



## Questions

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Question	Comment
Q1: Do submitters agree with Gas Industry Co's assessment of the strategic context?	Genesis broadly agrees with GIC's assessment of the strategic context. It is worth noting however that many of the issues referred to in this consultation paper and the gas market settings investigation are transitory. That is, certain issues arose due to a temporary confluence of a lack of water for electricity generation and constraints on gas deliverability. Hydrological conditions experienced during a La Niña weather event should not be construed as a 'new normal'. Furthermore, as GIC notes significant upstream investment is occurring which can reasonably be expected to ease supply constraints. Regulatory and policy responses should be targeted so as to avoid attempting to solve yesterday's problems.
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)?	In principle, it is difficult to object to "improving commercial arrangements supporting electricity security of supply". Genesis reserves comment on support or otherwise for any specific proposed measures until further detail is available. Genesis looks forward to engaging with GIC and other participants on whether and how current arrangements can be improved. As above at Q1, Genesis considers that the circumstances that prevailed during the market settings investigation were exceptional. During more 'normal' hydrological conditions the issues experienced during the first half of 2021 would be much less acute. Genesis also agrees with GIC that current and planned upstream investment will ease the deliverability constraints experienced in recent years. Genesis has observed that participants' attitude to risk has shifted over the period gas deliverability has been constrained (broadly, since Pohokura production began to decline from 2018). Since the first half of last year this has been demonstrated by a greater willingness to secure gas supplies well ahead of time, in contrast to previously where procurement was often left until closer to when delivery was required. This is a welcome development and lessens the need for intervention.

	<p>Furthermore, Genesis notes that the supply concerns of 1H 2021 were met through commercial arrangements. Genesis was able to contract for supply with large users, in particular Methanex. This arrangement included gas swaps for summer/winter 2022 and 2023 providing additional comfort while upstream investment restores deliverability to a more 'normal' level. In our view, these agreements demonstrate that the market can perform well under stress, and the risk of the circumstances of 1H 2021 repeating over the next two years has substantially lessened. The bar for intervention is therefore in our view high, and ensuring participants continue to have strong incentives to reach commercial solutions to any supply pressures is paramount.</p> <p>In respect of the proposed gas transmission pathway, Genesis is strongly supportive of this work. A long-term energy strategy, employing systems thinking and taking into account the interdependencies within the wider energy system will be a key element of New Zealand successfully navigating the transition to a low carbon economy. Most credible modelling, including that supporting the Climate Change Commission's 'demonstration pathway', suggests natural gas will continue to play an important role in the energy system well into the next decade. Accordingly, a transition pathway for natural gas will form an integral part of any system-wide energy strategy. Commentary on the strategy and gas pathway to date suggests the two workstreams will be developed independently, but with reference to each other. Genesis strongly recommends these two pieces of work are as integrated as possible to avoid paying insufficient regard to the interconnectedness of the system.</p> <p>Genesis considers it is now more likely that 'green gases' (including biogas and hydrogen) will play an important role in the gas transition. While the technology remains peripheral, we are aware that several participants are making material investments in developing it here. There is likely to be an early role for GIC in providing regulatory definition in this area.</p>
<p>Q3: Do submitters have any comments on the process for developing Gas Industry Co's FY2023 Work Programme and Levy?</p>	<p>Genesis considers the process is fit for purpose. We value the opportunity for early engagement via the co-regulatory forum and the generally consultative approach.</p>
<p>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>	<p>The proposed work programme is appropriate. One area we would highlight for particular attention is ensuring there is sufficient flexibility in the system to cope with an increasingly renewable and variable electricity grid. As the proportion of wind generation grows, we are already seeing greater volatility in supply placing novel demands on the gas network. In particular, Genesis considers it worthwhile to look at how the gas transmission system can cope with increasing swings in demand.</p>
<p>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.</p>	<p>Genesis considers the work programme, while substantial, is appropriate.</p>

Q6: 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?  
NOTE – any submissions provided in response to this question will be treated as confidential and will not be published.

[ALL RESPONSES TO Q6 TREATED AS CONFIDENTIAL AND NOT PUBLISHED.]

Q7: Do you have any comment on the proposed levy rates for FY2023?

Genesis considers that the proposed levy increases are justified given GIC's substantial work programme.