

Nova Energy submission: Gas Industry Co. Work programme & levy for 2023

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8 February 2022

Question		Comment
Q1:	Do submitters agree with Gas Industry Co's assessment of the strategic context?	<p>Yes.</p> <p>With the transition away from base-load thermal electricity generation there has been an increased focus on the ability of gas producers to deliver gas when generation output from hydro and wind generation drops off. It is also apparent that consumers are becoming less forgiving of the electricity sector's performance in keeping the lights on and prices reasonable, evidenced by the reaction to the outages during the 9 August peak demand event.</p> <p>Given the challenge of meeting those expectations from a commercial perspective, it is important that the complexities and trade-offs are understood and debated before regulations are introduced. For instance, it is important that the needs of industrial gas users do not become subservient to the electricity sector purely because that has a higher profile. Nor do we want a situation where gas production costs are driven up in order to provide a level of production flexibility that could be better handled by other mechanisms, e.g. electricity generation spill during periods of excess production.</p> <p>The GIC has an important role in ensuring that such debates are conducted in an environment where parties are well informed of the circumstances and implications of different options, and the risks of unintended consequences are minimised.</p>
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)?	<p>Nova agrees that the GIC should 'help to shape the ongoing choices in balancing supply and use of gas.'¹ In doing so however it must also make it clear to policy makers that there is a fundamental conflict between:</p> <ul style="list-style-type: none"> a) requiring the gas market to provide flexible gas supply to thermal generators as back-up for hydro generation, b) while also promoting policies intended to reduce the use of gas in electricity generation and industry (including the objective of eliminating thermal electricity generation by 2030). <p>Nova is concerned there is a risk that government policies may place relatively intrusive requirements on gas wholesalers and their major industrial customers.</p>

¹ https://www.gasindustry.co.nz/work-programmes/levies/developing/document/7353_1.1 Strategic context

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		<p>It is easy to focus on the impact of declining gas production from the Pohokura gas field, but the additional investment that has taken place to try and rectify that should also be considered, as well as the increased importance it has placed on the drilling programmes at the other producing gas fields.</p> <p>It is important that gas consumers have confidence in the availability of future supplies, but it is equally important that producers have confidence in the market given the very large sums that are being invested to maintain those gas supplies.</p>
Q3:	Do submitters have any comments on the process for developing Gas Industry Co's FY2023 Work Programme and Levy?	
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.	No, it is better to prioritise the major issues than spreading resources over too many work streams.
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>Extending the Electricity Price Review (EPR) initiatives to the gas sector adds little value to the retail gas sector and its customers and could be deferred.</p> <p>Has the GIC identified a need for gas consumption data that is not already being met? Given that commercial and retail gas prices do not vary by time of day or even weekly, detailed hourly consumption data has less relevance to gas consumers and distributors than electricity data.</p> <p>That said, the bulk of the work on that has been completed for the EPR initiatives, and improving access to data should not be onerous for retailers.</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	[ALL RESPONSES TO Q6 TREATED AS CONFIDENTIAL AND NOT PUBLISHED.]

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	this question will be treated as confidential and will not be published.	
Q7:	Do you have any comment on the proposed levy rates for FY2023?	Nova accepts that the workstreams identified in the Gas Market Settings workstream will be of critical importance to the industry, and as such will require significant resources and expertise. Based on the assumption that this work constitutes the bulk of the reasoning for the increased levy rates, Nova supports the increase.