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Submissions
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TRUSTPOWER SUBMISSION: CONSULTATION ON GAS INDUSTRY CO FY2022 WORK PROGRAMME AND LEVY

1.1. Introduction

- 1.1.1 Trustpower Limited (**Trustpower**) welcomes the opportunity to provide a submission to the Gas Industry Company (**GIC**) on its Consultation on Gas Industry Co FY2022 Work Programme and Levy consultation paper (**the Consultation Paper**).
- 1.1.2 We understand that the GIC wants a similar level of funding to last year to fulfil its roles which are to:
 - a) govern gas,
 - b) facilitate industry systems and processes; and
 - c) be a trusted adviser to Government and Industry.

1.2. Trustpower's Views

- 1.2.1 We broadly agree with the level of funding that the GIC have proposed and the importance of the three classes of activities that the GIC have suggested.
- 1.2.2 However, we have different views on some of the priorities in the GIC's proposed work programme.

GIC funding proposals we support

- 1.2.3 We support the GIC's funding for their ongoing regulatory role and projects.
- 1.2.4 We also support the following additional developments in the work program:
 - a) The continued development of a regulated information disclosure regime – We support this work because additional transparency around gas product and storage outages will assist market decision making. It could also potentially prevent a repetition of the impacts of the 2018 and 2019 Pohokura gas outages on both the gas and related energy markets. The current voluntary information disclosure regime is providing a useful transitional arrangement. However, we consider that the regulatory objective will only be effectively achieved through a regulated solution being implemented which facilitates pro-active monitoring by industry regulators and service providers, and provides a low-cost method of enforcement for smaller industry participants
 - b) Formalisation of D+1 process – We support this work as it will increase the informational efficiency of the market.

- c) Exploration of a potential transition to green hydrogen - Climate reforms in New Zealand will phase out the use of natural gas and research into hydrogen could extend the lifespan of existing gas assets. Hydrogen could also play an important role to replace processes in which electrification is difficult and costly. As a result, we support this workstream being further explored by the GIC.
- d) Ongoing coordination role for the sector in relation COVID-19 – We support the GIC taking on this role and suggest it is the obvious choice to take on this role in the gas industry. We note that due to the wide-reaching effects of COVID-19, effective coordination will be required to ensure an efficient and quick recovery.

GIC should act as a fast follower of EPR recommendations

- 1.2.5 However, we disagree with the plan to attempt to implement concepts from the Electricity Price Review (EPR) into the gas industry contemporaneously with implementation in the electricity sector as we believe this could be costly and superfluous.
- 1.2.6 The GIC would be better suited to be a fast follower in this area. This would enable it to assess the success of the implementation of the EPR suggestions in the electricity sector before making any similar changes, particularly in relation to consumer preferences.
- 1.2.7 In addition, by virtue of many retailers operating in both the electricity and gas markets it is likely that changes associated with the EPR recommendation such as the removal or prompt payment discounts will be applied across both markets in any case. It would be advisable for the GIC to enable time to observe whether this occurs naturally prior to considering whether to intervene directly.
- 1.2.8 We believe it is redundant for the Commission, EA, MBIE and GIC to all become experts in behavioural economics for the one-off implementation of the EPR suggestions. We support the development of behavioural economics expertise and recognise its potential value in all utilities sectors. However, we believe the development of this expertise should occur cost effectively and in unison with other regulators.
- 1.2.9 A potential solution for this growing priority on behavioural economics amongst regulators could be the creation of a centralised source of behavioural expertise alongside cooperation between regulators.
- 1.2.10 The other benefit of delaying implementing EPR policies into gas is that it would avoid potential disruption and costs to consumers in a post COVID period where stability is invaluable.
- 1.2.11 As a result of the economic impacts of COVID-19 regulatory expenditure should be carefully planned as undue burden should not be placed on the consumer for experimental regulatory policy.

More effort should be put into developing transmission access regulation

- 1.2.12 After the failure of GTAC implementation it is of upmost importance that the GIC takes charge of the process and develops a regulated transmission access code.
- 1.2.13 In this consultation the GIC suggests that they will “be prepared to assume any role allocated to Gas Industry Co” and “assess and action any changes to industry arrangements that may be required as a result of GTAC not progressing”. We suggest a much stronger response from the GIC is required.

1.2.14 Trustpower consider that a regulated response from the GIC will be required to ensure that the terms and conditions for access are reasonable and ensure a level playing field for all market participants.

Combined effort with the Commerce Commission to target any anti-competitive behaviour that could emerge in the natural gas industry during the sunset


1.2.15 We believe more resources should be utilised on the monitoring of the behaviour of gas monopolies as their power is likely to become more concentrated during the energy transition.

1.2.16 Addressing this issue is the role of the Commerce Commission. Appropriate adjustments over the medium terms to decrease the GIC's funding and the increase the Commissions funding will be required, particularly as this is likely to be a significant issue in the gas industry as noted by MBIE¹.

"[D]omestic oil and gas production is increasingly becoming concentrated among a smaller number of companies, who are likely to maximise the value from existing fields and infrastructure. These types of market dynamics may affect the availability and pricing for consumers of natural gas before they transition to other energy sources."

1.2.17 For any questions relating to the material in this submission, contact me directly on 027 5499330.

Regards,



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¹ Briefing to the Incoming Minister of Energy and Resource 2020, MBIE, Page 10