

Analysis of Submissions on Consultation: Gas Industry Co FY2022 Work Programme and Levy

Background

In December 2020, Gas Industry Co released its *Consultation on Gas Industry Co FY2022 Work Programme and Levy (Consultation Paper)* in respect of the proposed strategy, work programme and levy for FY2022. This ensures we continue to have a programme that is the product of robust industry consultation. The *Consultation Paper* was prepared after taking into consideration feedback received at the Co-regulatory Forum held at Gas Industry Co's offices on 27 November 2020. Industry submissions were requested by 5 February 2021.

This document summarises submissions received, including providing comments in response from Gas Industry Co where appropriate.

Parties submitting

Greymouth Gas New Zealand Limited (Greymouth)

Trustpower Limited (Trustpower)

Genesis Energy (Genesis)

Powerco Limited (Powerco)

Major Gas Users Group (MGUG)

Nova Energy Limited (Nova)

Firstgas Limited (Firstgas)

Vector Limited (Vector)

OMV New Zealand Limited (OMV)

Q1: We seek your input about looming issues on the horizon which will be addressed in current or future work programmes, as mapped in 1.1 above. What other issues should be on our horizon?

Submitter	Comment	Gas Industry Co Response
Greymouth	<p>Gas Industry Company (GIC) has an important role as an advisor to the Government and industry in support of the transition to a future with reduced levels of greenhouse gas. The GIC can be impartial in this role without being either an advocate for Government, the gas industry or gas consumers.</p> <p>The gas industry should complement decarbonization of the NZ energy system. The GIC should provide facts to inform interested parties so that appropriate policies and pathways are selected for this transition.</p> <p>Other issues that should be considered as part of GIC work programmes are:</p> <ol style="list-style-type: none"> 1. How can the gas industry support decarbonization e.g. using natural gas storage as an alternative to coal demand or NZ Battery projects? 2. How can the gas industry work to assist the carbon emission reduction goals of the Climate Change Commission? 3. What are the economic consequences of lack of gas supply (and diminished security of supply)? 4. How does NZ attract the capital and resources to bring new gas supplies to market? 5. What are the consequences of Government intervention in the guise of addressing security of gas supply? Will this cause further demise of the gas industry and be a significant negative in reducing emissions? <p>Comprehensive analysis of subjects such as these will provide for informed debate about the criticality of the gas industry – and the role of gas in supporting carbon transition.</p>	<p>Noted – GIC’s role as trusted advisor is to provide facts and information to inform Government and industry stakeholders, without being an advocate.</p> <p>Noted – GIC will consider these issues as part of its overall work programme, in particular security of supply work streams such as the short and long term gas supply and demand studies, gas in a renewables rich future, and the gas market settings investigation which will involve comprehensive analysis of many of these issues.</p>
Trustpower	Not addressed in Trustpower’s submission.	
Genesis	Smart metering should be moved further forward in the priority order. The technology, which is rolling out now at speed, presents significant opportunities for consumers and market participants and getting the regulatory approach right up front will be key to unlocking them.	Noted – GIC will progress this work stream as a priority and has allocated sufficient resource to allow it to do so.

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	<p>In contrast, it is not clear hydrogen should be a high priority for the GIC at this stage. Although the technology has its advocates, the most comprehensive work done to date in the New Zealand context suggests it is challenging economically. To the extent GIC wishes to prioritise hydrogen in its role as 'trusted advisor', this should be in bringing an objective view to the debate in relation to the likelihood and timing of widespread adoption, based on the evidence.</p>	<p>Noted – GIC believes that monitoring work undertaken in relation to hydrogen and biogas being used in gas pipelines, monitoring overseas developments, and updating the rules and regulations needed to support hydrogen and biogas transmission is important work for the industry, and that the right level of priority is being applied to it. GIC is neutral as to whether hydrogen is commercially viable and is focussing on ensuring there are no regulatory barriers.</p>
Powerco	Not addressed in Powerco's submission.	
MGUG	<p>The Climate Change Commission's first advice to government (draft released 31 January 2021) poses ongoing and fundamental challenges to the prospects for gas in New Zealand. This makes it difficult to define and/or speculate what other issues may be on the GIC horizon.</p> <p>The range of topics (map 1.1) are comprehensive enough to address "business as usual" objectives but it would also help if these topics were examined further to ensure the scope of these workstreams fully capture their significance in the context of changing policy priorities. For example MGUG has advocated for greater disclosure of the extent of the gas resource in submitting on the current amending legislation to the Gas Act. Likewise how the direction for gas quality with regard to new energy technologies (hydrogen, bio gas etc) aligns with the policy directions proposed by the CCC needs to be considered. And GIC's latest initiative to examine the stresses on current gas supply is very timely and we support it.</p> <p>GIC is reluctant to be seen as an advocate or lobbyist for the industry. There may be a fine line between the role of trusted adviser and advocate/lobbyist but in any event we would expect GIC to take a proactive stance on issues facing the industry.</p>	<p>Noted – GIC has always built 'flex' into its work programme to allow it to be responsive to new issues/work programme areas and will continue to do so.</p>
Nova	Climate Change Objectives for NZ and the role of gas. Ensuring that incentives are appropriate for suppliers, network providers and consumers.	

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	<p>Ensuring that Wholesale market and information disclosure arrangement are and continue to be fit for purpose.</p> <p>Likely introduction of new remote reading gas meters for mass market consumers and ensuring that metering arrangements are fit or purpose and pro-competitive.</p>	
Firstgas	<p>The issues the GIC have identified in the future work programmes are a good summation of work programmes for the next 10 years. We would encourage the GIC to update this graph yearly. We also recommend that the GIC to begin to consider energy poverty going forward.</p>	
Vector	<p><u><i>Emissions reduction</i></u></p> <p>Vector welcomes Gas Industry Co’s intention of becoming ‘more responsive’ to unfolding changes in the wider energy sector and New Zealand’s transition to a low emissions economy. As a leading technology solutions provider, Vector continues to pursue sustainability by trialling, developing, and providing services that promote energy efficiency and the use of renewable energy. We therefore support Gas Industry Co’s proposals to undertake work on renewable gas – including hydrogen and biogas – and advanced gas metering. We note that the Climate Change Commission’s 2021 Draft Advice for Consultation includes a strong focus on green hydrogen and biofuels.</p> <p>We generally support Gas Industry Co’s intention, announced on 27 January 2021, of investigating whether current market, commercial, and regulatory settings that provide for gas availability and flexibility are fit for purpose in supporting the transition to a low-emissions future. This follows a request from the Minister of Energy and Resources for such an investigation.</p> <p>More broadly, and as stated in Vector’s submission on extending the Electricity Price Review (EPR) recommendations to the gas market, dated 4 December 2020, we suggest that Gas Industry Co coordinate closely with the Climate Change Commission in progressing its initiatives. This would ensure that future regulatory and industry arrangements help industry and consumers prepare for the above transition. We note the Climate Change Commission’s recommendation, in its Draft Advice, that no further natural gas heating system installations, gas grid connections, or LPG connections occur after 2025. We note, however, that the Commission does still see a role for natural gas in our energy transition as a low-emissions ‘back up fuel’. We are interested in Gas Industry Co’s response to these recommendations.</p>	<p>Noted – this will be covered by work streams such as the short and long term gas supply and demand studies, gas in a renewables rich future work, and the gas market settings investigation.</p>

Q1: We seek your input about looming issues on the horizon which will be addressed in current or future work programmes, as mapped in 1.1 above. What other issues should be on our horizon?

New industry and regulatory arrangements

Consistent with the above view, any proposed changes to gas market and consumer settings should account for changes in the wider energy sector and the interests of consumers. Gas Industry Co's proposed initiatives on hydrogen, biogas, and advanced gas metering will enable new business models and changes in consumer behaviour and expectations.

These new initiatives will require Gas Industry Co – as both a co-regulator and industry body – and industry participants to consider how new/non-traditional entrants would be efficiently integrated into the market without imposing onerous costs on industry participants and consumers. This would require considering, among others:

- a) appropriate changes to the existing rules on downstream reconciliation, switching, and compliance, and regulations on critical contingency management;
- b) how information about new products and services may be accessed by Gas Industry Co and other market participants; and
- c) the impact of any regulatory changes on costs to market participants and consumers, including how those costs will be recovered in a fair and efficient manner, and ensuring the benefits exceed the costs.

Energy affordability, resilience, and recovery from COVID-19

In connection with Gas Industry Co's consideration of the EPR recommendations, we agree that it also needs to ensure that gas industry participants have the appropriate approaches for supporting customers experiencing energy hardship and energy affordability issues, including those caused or aggravated by COVID-19. We are supportive of a cross-sector, collaborative and data-based investigation of the issue of energy hardship – led by the Hardship Group. This is particularly important in the context of the Climate Change Commission's recommendations on gas and its forecast on the impact of these changes on gas prices and affordability.

More timely data generated by advanced gas meters will enable the gas industry to better support industry resilience and economic recovery from COVID-19. This allows service providers to better target their support measures to consumers in hardship,

Noted – these will be considered as part of the proposed initiatives on hydrogen/biogas.

Noted – GIC recognises the issue of energy hardship and is seeking to be involved in the Hardship Group as part of increasing its involvement in this area and progressing matters.

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	helping ensure energy affordability, and deliver support for these consumers in a timely manner. The ability of gas consumers to switch from quarterly to monthly or more frequent billing/payment, enabled by advanced gas meters, will also help those in hardship better manage their gas bills and finances.	
OMV	<p>There is little commentary in the consultation document on what the "Orderly Transition" subject within the "Trusted Advisor" theme means.</p> <p>We see a role for the GIC in this area in facilitating understanding of gas market dynamics within Government to ensure policy decisions made in other government departments do not result in unintended consequences in the gas industry (for example unintentionally eroding investment incentives such that gas is unable to play the role that is envisaged for it in the energy transition).</p> <p>With increasing ETS costs, the suitability of gas governance regulations for the transportation and storage of CO2 should be assessed and be on GIC's radar.</p>	<p>Noted – GIC's role is to provide facts and information to inform Government and industry and assist with decision making that does not have unintended consequences.</p> <p>Noted – GIC looks forward to discussing this matter with OMV.</p>

Q2: Technology changes, changes to market structures, the potential for new renewable infrastructure, and uncertainty over prices will all have an impact on existing facilities, commercial arrangements and regulatory structures and systems.

- **What changes to regulatory structures and systems do you believe Gas Industry Co should be reviewing?**
- **What other gas challenges arising from energy sector transition should Gas Industry Co be assisting industry and Government to prepare for?**

Submitter	Comment	Gas Industry Co Response
Greymouth	The GIC and the Commerce Commission (ComCom) must consider transmission and distribution pricing - the current model will cause those prices to increase exponentially if demand and supply reduce. Experience from the UK suggests that the regulatory regimes designed in the 1980s are not suitable for a changing energy landscape, involving reduced gas usage. GIC and the ComCom need to consider a new framework for gas infrastructure which equitably balances the risks between asset owners and customers – and preserves delivered gas price affordability.	Noted – we have raised this matter with the Council of Energy Regulators and are negotiating responsibility with the relevant regulators.

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- **What changes to regulatory structures and systems do you believe Gas Industry Co should be reviewing?**
- **What other gas challenges arising from energy sector transition should Gas Industry Co be assisting industry and Government to prepare for?**

	Re new technologies or fuels using the pipelines that the natural gas industry has paid for over many decades. Those new technologies and fuels should pay appropriate amounts so that natural gas users do not subsidize new entrants.	
Trustpower	Not addressed in Trustpower's submission.	
Genesis	<p>In line with the recommendations of the Electricity Price Review and views of a variety of stakeholders, Genesis considers it important that Gas Industry Co works closely with the Electricity Authority on areas of mutual interest. This helps ensure the regulatory systems are compatible, and that responsibility for particular regulatory areas sits in the right place. Genesis notes that coordination between GIC and the EA has improved considerably over the past two years in particular, and both organisations are to be commended for this.</p> <p>Genesis considers that the availability and deliverability of natural gas is central to the orderly functioning of New Zealand energy markets generally. Whilst acknowledging that GIC does not have an advocacy role per se, Genesis considers it prudent to prioritise projects that may have a positive impact on economic gas availability.</p>	
Powerco	Not addressed in Powerco's submission.	
MGUG	<p>The current gas specification is unlikely to be fit for purpose in the emerging gas system. Reviewing the gas specification in anticipation of blending biogas and/or hydrogen and possibly higher LPG injections would enable more informed decisions on these emerging options.</p> <p>We understand that First Gas has been working on the capabilities of its assets to deliver different gas specifications but to date the scope of this investigation and conclusions have not yet been released. Regardless we think there is a role for the GIC in terms of the Gas Act and GPS in assessing whether the regulatory regime would be fit for purpose, including for production, transport, and end use of gases that would fall outside of the current gas specification.</p>	<p>Noted – the responsibility for Standards sits with MBIE who are aware of this matter.</p> <p>Noted – GIC has already begun work in relation to the regulatory regime and whether it is fit for purpose in relation to hydrogen/biogas.</p>

Q2: Technology changes, changes to market structures, the potential for new renewable infrastructure, and uncertainty over prices will all have an impact on existing facilities, commercial arrangements and regulatory structures and systems.

- **What changes to regulatory structures and systems do you believe Gas Industry Co should be reviewing?**
- **What other gas challenges arising from energy sector transition should Gas Industry Co be assisting industry and Government to prepare for?**

Nova	The GIC should consider the long-term implications of pricing of gas transmission and distribution. Should government policies pro-actively subsidise conversions of process heat from gas to electricity, the apparent benefits at an individual site may not be economically sound as cost savings may merely shift cost to the rest of the industry. It is important the wider ramifications of any such policies are well understood.	See above in response to Greymouth’s comment to Q2. Noted – this work is currently underway, and we have sufficient resourcing to attend to this.
Firstgas	As noted in our cover letter, we will continue to investigate new technology and renewable gas. We would encourage the GIC to evaluate the readiness of the regulation to enable the injection of biogas and hydrogen into existing pipelines and to facilitate investment in renewable gas. We would also encourage the GIC to increase the resources available to this workstream.	
Vector	[Covered in Q1 above.]	
OMV	No changes that the GIC has not already identified.	

Q3: Do you have any comments on the process for developing Gas Industry Co’s Work Programme and Levy?

Submitter	Comment	Gas Industry Co Response
Greymouth	No.	
Trustpower	Not addressed in Trustpower’s submission.	
Genesis	Genesis appreciates the consultative approach GIC has taken to developing the work programme and levy.	

Powerco	We commend the GIC on its extended development process that has taken into consideration feedback received at the Co-Regulatory Forum. This process has resulted in a work programme that includes a comprehensive list of current and looming issues.	Noted – GIC will consider introducing 1:1 engagement prior to the FY2023 Co Regulatory Forum which we also intend to reformat to ensure more robust engagement.
MGUG	We are happy with the process.	
Nova	The Co-regulatory Forum held in November each year is a useful event, but it tends to be a little sterile in terms of generating a range of perspectives on industry issues. It would likely to be useful to have 1:1 engagement with a selection of industry participants prior to that stage in order to get a wider range of inputs for consideration at the Forum. This would also be an opportunity for the GIC to get direct feed back from participants on its performance in the different aspects of its work.	
Firstgas	We have no comments on the process, which we believe works well.	
Vector	<p>Vector generally agrees with the process for developing Gas Industry Co’s Work Programme and Levy. It is a well-established process that is based on the principles of economic efficiency, beneficiary pays, rationality, simplicity, equity, and revenue sufficiency.</p> <p>In the context of its intention of becoming more responsive to the changing energy mix and New Zealand’s transition to a low-emissions economy, we suggest that Gas Industry Co consider incorporating and reflecting this transition into the above set of principles. This could also involve incorporating incentives for innovation and emissions reduction in future work programmes and levy proposals.</p>	
OMV	The process has been adequate with sufficient time to review and comment.	

Q4: Reflecting on Gas Industry Co's Sector Coordinating Entity Role in relation to the COVID-19 pandemic, we are interested in your feedback in relation to the following matters relating to both COVID-19 lockdowns (March and August 2020):

- **Standard of communications from Gas Industry Co (eg was the messaging clear, timely, targeted?);**
- **What went well/what could be improved?**
- **Learnings to take forward/feedback for Gas Industry Co?**
- **Learnings to take forward/feedback we can pass on to MBIE?**
- **Any other comments you would like to add?**

Submitter	Comment	Gas Industry Co Response
Greymouth	Re learnings to pass on to MBIE. The COVID-19 lockdown experience and response highlighted the importance of energy security and flexibility – and that these features need to be well understood when developing national energy policies (to ensure robustness against disruption events). The lockdown disruption brought new focus on the interconnections between oil and gas supply chains, ports – which should be analysed in combination rather than in isolation – and indigenous gas production which would cease without gas producers being able to export associated condensate production.	GIC thanks submitters for their feedback and will collate the learnings for MBIE and provide these to the Ministry.
Trustpower	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.	
Genesis	Genesis commends GIC on its performance over the most trying periods of the pandemic response, namely when alert level restrictions were the highest. As a general comment, we consider that the energy industry and overseeing public agencies performed well over the periods in which Alert Levels 3 and 4 applied. Coordination of communication across regulators and public agencies is one area for potential improvement. During Alert Level 4 in particular Genesis received multiple information requests from different agencies that often represented duplication. This is understandable given the unprecedented and fast-moving nature of the situation. However, we consider that in preparation for any future lockdown a central public	

	agency could coordinate the response and take the lead on information gathering in particular.	Noted – this will be taken into consideration as we move towards design of a formal D+1 system.
Powerco	Not addressed in Powerco’s submission.	
MGUG	No comment.	
Nova	<p>Nova noted that D+1 gas allocations deviated significantly from actual during both the national C19 lockdown and the Auckland C19 lockdown, which meant allocations were out (by record quantities) for 6 months of last year (April to September). While these are eventually balanced up, such inaccuracies can create a potential advantage or disadvantage for some parties in the interim. It would be useful if this process could be more adaptive to market disruptions, whatever the cause.</p> <p>The messaging from GIC was generally clear, but it was less clear on how the information was being refined and used by MBIE, which created some uncertainty whether the information being provided was being pitched in the right level of detail.</p> <p>There was also some cross-over / confusion created where Transpower was also preparing responses for MBIE, but using different language, timeframes, and approaching different persons in the organization.</p> <p>From the perspective of maintain gas supplies and thermal generation capacity, a single reporting line would have been more efficient.</p> <p>A key concern through the process for both the gas production side and generation was enabling technical specialists to enter New Zealand to undertake critical maintenance work on plant. The process improved over time, and it was apparent that MBIE wished to be responsive to parties’ needs, but given the potential economic costs and limited windows for some work to be done, delays were very frustrating.</p> <p>There is still a need for commercially managed isolation facility that can be utilised by parties booking firm capacity and paying the full costs involved.</p>	
Firstgas	<p>Firstgas appreciated the role that the GIC took over these uncertain times.</p> <p>We recognise the efficient way you were able to co-ordinate the gas sector in COVID-19 levels 4 and 3. The process also worked, given the challenges in rapidly coordinating between different sector players and govt agencies.</p>	
Vector	Vector appreciates Gas Industry Co’s sector coordinating entity role during the COVID-19 lockdowns of March and August 2020 and the ongoing pandemic.	

	<p>We particularly appreciate the swift action taken by Gas Industry Co in response to the issues we escalated, which required industry-wide resolution and action by non-industry participants to ensure the continued delivery of essential services.</p> <p>We find the communication from Gas Industry Co on COVID-19 related matters to be clear and sufficiently targeted to enable timely response from industry participants.</p> <p>In relation to the information requests from the Ministry of Business, Innovation and Employment (MBIE), we suggest that MBIE continue to request information on essential gas services through Gas Industry Co as the coordinating entity for the gas sector. Because there are a number of essential services provided by businesses within the Vector Group, there was – particularly at the outset of the first lockdown – some duplication in information requests from the Government. This resulted in us submitting the same information (or a subset of the same information) to more than one government agency or regulator. Clear scoping of each of these different channels within the All of Government Pandemic response will help avoid any duplication in future requests. This will enhance efficiency (including by reducing confusion) and ensure the integrity of the information provided by gas and electricity industry participants.</p> <p>We do note, however, that Vector is – at least for the energy market – a relatively unique case in its provision of multiple/different energy services and value streams. It was important that the Government consulted closely with the industry and requested information, particularly from essential service providers, during the lockdowns, which was a positive experience for us. We remain happy to support such processes in the future as we continue to respond to Covid-19.</p>	
OMV	<p>The standard of communication was good.</p> <p>Of particular note was the approachability of staff and the willingness to be pragmatic with requests given the limited time available to respond.</p> <p>Suggestion for improvement: conduct an after action review closer to the time that the first lock-down was completed so that learnings are still fresh in participant's minds.</p>	Noted – we anticipate a sector-wide review of the COVID response which we will be asked to contribute to.

Q5: Do you consider there to be any other items that should be included in Gas Industry Co's intended Work Programme for FY2022? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.

Submitter	Comment	Gas Industry Co Response
Greymouth	Refer to the answer to Q1.	
Trustpower	We support the GIC's funding for their ongoing regulatory role and projects.	

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We also support the following additional developments in the work program:

- 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.
- Formalisation of D+1 process – We support this work as it will increase the informational efficiency of the market.
- 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.

More effort should be put into developing transmission access regulation

After the failure of GTAC implementation it is of utmost importance that the GIC takes charge of the process and develops a regulated transmission access code. 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.

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.

Noted – however GIC believes it prudent to allow Firstgas and its stakeholders time to work through a process to determine potential changes to the transmission access arrangements, and for Firstgas to be given time to consider stakeholder feedback before any decision is made as to whether or not to progress with developing transmission access regulation/some other course.

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	<p><i>Combined effort with the Commerce Commission to target any anti-competitive behaviour that could emerge in the natural gas industry during the sunset</i></p> <p>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.</p> <p>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.</p> <p><i>"[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."</i></p>	<p>Noted – GIC has engaged with the Commerce Commission and the Council of Energy Regulators regarding transition issues and will continue to do so.</p>
<p>Genesis</p>	<p>Genesis considers the GIC's intended work programme is appropriate. We note that in addition to the items set out in the consultation paper, GIC has been asked by the Minister to carry out an investigation into the security and certainty of gas supply in New Zealand. We consider this to be very worthwhile, and look forward to contributing our views in due course.</p>	
<p>Powerco</p>	<p>A priority for the near-term will be engagement with the Government, Climate Change Commission, and stakeholders on how the gas sector can support the various pathways towards net-zero carbon in 2050.</p> <p>A phrase that resonated with us in the paper was "ongoing change demands ongoing responsiveness". This resonates because the rapidly changing context for the gas industry (driven largely by government policy on climate change) is requiring the industry and regulators to respond and adapt to meet huge transformational challenges. Given this context, it was pleasing to see the GIC's work programme has been designed to respond to current issues while also beginning work on developing issues.</p>	

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	Because the gas industry looks set for massive change and the pathway forward is filled with uncertainty, the flexibility of the GIC's work programme will be fundamental to delivering the right work at the right time. The lenses that should guide prioritisation of work are immediacy and impact.	
MGUG	<p>With reference to 43ZN in the Gas Act, and Para 11 a), e) in the GPS: We believe that in its Trusted Advisor capacity the GIC should undertake a study to assess the various tipping points for gas infrastructure in light of the CCC assumptions for New Zealand gas demand.</p> <p>For example the CCC is promoting no new gas connections after 2025 and models a Methanex exit in 2026 while assuming that gas infrastructure would continue to be available for gas peaking generators as well as provide an option for biogas and hydrogen. Their projected natural gas demand is assumed to be (approximately) 56 PJ in 2035 and 20 PJ in 2050. Gas infrastructure might be regarded as generally large fixed cost investments supported by a critical mass of volume. It seems plausible that gas demand from stable large users has a significant impact on whether optionality around gas for generation, mass market can be assumed in absence of these loads. In that sense the transition from 160 PJ of gas to 20 PJ, may not be smooth, but disruptive. Within the broader national energy strategy that the CCC is advocating for, as well as its advice to Government on carbon budgets the broader energy system risks seems to have been overlooked.</p>	Noted – GIC has work underway such as short and long term gas supply and demand studies, gas in a renewables rich future work, and the gas market investigations work which will provide much of this analysis.
Nova	<ul style="list-style-type: none"> • There are disparate policies by gas distributor and MEPs over the treatment of, and charging for vacant properties. A similar issue in the electricity sector has now been resolved with Distributors with the introduction of the Default Distribution Agreement. • Similarly, some purchasers of commercial properties do not realise they face significant costs if they wish to have gas facilities removed from their property. It would be useful if these issues could be resolved. 	Noted – will consider this as part of our Distribution Contracts work stream.
Firstgas	We would like to see a workstream around the security of supply. As noted above.	
Vector	<p>While we do not believe any other items need to be included in Gas Industry Co's proposed Work Programme for FY2022, we provide comments below on specific work programmes and make suggestions for improvement.</p> <p><i>Formal D+1 system and advanced gas metering</i></p>	

Q5: Do you consider there to be any other items that should be included in Gas Industry Co's intended Work Programme for FY2022? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.

Vector strongly supports the integration of the pilot D+1 processes into the Gas Downstream Reconciliation Rules. While we understand that this work has been delayed pending changes to the transmission code, the importance of providing more timely data – enabled by daily allocations – has become more urgent with the introduction of advanced gas meters and the increased price volatility in the market.

As a first step, we suggest that Gas Industry Co immediately re-activate the Downstream Allocation Working Group (DAWG) or establish a new group, comprising stakeholder representatives, to provide advice and help facilitate the gas industry's transition to advanced metering.

In our view, issues that need to be considered by Gas Industry Co, potentially in conjunction with the DAWG, in implementing a formal D+1 system include, among others:

- reviewing AG1 and AG2 meters and start moving AG2 meters to AG1 on a phased basis, or consider establishing a separate allocation group for advanced gas meters;
- determining who is going to implement D+1, e.g. the Allocation Agent;
- building into the Allocation Agent service agreement, which expires on 31 December 2021, the necessary provisions to accommodate data generated by advanced gas meters;
- identifying additional information relating to advanced gas meters that needs to be captured in the Gas Registry;
- developing the appropriate provisions relating to advanced gas meters in the Gas Downstream Reconciliation Rules (e.g. reporting requirements), the Gas Switching Rules, and other relevant rules and regulations for the gas sector; and
- identifying any necessary updates to Gas Industry Co's Gas Measurement and Procedures Document and Gas Quality Requirements and Procedures Document. On a related matter, we seek clarity whether Gas Industry Co intends to undertake further work on gas quality to help ensure parties (e.g. retailers) can provide documentation that the gas delivered to them meets the gas specification.

Potential improvements to the D+1 allocation outcomes, following the review of the above points, will provide more accurate data that helps promote competitive market

Noted – this will be taken into consideration as we move towards design of a formal D+1 system.

Q5: Do you consider there to be any other items that should be included in Gas Industry Co's intended Work Programme for FY2022? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.

outcomes. It will also result in fairer outcomes for shippers that are adversely impacted by fluctuations in allocation results from D+1 allocations to interim allocations. The impact of these fluctuations on shippers is magnified by the gas price volatility that has been a feature of the market since 2018. The increased cost of gas balancing is having, and will have, adverse cost impact on downstream gas users and could erode the confidence of gas traders and consumers in the gas market.

Information disclosure

We support Gas Industry Co's proposal to initiate the following projects as part of the development of information disclosure arrangements for the wholesale gas sector:

- a) a Statement of Proposal for the disclosure of gas production and storage facility outage information;
- b) a paper on gas contract price and volume information to assess whether a weighted average gas price would provide valuable insight into gas market prices; and
- c) a paper on major gas user outage information to assess whether this information should be disclosed publicly.

Consistent with our proposal in previous submissions to adopt a 'staged approach' in progressing this workstream, we agree that work on the disclosure of planned and unplanned gas outage information should be prioritised. Given widespread industry agreement on the importance of timely and symmetric access to outage information, prioritising this information will deliver immediate benefits at low cost, i.e. it is a 'low hanging fruit'. This ensures that the information disclosure workstream will not be 'bogged down' by potentially contentious issues associated with other types of information, e.g. information on volumes and prices.

We acknowledge the ongoing voluntary disclosure of outage information by gas producers and storage owner via the Gas Industry Co website. This has delivered improvements in the notification of outages and is a step in the right direction in promoting transparency of outage information. Its voluntary nature enabled its implementation in an expeditious manner.

For the longer term, we support Gas Industry Co's draft recommendation for the implementation of gas production and storage facility outage information disclosure within a framework of regulations and/or rules under the Gas Act 1992. We agree this would ensure uniformity in the quality and timing of future outage disclosures. We

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intend to make a submission on Gas Industry Co's Draft Statement of Proposal: Gas Production and Storage Facility Outage Information, dated 16 December 2020.

We encourage Gas Industry Co to continue to work closely with the Electricity Authority on improving thermal fuel information disclosure arrangements. This would ensure alignment across sectors, avoiding gaps and duplication and unnecessary costs for participants in both industries and ultimately, consumers. For example, linking the websites of both regulators would allow interested parties to easily find energy market information.

Hydrogen and biogas

In relation to its proposed work on hydrogen, we welcome Gas Industry Co's intention to:

- a) monitor and support the potential use of hydrogen and biogas in transmission and distribution pipelines;
- b) review arrangements in other international jurisdictions in preparation for the updating of any rules and regulations; and
- c) update any rules and regulations needed to support hydrogen and biogas transmission and distribution.

We note that, in addition to its impact on pipelines, hydrogen also has potential impact on gas meters and appliances. The substitution of natural gas with hydrogen could have implications for compliance with the relevant legislation and regulations, including the Gas Safety and Measurement Regulations. For example, it could have an impact on the accuracy of ultrasonic meters, which can potentially affect the accuracy of market reconciliation processes.

There may be a risk associated with ultrasonic meters due to variations in gas composition, e.g. meters could become inaccurate as they are 'tuned' for New Zealand natural gas composition. The introduction of hydrogen and biogas may necessitate a change to the New Zealand Standard and/or quality requirements relating to gas composition and odorisation (e.g. ensuring that hydrogen can be detected).

In addition, changes to specifications that fall outside of the current acceptable range may raise issues around the efficient and safe operation of equipment and appliances.

We understand that ultrasonic meters can operate with hydrogen substitution; however, the maximum quantity that would be acceptable remains to be confirmed. MBIE's

Noted – these matters will be considered as the work around hydrogen/biogas develops.

Q5: Do you consider there to be any other items that should be included in Gas Industry Co's intended Work Programme for FY2022? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.

	<p>discussion paper on Options for Amending the Gas Act 1992, issued in May 2019, indicates that 15% is likely to be the highest permissible hydrogen substitution due to its adverse effects on transmission and distribution steel pipes, which can have implications for the lives of these assets. However, MBIE notes that this is not an issue with polyethylene piping. In our submission to MBIE, we suggested that MBIE consider the impact of hydrogen on other non-polyethylene components in gas networks and gas metering systems, which may be susceptible to higher levels of hydrogen because these systems – whether connected to steel or polyethylene networks – include steel components.</p> <p>The introduction of hydrogen to the market could also have implications for the use of ultrasonic meters across different types of gases. For example, we understand that natural gas ultrasonic meters cannot be used for LPG.</p> <p>In the above discussion paper, MBIE noted the two primary types of biogas in New Zealand – sludge gas and landfill gas. Landfill gas can contain corrosive elements that could affect gas metering systems. Any gas injection therefore needs to be closely monitored to ensure it remains within approved specifications.</p> <p>We also support Gas Industry Co's intention to assess whether there is an opportunity for a green gas certification scheme for hydrogen and biogas, akin to the New Zealand Energy Certificate System. This would allow gas consumers to purchase certificates from renewable producers and make claims based on those certificates.</p>	
OMV	No.	

Q6: Do you consider there to be any items that should be excluded form Gas Industry Co's intended Work Programme for FY2022? Please provide reasons for your response.

Submitter	Comment	Gas Industry Co Response
Greymouth	Refer to the answer to Q1.	
Trustpower	<p><i>GIC should act as a fast follower of EPR recommendations</i></p> <p>However, we disagree with the plan to attempt to implement concepts from the Electricity Price Review (EPR) into the gas industry contemporaneously with</p>	Noted – however GIC believes its response to the EPR recommendations has been appropriate.

Q6: Do you consider there to be any items that should be excluded from Gas Industry Co's intended Work Programme for FY2022? Please provide reasons for your response.

	<p>implementation in the electricity sector as we believe this could be costly and superfluous.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	
Genesis	<p>Genesis considers that work on biogas and hydrogen, while worthwhile, is a relatively lower priority than much of the rest of GIC's work programme. This is because these technologies (and their uptake) are at a nascent stage in New Zealand and it is considered unlikely that they will play a major role in the energy mix in the near future, given technical and cost-competitiveness challenges.</p>	<p>Noted – however as stated above (under Q1) GIC believes that this is important work for the industry, and that the right level of priority is being applied to it.</p>
Powerco	<p>Not addressed in Powerco's submission.</p>	

Q6: Do you consider there to be any items that should be excluded from Gas Industry Co's intended Work Programme for FY2022? Please provide reasons for your response.

MGUG	We believe that our response to Q5 indicates urgent work that should be completed within the current financial year. If that means borrowing from FY22 we assume that the GIC would reprioritise the spending accordingly.	Noted – however as this Scheme has been approved by the Minister and still provides value to small consumers, we intend to continue with it. Noted – this is being considered as part of EPR workstream.
Nova	The Retail Gas Contracts Oversight Scheme could be excluded unless the GIC has evidence that a review at this time is needed. Nova is not aware of any particular concerns arising with consumers.	
Firstgas	No.	
Vector	Vector supports Gas Industry Co's exclusion of any regulatory work on the LPG market or LPG services for FY2022, as reflected in its proposal. As concluded by Gas Industry Co's own review of retail competition in the LPG market in 2018. In addition, we do not consider any proposal to extend Powerswitch to reticulated and bottled LPG to be warranted. This could require LPG services to be captured in the Gas Registry and will likely impose additional costs without apparent net benefits for consumers. In the relatively small LPG market, pricing is already transparent and non-complex, and customers can already easily 'switch' between numerous providers. As indicated in Vector's submission on expanding the EPR recommendations to the gas market.	
OMV	No.	

Q7: Gas Industry Co is particularly interested in industry comment on the forecast gas volumes – do stakeholders consider the projection reasonable? If not, what would they consider an appropriate gas volume estimate to be?

Submitter	Comment	Gas Industry Co Response
Greymouth	It is difficult to comment on volumes without seeing the workings. The 165PJ supply volume for FY22 does not look unreasonable as a base assumption – but is predicated on Pohokura and Maui producing to levels indicated by Operator (OMV), that being circa 40PJ and circa 20PJ respectively.	
Trustpower	Not addressed in Trustpower's submission.	
Genesis	The forecast volumes are broadly consistent with Genesis' expectations.	
Powerco	Not addressed in Powerco's submission.	

Q6: Do you consider there to be any items that should be excluded from Gas Industry Co's intended Work Programme for FY2022? Please provide reasons for your response.

MGUG	No comment.	
Nova	Not addressed in Nova's submission.	
Firstgas	N/A.	
Vector	No comment.	
OMV	Based on the MBIE data and recent guidance by some market participants 165 PJ seems like a reasonable projection.	

Q8: Do you have any comment on the proposed levy rates for FY2022?

Submitter	Comment	Gas Industry Co Response
Greymouth	No.	
Trustpower	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.	
Genesis	Genesis considers the proposed levy to be appropriate and well-justified.	
Powerco	The setting of the levy seems reasonable.	
MGUG	No.	
Nova	Not addressed in Nova's submission.	
Firstgas	We consider that the levy for FY2022 is reasonable and fair.	
Vector	We consider Gas Industry Co's proposed wholesale levy of 1.1445c/GJ and retail levy of \$5.28/ICP for FY2022, representing 2.51% and 2.33% increases over the FY201 levies, respectively, to be reasonable. This is in the context of the reduction in the proposed total work programme cost of \$114,815 for FY2022 (a 2.35% reduction from the FY2022 cost) and the declining trend in total work programme costs over the past five financial years.	
OMV	It is good to see expenses flat or trending downwards over time.	