



## **Recommendation**

Gas Industry Co Recommendation to Minister of Energy and Resources to make Gas (Levy of Industry Participants) Regulations 2021

# Executive Summary

Pursuant to section 43ZZB of the Gas Act 1992 (the Act), Gas Industry Co recommends to the Minister of Energy and Resources that regulations be made under section 43ZZE to require industry participants to pay levies to the industry body in respect of the year commencing 1 July 2021 (FY2022), totalling \$3,472,367 on the following basis:

- From every gas retailer who is an industry participant on the last day of each month, a retail levy based on one twelfth of the annual retail levy of \$5.28 for each ICP for each retail customer.
- From every industry participant on the first day of each month, a wholesale levy rate of 1.1445c/GJ based on gas purchases made directly from gas producers during the previous month.

Gas Industry Co notes that for FY2022:

- The levy funding requirement of \$3,472,367 is 0.64% higher than the same figure for FY2021 (\$3,450,182);
- The retail levy of \$5.28 is up from \$5.16 in FY2021 - a 2.33% increase; and
- The wholesale levy of 1.1445c/GJ is up from 1.1164c/GJ in FY2021 – a 2.51% increase.

Gas Industry Co remains principally reliant on annual levies to provide the effective governance of the downstream gas sector that Part 4A of the Act requires. Gas Industry Co believes that the recommended levy rates are reasonable, and present good value for gas consumers and the wider industry.

The contents of this Levy Recommendation achieved broad support from industry stakeholders, through a robust annual consultation process.

This Levy Recommendation has been approved by Gas Industry Co's Board of Directors.

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# 1. Introduction

The Government and the gas industry have implemented a unique co-regulatory model in which a specially established 'industry body' develops and maintains governance arrangements for consumers and other participants in gas markets. Gas Industry Co was established in 2004 to perform the role of the industry body as set out in Part 4A of the Act. Gas Industry Co has two main sources of funding to meet the total costs of delivering its work programme and other aspects of its role as the industry body – market fees and the levy.

## 1.1 Market fees

Established gas governance rules and regulations include provisions to recover costs directly required to meet Gas Industry Co's obligations under those arrangements (referred to as 'market fees'). These cover the contractually agreed costs of any service providers (particularly the Allocation Agent, the Registry Operator and the Critical Contingency Operator) and any other expected direct costs related to the monitoring of those arrangements.

A formal estimate of market fees for each set of rules or regulations is published two months before they apply with each new financial year commencing on 1 July. Market fees collected are applied to actual expenses incurred for each set of rules or regulations. Any shortfall or excess fees are invoiced/credited to the market fee payers in a year-end 'wash-up'.

## 1.2 Industry levy

The levy funds the industry body's costs that are not covered by market fees, including the direct costs of workstreams and non-operational expenditure for the business.

The Act provides for the levy to be collected through annual regulations, on recommendation to the Minister by the industry body. Gas Industry Co develops its annual Levy Recommendation through a consultation process with levy payers and other stakeholders. This process includes development of an annual Work Programme, an indication of future activity, and the resulting estimated Total Work Programme Costs covering all activities to be undertaken by the industry body.

This paper provides that recommendation for the year commencing 1 July 2021 (FY2022).

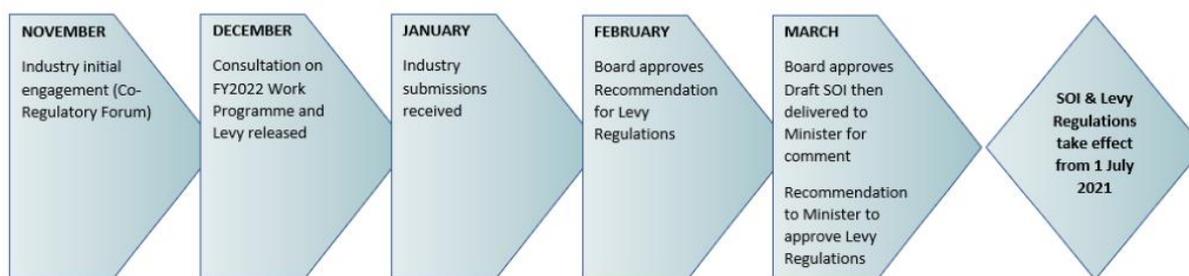
## 2. Consultation Process and Outcomes

### 2.1 Levy Consultation Process

In developing its annual Levy Recommendation to the Minister, Gas Industry Co consults on all aspects of its Work Programme, including costs and any forward indication for subsequent requests to be included in the Statement of Intent, and engages with interested stakeholders, including gas industry participants and major gas users. The process includes consultation on the proposed levy rate and amount, consistent with section 43ZZD(2)(b).

### 2.2 Key Steps in FY2022 Consultation Process

The diagram below sets out the key steps in the consultation process:



The consultation process commenced at the annual Co-Regulatory Forum on 27 November 2020. Feedback from this Forum was generally positive, and the paper Consultation on Gas Industry Co FY2022 Work Programme and Levy (Consultation Paper) was published on 17 December 2020.

The Consultation Paper:

1. Sets out Gas Industry Co's strategic context, roles and strategy;
2. Describes the work that Gas Industry Co will undertake in FY2022 and the estimated costs to carry out this work;
3. Outlines the amount of the Levy Funding Requirement for FY2022; and
4. Outlines the proposed levy rates for FY2022.

The proposed FY2022 Work Programme includes meeting statutory requirements, such as administration of existing gas governance regulations, and seeks to address Government and industry priorities through the completion of key project deliverables. It continues existing multi-year workstreams and reflects significant progress already made in addressing the objectives and outcome set for Gas Industry Co and the industry in the Act and the GPS.

Submissions were invited by 5 February 2021, and were received from Greymouth Gas New Zealand Limited, Genesis Energy, Nova Energy Limited, Trustpower Limited, First Gas Limited, Vector Limited, the Major Gas Users Group (MGUG), OMV New Zealand Limited, and Powerco Limited.

Each submission and an Analysis of Submissions have been published on Gas Industry Co's website. In summary, there was broad support for Gas Industry Co's role, Work Programme, estimated costs, and associated levy rates.

## 3. FY2022 Levy Funding

### 3.1 FY2022 Levy funding summary

The costs corresponding to the Work Programme (set out in Appendix A) and the steps involved in the levy methodology are set out in the following tables. In summary:

- The levy funding requirement is \$3,472,367. This is 0.64% higher than the same figure for FY2021 (\$3,450,182);
- Total Work Programme costs - based on a combination of the levy funding requirement and market fees are \$4,771,367. These have decreased 2.35% from FY2021 (\$4,886,182);
- The levy methodology is the same as that used in previous years and is based on the principle of beneficiary pays;
- The retail levy rate is \$5.28/ICP. This is up from \$5.16/ICP in FY2021 (a 2.33% increase); and
- The wholesale levy is 1.1445c/GJ. This is up from 1.1164c/GJ in FY2021 (a 2.51% increase).

### 3.2 Levy funding calculation and trends

The following table provides details of the levy funding calculation:

Description	TWPC	Indicative Market Fees		Levy Funding Requirement	
		Wholesale	Retail	Wholesale	Retail
<b>Gas Governance</b>	2,517,340	424,000	875,000	616,490	601,850
<b>Facilitating Industry Systems and Processes</b>	1,065,845			618,450	447,395
<b>Trusted Advisor to Government and Industry</b>	1,188,182			649,460	538,722
<b>TOTAL</b>	<b>4,771,367</b>	<b>1,299,000</b>		<b>3,472,367</b>	

The following table shows the actual Levy Funding Requirement for FY2018-21, and the recommended Levy Funding Requirement for FY2022, along with published market fees to FY2021 and the indicative estimate for FY2022.

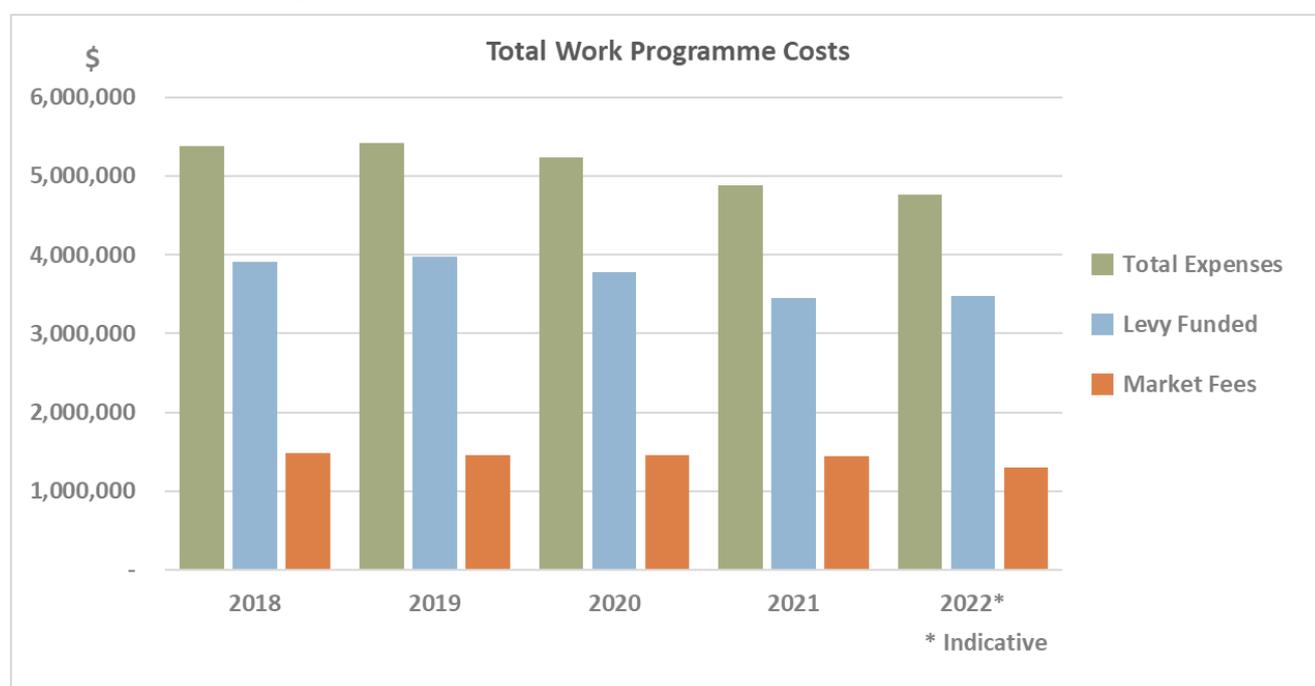
**Table 2: Levy Funding Requirement and Market Fees - FY2018-22**

	Levy Funding Requirement	Market Fees
<b>2018</b>	3,911,481	1,482,000
<b>2019</b>	3,982,551	1,441,169
<b>2020</b>	3,774,336	1,458,000
<b>2021</b>	3,450,182	1,436,000
<b>2022*</b>	3,472,367	1,299,000

1. \*recommended levy funding requirement/indicative market fees

Based on the combination of the FY2022 Levy Recommendation and indicative market fees in table 2, Total Work Programme Costs are expected to be \$4,771,367 for FY2022, compared to \$4,886,182 in FY2021.

**Chart 1: Total Work Programme Costs**



### 3.3 Proposed levy methodology and rates

Gas Industry Co's existing levy methodology:

1. Is based on a set of Levy Principles. In summary, those Principles are economic efficiency, rationality, simplicity, equity, and revenue sufficiency. The full Principles are available on Gas Industry Co's website.
2. Has two components: a wholesale component and a retail component. These components are apportioned according to the cost allocated to each part of the annual Work Programme and apportioned among levy payers pro rata with either their wholesale levy volumes or ICP market shares. In years when the Work

Programme focusses on retail issues, for instance, the retail levy rate will increase while the wholesale levy will decrease.

These arrangements have remained unchanged since 2007.

**In summary:**

1. The wholesale levy rate has been calculated using an assumption of 165PJ (165,000,000 GJ) of gas consumption during the year (FY2021 175PJ).
2. The retail levy rate is calculated using the current number of ACTIVE-CONTRACTED entries in the gas registry of 300,000 (FY2021 290,000).

This results in the following levy rates:

**Table 3: FY2022 Levy rates**

<b>FY2022 Levy rates</b>			
	<b>Retail</b>	<b>Wholesale</b>	<b>Total</b>
Direct costs	891,924	1,058,423	1,950,347
Indirect costs	696,044	825,977	1,522,021
<b>Total Levy Funding Requirement</b>	<b>1,587,967</b>	<b>1,884,400</b>	<b>3,472,367</b>
Basis of apportionment:	Per ICP	Per GJ	
Number	300,000	165,000,000	
Levy rate	\$5.28/ICP	1.1445c/GJ	

The impact of the levy on gas consumers is relatively small. Assuming the levy is passed through to end users, residential gas consumers would each pay approximately \$5.57 per annum, or around 0.60% of their annual gas bill. For larger consumers, the amount of levy paid is proportionate to wholesale gas purchases and adds about 0.2% or less to the unit cost of gas. The largest consumers, who together consume much of the gas supply, are active participants in consultation and have raised no objections to the levy rate.

Gas Industry Co has determined that it should refund unutilised levies as soon as the annual accounts have been received by shareholders at the Annual Meeting. This also has some similarity with the wash-up arrangements collected under Market Fees. This policy encourages a predictable and stable levy by removing from the levy calculations any variability resulting from a fluctuating level of reserves.

## 4. Recommendation

Pursuant to section 43ZZB of the Gas Act 1992, Gas Industry Co recommends to the Minister of Energy and Resources that regulations be made to require industry participants to pay levies to the industry body in respect of the year commencing 1 July 2021, totalling \$3,472,367, on the following basis:

1. From every gas retailer who is an industry participant on the last day of each month, a retail levy based on one twelfth of the annual retail levy of \$5.28 for each ICP for each retail customer.
2. From every industry participant on the first day of each month, a wholesale levy rate of 1.1445c /GJ based on gas purchases made directly from gas producers during the previous month.

# Appendix A Work Programme

## FY2022 Work Programme: Gas Governance

### 1. Critical Contingency Management

The purpose of the Gas Governance (Critical Contingency Management) Regulations 2008 (CCM Regulations) is to achieve the effective management of critical gas outages and other security of supply contingencies without compromising long-term security of supply.

The CCM Regulations provide for the appointment of a Critical Contingency Operator (CCO) whose role is to determine, manage, and terminate critical contingencies, as well as associated activities such as stakeholder training and running exercises. The appointment of the current CCO expires on 1 March 2022, and work will be undertaken prior to this to renew or appoint a new CCO.

It is expected that Gas Industry Co will make a recommendation to the Minister to amend the CCM Regulations during FY2022, as a result of the review which is currently being undertaken. Aspects of the recommendation to the Minister are contingent on Gas Act changes being promulgated, and the intention is to progress any proposed changes to the Regulations as a single recommendation. Gas industry Co will work to implement changes during FY2022, subject to ministerial approval.

#### Forecast Activities in FY2022

1. Make a recommendation to the Minister;
2. Implement changes to CCM Regulations;
3. Appoint and monitor the CCO;
4. Assess the performance of the CCM Regulations;
5. Respond to CCM events by appointing/monitoring experts;
6. Monitor the annual CCM exercise; and
7. Process applications and renewals for priority designations in the areas of critical care, essential services, critical processing, and electricity supply as required.

### 2. Electricity Price Review

Gas Industry Co monitors governance arrangements in related industries to assess whether any changes may influence existing gas industry regulations, and if any changes to gas regulations are required in response.

The government's Electricity Price Review made 32 recommendations about whether the electricity market delivers efficient, fair, and equitable prices to customers. Gas Industry Co considered it prudent to review whether those recommendations should apply to the gas market, given the similarities and links between the gas and electricity markets. Gas Industry Co has released a consultation paper "*Extending the Electricity Price Review's Final Recommendations to the Gas Market - An Assessment*". The consultation paper sets out our initial assessment of

whether recommendations from the Electricity Price Review should be extended to the gas market.

### **Forecast Activities in FY2022**

1. Determine whether to amend existing or introduce new, gas governance arrangements (including having regard to the effectiveness of any non-regulatory arrangements);
2. Consult with stakeholders on the content and form of any proposed changes to gas governance arrangements; and
3. Make recommendations to the Minister accordingly.

### **3. Advanced Gas Metering**

Gas Industry Co is determining what changes are required to support the roll-out of advanced gas meters. This includes assessing if there is merit in changing the Gas (Switching Arrangements) Rules 2008 (Switching Rules) and the Gas (Downstream Reconciliation) Rules 2008 (Reconciliation Rules), and working closely with industry to ensure associated gas industry systems and rules are fit for purpose.

### **Forecast Activities in FY2022**

1. Continue to work with industry to ensure systems and rules are appropriate for advanced gas metering;
2. Make a recommendation to the Minister if changes to the rules are required; and
3. Make changes to registry or switching in accordance with advanced gas metering deployment.

### **4. Retail Gas Contracts Oversight Scheme**

In 2010, Gas Industry Co established a Retail Gas Contracts Oversight Scheme. This was designed to assess retailers' contracts with residential and small commercial/industrial consumers, against a series of benchmarks of satisfactory customer expectations and outcomes. Reviews are undertaken by an Independent Assessor.

The most recent full review occurred 2018. There was 'substantial' compliance with the scheme.

This review process is carried out every three years. The next review is due in 2021.

### **Forecast Activities in FY2022**

1. Engage an Independent Assessor to carry out an assessment of retailers' contracts with residential and small commercial/industrial consumers, and advise retailers of the results of this assessment;
2. Review new-entrant retail contracts, as requested; and
3. Provide information to new entrant retailers to help them understand their obligations and the governance processes.

### **5. Gas Distribution Contracts Oversight Scheme**

In 2012, Gas Industry Co established the Gas Distribution Contracts Oversight Scheme. This is an industry-agreed scheme which assesses contracts between gas distributors' and gas retailers against a set of principles.

Gas Industry Co appointed an Independent Assessor in FY2014 who found that contracts offered by distributors exhibited 'substantial' alignment with the set of principles agreed upon.

Recent communications with distributors indicated that there had been no material changes to distribution contracts. Gas Industry Co will seek an update from distributors in FY2021

### **Forecast Activities in FY2022**

1. Assess findings from the responses provided by distributors in FY2021; and
2. Report on next steps.

## **6. Downstream Reconciliation**

The purpose of the Reconciliation Rules is to establish a set of uniform processes that will enable the fair, efficient, and reliable downstream allocation and reconciliation of downstream gas quantities.

Gas Industry Co has an ongoing obligation to appoint and oversee an Allocation Agent as they fulfil their duties under the Reconciliation Rules. The appointment of the current Allocation Agent expires 31 December 2021 and work will be undertaken prior to this to renew or appoint a new Allocation Agent.

Gas Industry Co monitors allocation results to identify, at an early stage, any issues and ensure these are addressed in an appropriate and timely fashion. This work complements that of several industry participants who also undertake monitoring and, from time to time, bring issues to the attention of Gas Industry Co and the Allocation Agent.

### **Forecast Activities for FY2022**

1. Appoint and monitor the Allocation Agent;
2. Assess ongoing performance of the Reconciliation Rules;
3. Monitor allocation results;
4. Commission performance and event audits as required;
5. Assess any outcomes from the audit reports; and
6. Make determinations under the Rules as required.

## **7. Switching and Registry**

The purpose of the Switching Rules is to establish a set of gas switching and registry arrangements that will enable consumers to choose, and alternate, efficiently and satisfactorily between competing retailers. The Switching Rules provide for a centralised database, the gas registry, which stores key technical parameters about every customer installation and facilitate and monitors each customer switch from initiation through to completion.

The Switching Rules provide for the appointment of a Gas Registry Operator. The appointment of the current Gas Registry Operator does not expire until 2025.

### **Forecast Activities in FY2022**

1. Monitor Gas Registry Operator;
2. Assess the ongoing performance of the Switching Rules;
3. Monitor and report on switching statistics;
4. Make determinations under the Switching Rules as required;
5. Commission performance and event audits as required;

6. Continue to provide support to Powerswitch until new arrangements are created and/or the site becomes self-sustaining;
7. Follow up on any issues identified in the switching audits; and
8. Update Switching Rules in response to advanced gas meter roll-out.

## **8. Compliance and Enforcement**

The Gas Governance (Compliance) Regulations 2008 (Compliance Regulations) provide for monitoring and enforcement of the other gas governance rules and regulations. The compliance arrangements are designed as an efficient, low-cost means of determining or, where appropriate, settling rules/regulations breaches that raise material issues.

### **Forecast Activities in FY2022**

1. Appoint Rulings Panel;
2. Perform Market Administrator role;
3. Assess ongoing performance of the Compliance Regulations;
4. Assist Investigator and Rulings Panel as required; and
5. Monitor compliance trends for indications of regulatory inefficiency.

## **9. Statement of Intent and Annual Report**

The Gas Act requires that the industry body provide its Annual Report to the Minister of Energy within three months of the end of the financial year (the Minister then tables it in the House of Representatives). Similarly, annual Statements of Intent (SOI) are required to be submitted to the Minister for comment prior to being finalised and published.

### **Forecast Activities in FY2022**

1. Prepare and publish the SOI to meet statutory timeframes;
2. Provide the draft SOI to the Minister for comment prior to publication; and
3. Prepare and publish the Annual Report and meet requirements for tabling in Parliament.

## **10. Other Reporting**

Gas Industry Co is required by the Gas Act to report on the present state and performance of the gas industry. It does this through a number of publications, including Switching Statistics, Quarterly Report and Industry Performance Measures.

### **Forecast Activities in FY2022**

1. Prepare and publish Switching Statistics and Industry Performance Measures; and
2. Continue engagement and communications for interested stakeholders.

## FY2022 Work Programme: Facilitating industry systems and processes

### 1. Implement a Formal D+1 System

D+1 allocation is a process that allocates gas on the day following gas flow. Since 2015, Gas Industry Co has been trialling D+1 allocation as a means of providing more timely information to retailers about their customers' gas usage. Gas Industry Co will implement a formal D+1 allocation system as part of the Reconciliation Rules.

#### Forecast Activities in FY2022

1. Operate and maintain the current D+1 model under the pilot scheme;
2. Develop and consult on any required changes to the Reconciliation Rules;
3. Make a recommendation to the Minister to amend the Reconciliation Rules; and
4. Develop, test and implement the supporting D+1 system.

### 2. Information Disclosure

In 2018 Gas Industry Co commenced a workstream to assess the level of information disclosure in the industry and consider options to address any issues found. As part of this workstream, the *Information Disclosure: Problem Assessment* paper ("Problem Assessment paper") was published in October 2019. This paper assessed possible information issues in 10 separate information elements. From the Problem Assessment paper, three projects were identified where further work was required:

1. Development of a Statement of Proposal (SOP) for the disclosure of gas production and storage facility outage information;
2. Development of a paper on gas contract price and volume information – this project assesses whether a weighted average gas price would provide valuable insight into market gas prices; and
3. Development of a paper on major user outage information – this project assesses whether major gas user outage information should be disclosed publicly.

The latter two papers should be completed by the end of FY2021. Depending on the conclusion reached in these papers, these issues may proceed to an SOP stage in FY2022.

The timeframes for the SOP for gas production and storage outages will depend on when Gas Act changes have completed their passage through the House of Representatives.

#### Activities in FY2022

The work on information disclosure in FY2022 will depend on outcomes from the SOP process and the separate papers on contract price and volume information, and major user outages.

If the SOP concludes that current arrangements for gas production and storage outage information are sufficient, Gas Industry Co's focus will be on monitoring the performance of these arrangements. If the SOP concludes that the regulatory objective is unlikely to be satisfactorily achieved by any reasonably practicable means other than through regulation then Gas Industry Co will make a recommendation to the Minister for a gas governance regulation. Subject to Ministerial approval, Gas Industry Co will then proceed to implement a regulated solution.

### 3. Gas transmission pipeline access

Firstgas and its stakeholders are working through a process to determine potential changes to the transmission access arrangements (the Vector Transmission Code and Maui Pipeline Operating Code). At a workshop on 17 November 2020, Firstgas received feedback from stakeholders on the benefits that stakeholders wished to achieve as a result of any changes to the current access arrangements and the pathway to achieving those benefits. Firstgas is considering stakeholder feedback with a view to providing a way forward in March 2021.

#### Forecast Activities in FY2022

1. Be prepared to assume any role allocated to Gas Industry Co under the terms of the current gas transmission codes in relation to changes to the transmission access arrangements; and
2. Assess and action any changes to industry arrangements that may be required as a result of the GTAC not progressing (e.g. gas metering, gas quality, transmission security and reliability, interconnection).

### FY2022 Work Programme: Trusted Advisor to Government and Industry

#### 1. Monitor and support the potential use of hydrogen and biogas in transmission and distribution pipelines

In September 2019, the New Zealand Government published a green paper that lays out its vision for hydrogen in New Zealand. The paper discusses the potential for hydrogen to be blended with natural gas and distributed via the gas network. In addition to this paper, First Gas have received a grant to support a trial that will investigate how hydrogen could be distributed through their gas pipelines. There is also a role for biogas to be blended with natural gas and distributed around New Zealand.

#### Forecast Activities in FY2022

1. Monitor any work undertaken in relation to hydrogen and biogas being used in gas pipelines;
2. Review arrangements in other international jurisdictions in preparation for the updating of any rules and regulations; and
3. Update any rules and regulations needed to support hydrogen and biogas transmission and distribution.

#### 2. Green Gas Certification Scheme for Biogas and Hydrogen

Gas Industry Co is investigating a green gas certification scheme, similar to the newly created New Zealand Energy Certificate System (NZECS). NZECS enables electricity consumers to purchase certificates from renewable generators and to make claims based on these certificates. With the potential of hydrogen and biogas being mixed with natural gas in our pipelines, there could be benefit in a scheme for gas too. We are currently working with industry to assess whether there is an opportunity for a green gas certification scheme for both biogas and hydrogen.

#### Forecast Activities in FY2022

1. Continue to work with industry on options for a green gas certification scheme.

### 3. Sector Coordinating Entity Role - COVID-19 Pandemic

The Covid-19 pandemic that struck during 2020 highlighted the importance of natural gas for maintaining security of energy supply. This issue became important when considering repairs, maintenance and safe and efficient use of key assets and infrastructure. Gas Industry Co acted as the sector co-ordinating entity for the gas industry to:

- collate industry information on any risks to the New Zealand gas industry arising from the COVID-19 outbreak to inform MBIE's weekly reporting to Cabinet,
- provide MBIE with daily updates in relation to any emergent issues in the New Zealand gas industry,
- collate information from industry participants in relation to any key workers they require to be brought in from overseas to progress critical projects relating to the provision of essential services.

#### Forecast Activities in FY2022

1. Maintain a watching brief of COVID-19 activities and be prepared to step into the sector co-ordinating entity role as and when required.

### 4. Provide gas market information and analysis that enables the industry to make informed decisions

Gas Industry Co has a role in providing information to support stakeholders in making better informed decisions. In FY2020 Gas Industry Co commenced a project that investigates the role of gas in New Zealand over the next 15 years as the electricity generation fleet becomes increasingly renewable.

Gas Industry Co has previously commissioned reports focussing on gas supply and demand over the long term and on particular aspects of the industry. Further occasional reports will be published, and existing reports updated, where they can be of value to the industry.

In FY2020 Gas Industry Co is developing an information portal as a repository of gas industry information.

#### Forecast Activities in FY2022

1. Continue to produce the short-term and long-term supply and demand studies and communicate their findings;
2. Carry out any ad hoc analyses that further inform the industry of the role of gas in New Zealand as the energy sector undergoes a transition to lower emissions over the coming years; and
3. Continue to enhance the information portal.

# Appendix B Key Industry Background

Key industry background is:

1. Gas is a key contributor to New Zealand, at around 20.5% of primary energy supply. In the past decade, the gas industry in New Zealand has undergone substantial change, transitioning from reliance on the large Maui field, to drawing supplies from multiple smaller fields.
2. Gas is an important fuel for industrial, commercial, and residential consumers. In 2009, there were about 250,000 gas consumers; today, there are over 290,000.
3. Gas Industry Co has developed a mix of formal rules and regulations (e.g. critical contingency management, reconciliation, switching) and non-regulated arrangements (e.g. retail contracts, distribution contracts) that are well-advanced in meeting the legislative and policy objectives and outcomes that the Government expects the industry to achieve.
4. These arrangements have contributed to the development of a healthy downstream gas market. Key indicators include:
  - (a) 12 distinct retail gas brands.
  - (b) Over 99% of gas customers are connected to a network where seven or more retailers trade, suggesting that the retail gas sector is generally competitive throughout the North Island.
  - (c) Market concentration, as measured by the Herfindahl-Herschman Index, has decreased significantly in all regions since the commencement of the formal switching regime in 2009, as new retailers have increased market share and incumbent retailers' share has declined.
  - (d) About 3,700 gas consumers switch gas supplier each month, which translates to an annual churn of about 15.3% of gas consumers. In 2020, around 72% of consumer switches are completed within three business days; 98% are completed within 7 business days.
  - (e) 67% of residential consumers have switched retailer at least once in the past ten years; 51% of small commercial, 56% of large commercial sites, and 52% of large industrial sites have switched at least once.
  - (f) Average annual unaccounted-for gas (UFG) over the past year stands at about 1.2% (compared with about 2% in 2009).

# ABOUT GAS INDUSTRY CO

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Gas Industry Co is the gas industry body and co-regulator under the Gas Act. Its role is to:

- develop arrangements, including regulations where appropriate, which improve:
  - the operation of gas markets;
  - access to infrastructure; and
  - consumer outcomes;
- develop these arrangements with the principal objective to ensure that gas is delivered to existing and new customers in a safe, efficient, reliable, fair and environmentally sustainable manner; and
- oversee compliance with and review such arrangements.

Gas Industry Co is required to have regard to the Government's policy objectives for the gas sector, and to report on the achievement of those objectives and on the state of the New Zealand gas industry.