

# **Recommendation to the Minister of Energy to make Gas (Levy of Industry Participants) Regulations 2024**



**Gas Industry Co.**



## Executive Summary

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Pursuant to section 43ZZB of the Gas Act 1992 (the Act), Gas Industry Co recommends to the Minister of Energy that regulations be made under section 43ZZE to require industry participants to pay levies to the industry body in respect of the year commencing 1 July 2024 (FY2025), totaling \$4,422,758 on the following basis:

- From every gas retailer who is an industry participant on the last day of each month, a retail levy based on one twelfth of the annual retail levy of \$6.53 for each ICP for each retail customer.
- From every industry participant on the first day of each month, a wholesale levy rate of 1.5952c/GJ based on gas purchases made directly from gas producers during the previous month.

Gas Industry Co notes that for FY2025:

- The levy funding requirement of \$4,422,758 (\$4,455,703 in FY2024), and market fees of \$1,694,566 (\$1,621,000<sup>1</sup> in FY2024). Added together, these result in total work programme costs for FY2025 of \$6,117,324 (\$5,943,453 in FY2024);
- The retail levy of \$6.53 is down from \$6.54 in FY2024 - a 0.19% decrease; and
- The wholesale levy of 1.5952c/GJ is up from 1.4326c/GJ in FY2024 – a 11.35% increase. This increase is driven by a 150 PJ draft gas volume assumption (down from 170 PJ in FY2024).

Gas Industry Co remains principally reliant on annual levies to provide the effective governance of the downstream gas sector that Part 4A of the Act requires. Gas Industry Co believes that the recommended levy rates are reasonable, and present good value for gas consumers and the wider industry.

The contents of this Levy Recommendation achieved broad support from industry stakeholders, through a robust annual consultation process.

This Levy Recommendation has been approved by Gas Industry Co's Board.

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<sup>1</sup> 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).



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# 1. Introduction

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The Government and the gas industry have implemented a unique co-regulatory model in which a specially established ‘industry body’ develops and maintains governance arrangements for consumers and other participants in gas markets. Gas Industry Co was established in 2004 to perform the role of the industry body as set out in Part 4A of the Act. Gas Industry Co has two main sources of funding to meet the total costs of delivering its work programme and other aspects of its role as the industry body – market fees and the levy.

## **Market fees**

Established gas governance rules and regulations include provisions to recover costs directly required to meet Gas Industry Co’s obligations under those arrangements (referred to as ‘market fees’). These cover the contractually agreed costs of any service providers (particularly the Allocation Agent, the Registry Operator and the Critical Contingency Operator) and any other expected direct costs related to the monitoring of those arrangements.

A formal estimate of market fees for each set of rules or regulations is published two months before they apply with each new financial year commencing on 1 July. Market fees collected are applied to actual expenses incurred for each set of rules or regulations. Any shortfall or excess fees are invoiced/credited to the market fee payers in a year-end ‘wash-up’.

## **Industry levy**

The levy funds the industry body’s costs that are not covered by market fees, including the direct costs of workstreams and non-operational expenditure.

The Act provides for the levy to be collected through annual regulations, on recommendation to the Minister by the industry body. Gas Industry Co develops its annual Levy Recommendation through a consultation process with levy payers and other stakeholders. This process includes development of an annual Work Programme, an indication of future activity, and the resulting estimated Total Work Programme Costs covering all activities to be undertaken by the industry body.

This paper provides that recommendation for the year commencing 1 July 2024 (FY2025).



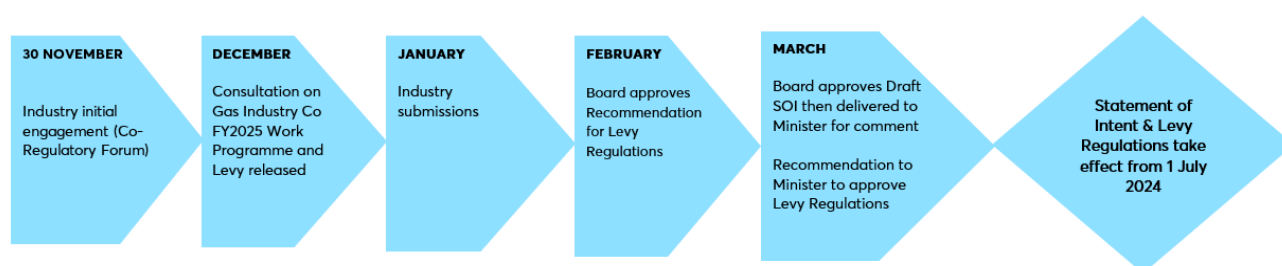
## 2. Consultation Process and Outcomes

### Levy Consultation Process

In developing its annual Levy Recommendation to the Minister, Gas Industry Co consults on all aspects of its Work Programme, including costs and any forward indication for subsequent requests to be included in the Statement of Intent, and engages with interested stakeholders, including gas industry participants and major gas users. The process includes consultation on the proposed levy rate and amount, consistent with section 43ZZD(2)(b).

### Key Steps in FY2025 Consultation Process

The diagram below sets out the key steps in the consultation process:



The consultation process commenced at the annual Co-Regulatory Forum on 30 November 2023. Feedback from this Forum was generally positive, and the paper Consultation on Gas Industry Co FY2025 Work Programme and Levy (Consultation Paper) was published on 15 December 2023. The Consultation Paper:

1. Sets out Gas Industry Co's strategic context, roles, and strategy;
2. Describes the work that Gas Industry Co will undertake in FY2025 and the estimated costs to carry out this work;
3. Outlines the amount of the Levy Funding Requirement for FY2025; and
4. Outlines the proposed levy rates for FY2025.

The proposed FY2025 Work Programme includes meeting statutory requirements, such as administration of existing gas governance regulations, and seeks to address Government and industry priorities through the completion of key project deliverables. It continues existing multi-year workstreams and reflects significant progress already made in addressing the objectives and outcome set for Gas Industry Co and the industry in the Act and the GPS.

Submissions were invited by 9 February 2024, and were received from Bluecurrent, Clarus, Energy Resources Aotearoa, Fonterra Co-operative Group Limited, Genesis Energy, the Major Gas Users Group, Nova Energy, OMV New Zealand Ltd, Powerco, and Vector Limited.

Each submission and an Analysis of Submissions have been published on Gas Industry Co's website. In summary, there was broad support for Gas Industry Co's role, Work Programme, estimated costs, and associated levy rates.



### 3. FY2025 Levy Funding

#### FY2025 Levy funding summary

The costs corresponding to the Work Programme (set out in Appendix A) and the steps involved in the levy methodology are set out in the following tables. In summary:

- The levy funding requirement is \$4,422,758 (\$4,455,703 in FY2024), and market fees are \$1,694,566 (\$1,621,000<sup>2</sup> in FY2024). Added together, these result in total work programme costs for FY2025 of \$6,117,324 (\$5,943,453 in FY2024);
- The levy methodology is the same as that used in previous years and is based on the principle of beneficiary pays;
- The retail levy rate is \$6.53/ICP. This is down from \$6.54/ICP in FY2024 (a 0.19% decrease); and
- The wholesale levy is \$1.5952/GJ. This is up from 1.4326c/GJ in FY2024 (a 11.35% increase). This increase is driven by a 150 PJ draft gas volume assumption (down from 170 PJ in FY2024 – an 11.76% decrease).

#### Levy funding calculation and trends

The following table provides details of the levy funding calculation:

Description	TWPC	Indicative Market Fees		Levy Funding Requirement	
		Wholesale	Retail	Wholesale	Retail
Gas Governance	3,254,416	549,250	1,145,316	732,474	827,376
Facilitating Industry Systems and Processes	1,327,459			724,798	602,661
Trusted Advisor to Government and Industry	1,535,449			935,479	599,970
<b>TOTAL</b>	<b>6,117,324</b>	<b>1,694,566</b>		<b>4,422,758</b>	

The following table shows the actual Levy Funding Requirement for FY2020-24, and the recommended Levy Funding Requirement for FY2025, along with published market fees to FY2024 and the indicative estimate for FY2025.

Table 2: Levy Funding Requirement and Market Fees - FY2020-25

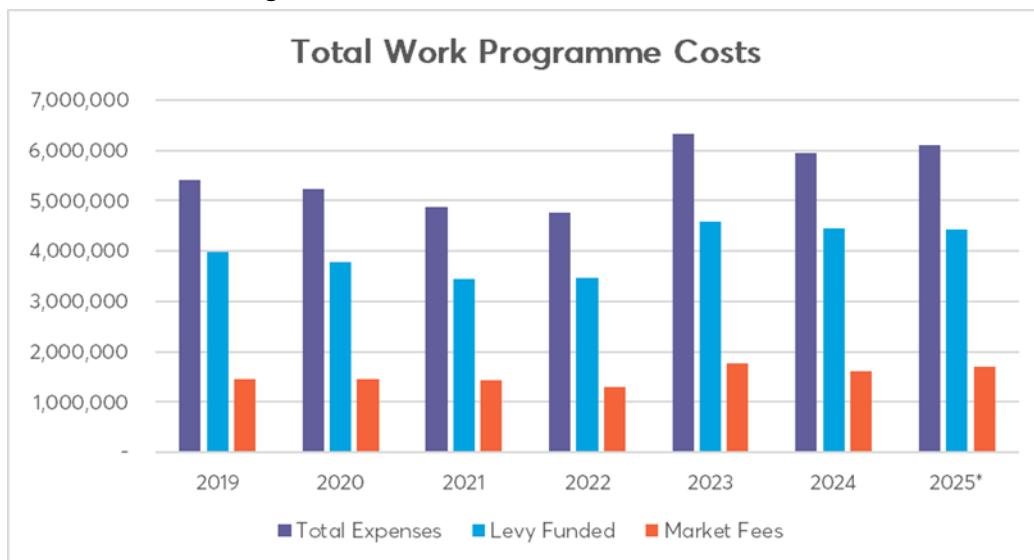
<sup>2</sup> This is the formal estimate for FY2024 which differs from the placeholder number included in the Consultation on Gas Industry Co FY2024 Work Programme and Levy (\$1,487,750).

	Levy Funding Requirement	Market Fees
<b>2020</b>	3,774,336	1,458,000
<b>2021</b>	3,450,182	1,436,000
<b>2022</b>	3,472,367	1,299,000
<b>2023</b>	4,579,373	1,713,450
<b>2024</b>	4,455,703	1,621,000
<b>2025*</b>	4,422,758	1,694,566

1. \*recommended levy funding requirement/indicative market fees

Based on the combination of the FY2025 Levy Recommendation and indicative market fees in table 2, Total Work Programme Costs are expected to be \$6,117,324 for FY2025, compared to budgeted costs of \$5,943,453 in FY2024.

Chart 1: Total Work Programme Costs



## Proposed levy methodology and rates

Gas Industry Co's existing levy methodology:

1. Is based on a set of Levy Principles. In summary, those Principles are economic efficiency, rationality, simplicity, equity, and revenue sufficiency. The full Principles are available on Gas Industry Co's website.
2. 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 focusses on retail issues, for instance, the retail levy rate will increase while the wholesale levy will decrease.

These arrangements have remained unchanged since 2007.

In summary:

1. The wholesale levy rate has been calculated using an assumption of 150 PJ (150,000,000 GJ) of gas consumption during the year (FY2024 170 PJ).
2. The retail levy rate is calculated using the current number of ACTIVE-CONTRACTED entries in the gas registry of 311,000 (FY2024 309,000).

This results in the following levy rates:

Table 3: FY2025 Levy rates

FY2025 Levy rates			
	Retail	Wholesale	Total
<b>Direct costs</b>	1,304,826	1,537,987	2,842,813
<b>Indirect costs</b>	725,181	854,764	1,579,945
Total Levy Funding Requirement	2,030,007	2,392,751	4,422,758
<b>Basis of apportionment:</b>	Per ICP	Per GJ	
<b>Number</b>	311,000	150,000,000	
<b>Levy rate</b>	\$6.53/ICP	1.5952c/GJ	

The impact of the levy on gas consumers is relatively small. Assuming the levy is passed through to end users, residential gas consumers would each pay approximately \$6.93 per annum, or around 0.66% of their annual gas bill. For larger consumers, the amount of levy paid is proportionate to wholesale gas purchases and adds about 0.14% or less to the unit cost of gas. The largest consumers, who together consume much of the gas supply, are active participants in consultation and have raised no objections to the levy rate.

Gas Industry Co has determined that it should refund unutilised levies as soon as the annual accounts have been received by shareholders at the Annual Meeting. This also has some similarity with the wash-up arrangements collected under Market Fees. This policy encourages a predictable and stable levy by removing from the levy calculations any variability resulting from a fluctuating level of reserves.





## 4. Recommendation

Pursuant to section 43ZZB of the Gas Act 1992, Gas Industry Co recommends to the Minister of Energy that regulations be made to require industry participants to pay levies to the industry body in respect of the year commencing 1 July 2024, totalling \$4,422,758, on the following basis:

1. From every gas retailer who is an industry participant on the last day of each month, a retail levy based on one twelfth of the annual retail levy of \$6.53 for each ICP for each retail customer.
2. From every industry participant on the first day of each month, a wholesale levy rate of 1.5952c /GJ based on gas purchases made directly from gas producers during the previous month.



# Appendix A Work Programme

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## FY2025 Work Programme: Trusted Advisor to Government and Industry

### Gas Transition Plan

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 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 the gas transition plan is expected in 2024, with an emphasis on progressing 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;
- New regulatory arrangements relating to CCUS;
- 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.

### 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 the changes are likely to be sought.

#### Forecast activities in FY2025

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);
- 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;
- Consider whether any additional or changed mechanisms are needed to ensure natural gas is available to industrial users in times of unexpectedly tight supply;
- Engagement with agencies responsible for achieving emissions reductions to ensure measures align with security of supply and emissions reductions plans in the gas sector.

## **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 focusses 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 volume are likely to lead to a scenario where wholesale levy rates would need to increase to an unsustainable level in order 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. 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 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 of Reasonable Consumer Expectations. Reviews are undertaken by an Independent Assessor usually on a 3-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 proposed amendments arising from FY2024 review of Benchmarks/RCEs;
- 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). In our most recent survey of distributors in 2020, no material

changes had been made to distribution agreements since 2014. Firstgas is in the process of finalising a new distribution contract which we expect to be subject to review in accordance with the Scheme.

#### 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/D+1**

The purpose of the Reconciliation Rules is to establish a set of uniform processes that enable the 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 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;
- 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.

#### Forecast activities for FY2025

- Complete regulatory process to codify D+1 in the Reconciliation Rules; and
- Ensure alignment of allocation system and processes with market changes (D+1, advanced metering, renewable gases).

### **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 facilitate 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 appointment process in preparation for the expiry of the current Gas Registry Operator contract in 2025.

#### Forecast activities in FY2025

- Procurement process and execution of new service provider agreement for Gas Registry Operator contract (current contract expires in February 2025);

- 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 rules/regulations breaches 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 of Energy and Resources 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, 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 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 is 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.

Forecast activities in FY2025

- Review retailer feedback on the Guidelines and consider whether any changes are appropriate; and
- Assess retailer and distributor alignment with the Guidelines in August 2024.

## **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.





## Appendix B Key Industry Background

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- Gas is a key contributor to New Zealand, at around 17% of primary energy supply. In the past decade, the gas industry in New Zealand has undergone substantial change, transitioning from reliance on the large Maui field in 2007, then reduced production from Pohokura, to now drawing supplies from multiple smaller fields.
- Gas is an important fuel for industrial, commercial, and residential consumers. In 2009, there were about 250,000 gas consumers; today, there are over 300,000.
- Gas Industry Co has developed a mix of formal rules and regulations (e.g. critical contingency management, reconciliation, switching) and non-regulated arrangements (e.g. retail contracts, distribution contracts) that are well-advanced in meeting the legislative and policy objectives and outcomes that the Government expects the industry to achieve.
- These arrangements have contributed to the development of a healthy downstream gas market. Key indicators include:
  - a) 10 distinct retail gas brands.
  - b) 99% of gas customers are connected to a network where seven or more retailers trade, suggesting that the retail gas sector is generally competitive throughout the North Island.
  - c) About 3,800 gas consumers switch gas supplier each month, which translates to an annual churn of about 15% of gas consumers. In 2023, around 75% of consumer switches are completed within three business days; 97% are completed within 7 business days.
  - d) 79% of residential consumers have switched retailer at least once in the past 15 years; 71% of small commercial, 77% of large commercial sites, and 72% of large industrial sites have switched at least once.
  - e) Annual unaccounted-for gas (UFG) usually sits around the range of 1.00% to 1.25%, however this did peak at nearly 1.7% for the 12-months leading up to mid-2022. Despite trending downwards since its peak, there were further increases during August and September 2023, which are currently being examined.

## About Gas Industry Co

Gas Industry Co is the gas industry body and co-regulator under the Gas Act. Its 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 to ensure 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 have regard to the Government's policy objectives for the gas sector, and to report on the achievement of those objectives and on the state of the New Zealand gas industry.

ENQUIRIES:  
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