



4 February 2022

Firstgas Group
42 Connett Road
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Andrew Knight
Gas Industry Company
PO Box 10-646
WELLINGTON 6140

Uploaded via website: www.gasindustry.co.nz

Dear Andrew

FY2023 Work Programme and Levy Consultation Paper

Firstgas Group welcomes the opportunity to comment on the Gas Industry Company's (GIC) consultation document "*FY2023 Work Programme and Levy Consultation Paper*" released in December 2021.

We support the GIC taking on a larger-than-usual work programme, as the challenges facing New Zealand as we transition to a net-zero carbon economy are enormous and consequential. Efficient operation of the gas industry remains an important priority, while new work to enable and promote zero-carbon gases will be critical to the gas industry decarbonising and helping New Zealand meet its climate goals.

The GIC proposes to consider the suitability of transmission arrangements (including transmission pricing) during the energy transition. As the owner of the gas transmission network, we:

- Will fully cooperate with and assist the GIC and the Commerce Commission with their assessment
- Seek to better understand the nature of any concerns arising from this GIC work
- Will, as is our standard practice, review our pricing approach to ensure continued suitability for the operating environment and consult with stakeholders on any changes we propose.

Our detailed response to the GIC's specific questions is set out in **Attachment 1**.

Contact details

Firstgas Group would welcome the opportunity to meet with GIC staff to discuss our submission. To arrange this meeting or if you have any questions, please contact me on 027 472 7798 or via email at karen.collins@firstgasgroup.co.nz.

Yours sincerely

Karen Collins
Regulatory and Policy Manager



Attachment 1: Response to consultation questions

Question		Comment
Q1:	Do submitters agree with Gas Industry Co's assessment of the strategic context?	Yes, though more emphasis could have been given to decarbonisation as the key requirement underpinning and contributing to nearly all the strategically important matters.
Q2:	Do submitters agree with Gas Industry Co initiating and progressing the workstreams identified in the Gas Market Settings Investigation final report (detailed in section 3.2)?	Yes. We are concerned that the timing of the Gas Transition Pathway will be too late to provide meaningful influence on the National Energy Strategy. We are also unclear whether the scope of the Pathway extends to the investment uncertainty facing pipeline businesses, or purely gas production investment uncertainty.
Q3:	Do submitters have any comments on the process for developing Gas Industry Co's FY2023 Work Programme and Levy?	No.
Q4:	Do you consider there to be any other items that should be included in Gas Industry Co's intended Work Programme for FY2023? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.	<p>We recommend that there are no new projects included within the FY2023 work programme.</p> <p>As proposed, the work programme is ambitious and will be a considerable step up for the GIC. Taking on additional work adds disproportionately more risk of a failure to deliver. As such, the GIC should only opt to take on additional projects if those projects have met the usual tests (meeting the objectives of the Gas Act) and have significant urgency. If considering taking on additional projects, the GIC should give serious consideration to deprioritising other projects.</p> <p>We recommend that the Gas Transition Pathway project should:</p> <ul style="list-style-type: none"> • Not focus exclusively on improving gas supply/demand uncertainty (as the GIC's consultation paper on the topic does¹) • Include, as the GIC's Market Settings Investigation concluded, how to "enable the development of 'green gases' including hydrogen and biofuels, and whether this should be accelerated (with a pathway to be included in the proposed gas transition pathway...)." ² An initial focus toward achieving that would be approving a system for registration and trading of renewable gas certificates. A later focus would be GIC involvement and support for any changes to regulatory arrangements to enable green gases, including changes to gas specification. <p>The project to retender the Allocation Agent role should:</p> <ul style="list-style-type: none"> • Assess the tender process, contract, and contract management processes for alignment with the Ministry of Business, Innovation and Employment's (MBIE) <i>Significant Service Contracts Framework</i> (but not the part of the framework with reporting obligations to MBIE)³

¹ Refer 6th and 7th paragraphs on page 4 of the consultation paper available from <https://www.gasindustry.co.nz/work-programmes/levies/developing/consultation-6/>

² Page 46 of GIC's Gas Market Settings Investigation available from <https://www.gasindustry.co.nz/work-programmes/gas-market-settings-investigation/developing-2/final/document/7342>

³ Available from: <https://www.procurement.govt.nz/assets/procurement-property/documents/significant-service-contracts-framework.pdf>



Question		Comment
		<ul style="list-style-type: none"> Commission a cybersecurity expert to assess the contract provisions for alignment with good practice, modern cybersecurity contracts.
Q5:	Do you consider there to be any items that should be excluded from Gas Industry Co's intended Work Programme for FY2023? Please provide reasons for your response.	No.
Q6:	<p>Gas Industry Co is particularly interested in industry comment on the forecast gas volumes - do stakeholders consider the 185 PJ projection reasonable? If not, what would they consider an appropriate gas volume estimate to be?</p> <p><i>NOTE – any submissions provided in response to this question will be treated as confidential and will not be published.</i></p>	[ALL RESPONSES TO Q6 TREATED AS CONFIDENTIAL AND NOT PUBLISHED.]
Q7:	Do you have any comment on the proposed levy rates for FY2023?	No.