

Objectives

The Gas Act, section 43ZN

- to ensure that gas is delivered to existing and new customers in a safe, efficient, and reliable manner;
- the facilitation and promotion of the ongoing supply of gas to meet New Zealand's energy needs, by providing access to essential infrastructure and competitive market arrangements;
- barriers to competition in the gas industry are minimised;
- incentives for investment in gas processing facilities, transmission, and distribution are maintained or enhanced;
- delivered gas costs and prices are subject to sustained downward pressure;
- risks relating to security of supply, including transport arrangements, are properly and efficiently managed by all parties; and
- consistency with the Government's gas safety regime is maintained.

GPS

- Energy and other resources used to deliver gas to consumers are used efficiently;
- Competition is facilitated in upstream and downstream gas markets by minimizing barriers to access to essential infrastructure to the long-term benefit of end users;
- The full costs of producing and transporting gas are signaled to consumers;
- The quality of gas services where those services include a trade-off between quality and price, as far as possible, reflect customers' preferences; and
- The gas sector contributes to the Government's climate change objectives as set out in the New Zealand Energy Strategy, or any other document the Minister of Energy may specify from time to time, by minimizing gas losses and promoting demand-side management and energy efficiency.

Evaluation criteria

Category	Criterion	Meaning	Ways to promote in balancing regime
Efficiency	Production	maximise productive efficiency	<ul style="list-style-type: none"> • Encourage participation & competition in balancing gas supply • Balancing gas is only purchased when necessary • Balancing gas purchased from cheapest source • Maximum use of linepack flexibility
	Allocation	maximise allocative efficiency	<ul style="list-style-type: none"> • Common price paid for all equivalent balancing gas • Prices reflected through to users • Price paid at the margin for the residual balancing service equals the price paid for the balancing gas • Flexibility to users to choose whether to self-balance or use residual balancing services
	Security	maximise security of gas transportation	<ul style="list-style-type: none"> • Thresholds set to provide optimal security • Minimise the number of times linepack is outside thresholds
	Risks	ensure user risks are reasonable and manageable	<ul style="list-style-type: none"> • Improved self-balancing (eg better forecasting) • Balancing gas sources from an open market that maximises available capacity • Allow balancing prices to be moderated • Common price paid to for balancing gas helping users to self-hedge • Timely imbalance information
Cost	Agreement	minimise cost of agreeing arrangements	<ul style="list-style-type: none"> • Minimise the costs of the scope of agreement • Minimise the costs driven by the time to reach agreement
	Implementation	minimise cost of implementing arrangements	<ul style="list-style-type: none"> • Minimise the cost of changes that need to be made to organisation and IT systems
	Operation	minimise cost of operating arrangements	<ul style="list-style-type: none"> • Minimise the complexity of balancing mechanics
Governance	Transparency	ensure transparency and non-discrimination	<ul style="list-style-type: none"> • Increase transparency of operation • Increase transparency of design

Category	Criterion	Meaning	Ways to promote in balancing regime
	Adaptability	ensure arrangements able to adapt to future circumstances	<ul style="list-style-type: none">• Clear process for how changes are developed and implemented• Clear process in the event of deadlock, or regime failure
	Enforcement	ensure effective enforcement and dispute resolution	<ul style="list-style-type: none">• Effective enforcement of regime• Streamlined dispute resolution process with clear processes
	Balance	ensure balance between stakeholder interests	<ul style="list-style-type: none">• Minimise areas of instability such as preferential treatment of users
	Stability	ensure stability of regime	<ul style="list-style-type: none">• Minimise areas of instability in regime

Evaluation criteria (cont)

	Efficiency				Costs			Governance				
	Production	Allocation	Security	Risks	Agreement	Implementation	Operation	Transparency	Adaptability	Enforcement	Balance	Stability
Gas delivered safely...			✓									
Access and Competition	✓	✓		✓								
Minimise barriers				✓				✓			✓	
Investment incentives										✓		✓
Falling delivered gas costs	✓				✓	✓	✓		✓			
Manage supply risks			✓									
Safety			✓									
Promote GPS objectives	✓	✓										
Efficient resource use	✓	✓										
Full costs signaled to consumers		✓										
Quality that customers wants		✓		✓								
Promote energy efficiency	✓	✓										

Source: Second Options Paper, p23, table 4.