial instruments carried on the Statement of Financial Position include cash and bank balances, investments, receivables, trade creditors, and borrowings. Except for those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

### Depreciation

Depreciation of fixed assets is provided on a straight-line basis, so as to allocate the depreciable amount of assets over their useful lives. The depreciable amount is the historical cost.

The estimated useful lives are:

- IT hardware and software, 3–5 years
- Office equipment, 4–10 years
- Leasehold improvements, Term of lease

### Statement of Cash Flows

- Operating activities include all transactions and other events that are not investing or financing activities.
- Investing activities are those relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.
- Financing activities are those activities that result in changes in the size and composition of the capital structure of Gas Industry Co. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

## Statement of Significant Underlying Assumptions

The following assumptions have been made in the development of the forecast financial statements:

- These forecast financial statements comply with New Zealand generally accepted accounting practice. The measurement base applied is historical cost.
- Accrual accounting has been used to prepare these financial statements.
- These statements have been prepared on a going-concern basis.
- The forecast financial statements have been presented for the purpose of providing financial information that underlies the work programme as set out in the 2025–2027 *Statement of Intent*. This financial information may not be appropriate for other purposes.
- It is not intended that these financial forecasts will be re-issued.
- Actual financial results achieved for the period covered are likely to vary from the information presented and the variations may be material.
- There is limited ability to alter Gas Industry Co's revenue other than through the annual levy process.
- Section 43S of the Gas Act enables Gas Industry Co to collect from industry participants fees relating to the ongoing costs associated with gas market rules and regulations.
- An annual levy of \$4,422,758 is assumed to be effective from 1 July 2024 and is paid monthly. Any monthly levy not payable due to the date on which the levy regulations come into force will be paid on the 20th of the month following the levy regulations coming into force.
- The wholesale levy revenue is budgeted to be \$2,392,751 for FY2025 and will be collected each month from the relevant levy payers at a rate of 1.5952c/GJ based on each industry participant's volume of gas purchased from gas producers.
- The retail levy revenue is budgeted to be \$2,030,007. This is calculated based on Gas Industry Co's estimate of 311,000 active ICP's, at a levy rate of \$6.53/ICP per annum. Active Contracted ICPs indicate a customer at the ICP has a contract with the retailer. The retail levy is payable only on active ICPs. If the actual number of ICPs substantially differs from the estimate, there may be a small difference in the retail levy revenue.
- The FY2025 levy calculation is based on a work programme consistent with the Government Policy Statement on Gas Governance 2008 (GPS). If, during the plan period, the current GPS is amended, there may be an impact on our operating costs, resulting in the possible over or under-recovery of levy revenue in FY2025. Section 43ZZC(3) of the Gas Act provides that any over or under-recoveries can be taken into account in setting the levy in subsequent financial years. However, to ensure transparency around the calculation of each year's levy, the Board has determined that, unless required for unanticipated or ongoing work programme costs, any surplus should be returned to levy payers by way of refund once the year-end accounts have been received by shareholders at the Annual Meeting.
- The forecast equity for the year ending 30 June 2024 is approximately \$925,552 and will be set aside to be held as cash reserves.
- Gas Industry Co's budget is based on a best estimate of the costs to deliver the work programme prepared for calculation of the FY2025 levy. Budgets are set significantly in advance of consultation on proposed new policy initiatives. Accordingly, actual expenditure may vary from budgeted expenditure as policy design is revised to reflect changes that may be required as a result of submissions received and further analysis. This also applies to the administration of gas governance rules and regulations (funded through market fees).

# Alignment with government policy objectives and outcomes

Gas Industry Co's strategic objectives – facilitate gas governance and markets that deliver gas in a safe, efficient, fair, reliable, and environmentally sustainable manner, act as a trusted adviser to government and industry and facilitate the industry through the energy transition – are aligned with the objectives and outcomes contained in the Gas Act and GPS. The Company's diverse workstreams help the Company move toward meeting those objectives and outcomes.

We have found it helpful to group the Gas Act and GPS Criteria (listed in full in Table 2 – Gas Act, GPS Objectives and Outcomes Assessment Criteria (see pages 34 and 35)) under the five category headings shown in Table 3 – Categorisation of Assessment Criteria (see page 35). This approach avoids duplication.

GIC work programme FY2025 and future areas of work	Gas Act, GPS Objectives and Outcomes Alignment				
	Efficiency	Reliability	Safety	Environment	Fairness
Gas Transition Plan	✓	✓	✓	✓	✓
Energy Transition	✓	✓	✓	✓	✓
Critical Contingency Management	✓	✓	✓	✓	✓
Guidelines to Enhance Consumer Outcomes	✓	●	●	●	✓
Advanced Gas Metering	✓	●	●	●	●
Retail Gas Contracts Oversight Scheme	✓	●	●	●	✓
Gas Distribution Contracts Oversight Scheme	✓	●	●	●	✓
Downstream Reconciliation/D+1	✓	●	●	●	✓
Switching and Registry	✓	●	●	●	✓
Compliance and Enforcement	✓	✓	✓	✓	✓
Statement of Intent and Annual Report	✓	✓	●	●	✓
Other Reporting	✓	✓	●	●	✓
Information Disclosure	✓	✓	●	●	✓
Gas Transmission	✓	✓	✓	●	✓

**Table 2. Gas Act, GPS Objectives and Outcomes Assessment Criteria**

<b>Criterion</b>	<b>Objective/outcome</b>	<b>Text</b>
1	Gas Act s43ZN(a)	The principal objective is to ensure that gas is delivered to existing and new customers in a safe, efficient, and reliable manner
2	Gas Act s43ZN(b)(i)	Facilitation and promotion of the ongoing supply of gas to meet New Zealand's energy needs, by providing access to essential infrastructure and competitive market arrangements
3	Gas Act s43ZN(b)(ii)	Barriers to competition in the gas industry are minimised
4	Gas Act s43ZN(b)(iii)	Incentives for investment in gas processing facilities, transmission, and distribution are maintained or enhanced
5	Gas Act s43ZN(b)(iv)	Delivered gas costs and prices are subject to sustained downward pressure
6	Gas Act 43ZN(b)(v)	Risks relating to security of supply, including transport arrangements, are properly and efficiently managed by all parties
7	Gas Act s43ZN(b)(vi)	Consistency with the government's gas safety regime is maintained
8	GPS Item 12(a)	Energy and other resources used to deliver gas to consumers are used efficiently
9	GPS Item 12(b)	Competition is facilitated in upstream and downstream gas markets by minimising barriers to access to essential infrastructure to the long-term benefit of end users
10	GPS Item 12(c)	The full costs of producing and transporting gas are signalled to consumers
11	GPS Item 12(d)	The quality of gas services where those services include a trade-off between quality and price, as far as possible, reflect customers' preferences
12	GPS Item 12(e)	The gas sector contributes to achieving the government's climate change objectives as set out in the New Zealand Energy Strategy, or any other document the Minister of Energy may specify from time to time, by minimising gas losses and promoting demand-side management and energy efficiency
13	GPS Item 9	It is also the government's objective that Gas Industry Co takes account of fairness and environmental sustainability in all its recommendations. To this end, the government's objective for the entire gas industry is as follows: To ensure that gas is delivered to existing and new customers in a safe, efficient, fair, reliable and environmentally sustainable manner
14	GPS Item 13 point 1	Pursue: An efficient market structure for the provision of gas metering, pipeline and energy services

**Table 2. Gas Act, GPS Objectives and Outcomes Assessment Criteria (continued)**

<b>Criterion</b>	<b>Objective/outcome</b>	<b>Text</b>
15	GPS Item 13 point 2	Pursue: The respective roles of gas metering, pipeline and gas retail participants are able to be clearly understood
16	GPS Item 13 point 3	Pursue: Efficient arrangements for the short-term trading of gas
17	GPS Item 13 point 4	Pursue: Accurate, efficient and timely arrangements for the allocation and reconciliation of upstream gas quantities
18	GPS Item 13 point 5	Pursue: Gas industry participants and new entrants are able to access transmission pipelines on reasonable terms and conditions
19	GPS Item 13 point 6	Gas governance arrangements are supported by appropriate compliance and dispute resolution processes

**Table 3. Categorisation of Assessment Criteria**

	<b>Efficiency</b>	<b>Reliability</b>	<b>Safety</b>	<b>Environment</b>	<b>Fairness</b>
Gas Act	Criterion 1	Criterion 1	Criterion 1		
	Criterion 2	Criterion 2	Criterion 7		
	Criterion 3	Criterion 6			
	Criterion 4				
	Criterion 5				
GPS Objective	Criterion 8			Criterion 8	Criterion 13
	Criterion 9			Criterion 12	
	Criterion 10			Criterion 13	
	Criterion 11				
GPS Outcome	Criterion 14				Criterion 18
	Criterion 15				
	Criterion 16				
	Criterion 17				
	Criterion 19				

# Other information

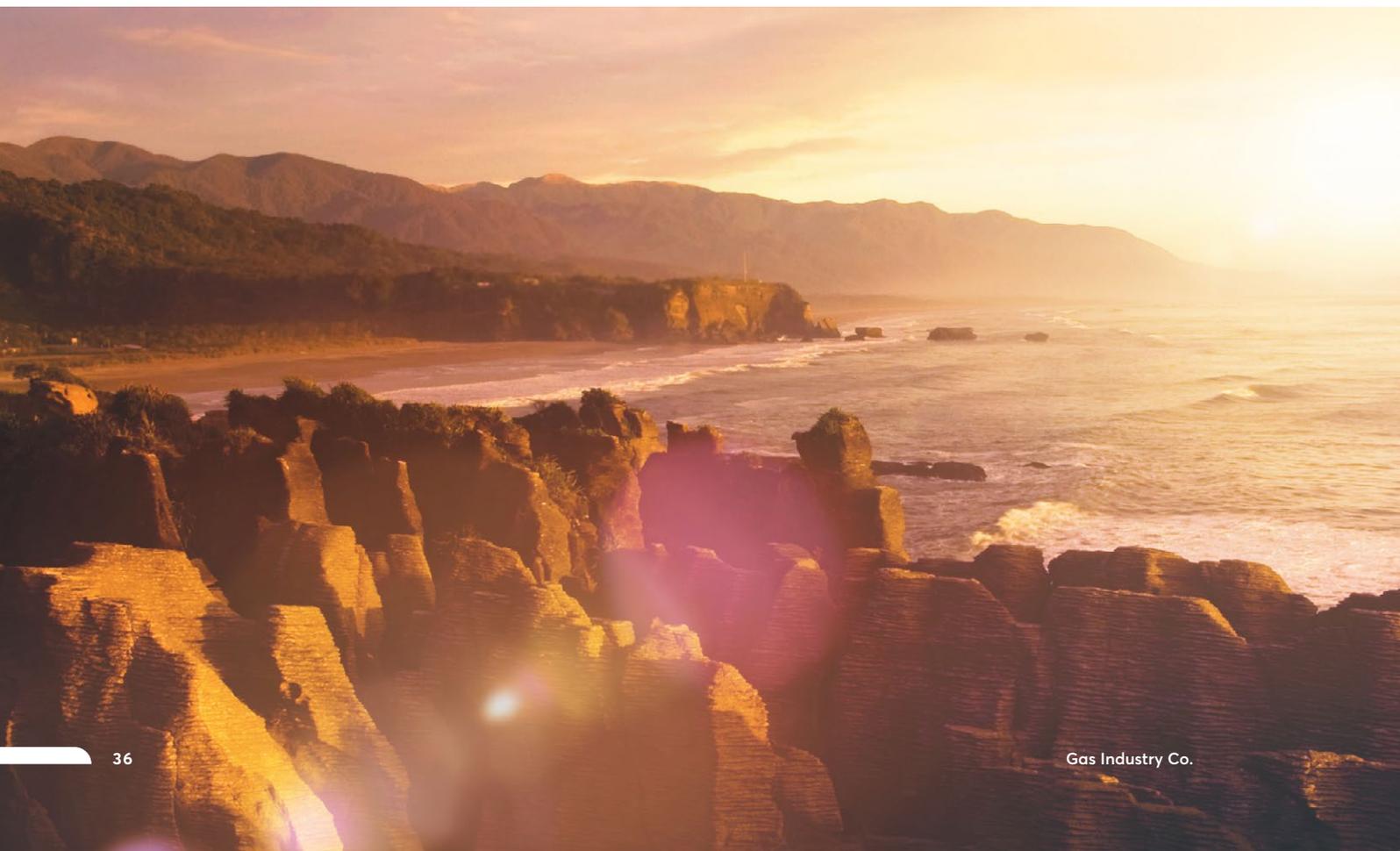
## Additional reporting

In addition to the reporting described in the work programme, Gas Industry Co also provides the Minister with briefings and advice as requested, or as necessary. There are no specific matters, outside those detailed in this *Statement of Intent*, on which Gas Industry Co expects to make a decision that would require it to consult or notify the Minister.

## Service providers

The following entities and individuals provide specified services to Gas Industry Co:

Governance arrangement	Role	Service provider
Switching Rules	Registry operator	Jade Software Corporation
Reconciliation Rules (including D+1)	Allocation agent	Energy Market Services (Transpower)
CCM Regulations	Critical contingency operator	Plant & Platform



# Directory

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## Board of Directors

Rt Hon James (Jim) Bolger, ONZ, *Chair, Independent Director*  
Andrew Brown, *Independent Director*  
Sam Elder, *Independent Director*  
Sir Brian Roche, KNZM, *Independent Director*  
Mike Fuge  
Babu Bahirathan  
Paul Goodeve

## Executive

Andrew Knight, Chief Executive  
Susan Dunne, General Manager Corporate Services

## Auditors

KPMG, Wellington

## Bankers

Westpac New Zealand Limited

## Shareholders

Contact Energy Limited  
emsTradepoint Limited  
First Gas Limited  
Genesis Energy Limited  
Greymouth Gas New Zealand Limited  
Mercury NZ Limited  
Methanex New Zealand Limited  
New Zealand Oil & Gas Limited  
Nova Energy Limited  
OMV New Zealand Limited  
Powerco Limited  
Vector Limited

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**Gas Industry Co.**