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Chief Executive

Annual General Meeting

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Wellington

Overview

- Progress in the last year on strategic priorities:
 - Corporate Accountability
 - Consumer Outcomes
 - Market Development
 - Infrastructure Access
 - Other Arrangements
- Concluding Remarks



Corporate Accountability

- As a newly established entity, corporate accountability has been an important theme for the Company in its first full year of operation
- Designed and implemented internal policies and procedures aimed at ensuring the Company:
 - meets its statutory requirements;
 - achieves good internal governance; and
 - maintains effective relationships with stakeholders.
- Also, commenced a baseline review of the gas industry.

Consumer Outcomes (1)

Model Contracts

Objective: *The development of model contract terms and conditions between consumers and retailers.*

Progress: Complete. Our recommendation to use the code of practice in the EGCC scheme to be the benchmark for gas suppliers rather than set up a “rival document” was sent to the Minister in May. The Minister accepted our recommendation in June 2006.

Consumer Outcomes (2)

Low fixed charges, billing transparency and charges for meter removal

Objective: *Government requested recommendations on (a) level of fixed charges for low users (b) the transparency of charges on customer invoices and (c) different practices and charging regimes by retailers for meter removal.*

Progress: Complete. We made our recommendation to the Minister in August 2006. Awaiting Minister's response and undertaking work on disconnections and reconnections.

Market Development (1)

Retail

Objective: *The standardisation and upgrading of protocols relating to customer switching, so that barriers to customer switching are minimised.*

Progress: Released two 'Statements of Proposal' under the Gas Act in August. The first proposes the development of a central registry implemented by rules. The second proposes a tailor-made compliance regime implemented by regulations to support the new switching arrangements.

Target Date: Recommendation by 31 December 2006.

Reconciliation

Objective: *Both wholesale and retail markets require more efficient reconciliation arrangements to function effectively.*

Progress: Issued a consultation paper that described current allocation and reconciliation arrangements in the gas industry and reviewed options for developing these.

Target Date: Recommendation by 30 June 2007

Wholesale Trading

Objective: *More efficient arrangements for trading gas at the wholesale level, particularly in the short term.*

Progress: Released two consultation papers. The first explored the concept design for a wholesale gas market. The second undertook both quantitative and qualitative analysis of the options for development of a wholesale market.

Target Date: Recommendation by 30 June 2007.

Gas Standard

Objective: *To review the gas specification limits defined in NZS:5442 to ensure it remains appropriate.*

Progress: Complete. We recommended in July 2006 that the limits defined in NZS:5442 are adequate and do not need to be changed. The Minister accepted our recommendation in August 2006.

Gas Processing Facilities

Objective: *Protocols that set reasonable terms and conditions for access to gas processing facilities.*

Progress: Issued a consultation paper in August 2006 that reviewed the market for gas processing in New Zealand, the economic issues involved and evidence about existing access arrangements.

Target Date: Recommendation by 31 December 2006

Distribution

Objective: *Review of efficiency of access arrangements in distribution.*

Progress: Meetings have been held with industry participants on existing distribution arrangements. Further work deferred until nature of gas control regime administered by Commerce Commission is clearer because of risk of duplication.

Target Date: Advised Minister of deferral.

Infrastructure Access (3)

Transmission

Objective: *Review of arrangements for access to New Zealand's high pressure (transmission) gas pipelines.*

Progress: Issued a Transmission Access Issues Review for consultation in June 2006. Have recently released a paper that analyses the submissions to that review and sets out a work programme to address the issues.

Target Date: Preliminary Recommendation by 30 June 07.

Gas Emergency Management

Objective: *Gas industry participants requested that Gas Industry Co review current arrangements for managing emergency and contingency arrangements.*

Progress: Released a consultation paper that reviewed the current arrangements for dealing with gas outages and contingencies; recommended mandatory arrangements be put in place; and highlighted the issues and design decisions that need to be addressed.

Target Date: Recommendation by March 2007.

Other Arrangements (2)

MPOC

Objective: *Gas industry participants requested that Gas Industry Co undertake certain roles under MPOC.*

Progress: MPOC sets up processes for Gas Industry Co to consider code change requests, determine capacity proportion for authorised quantities and approve queuing rules. Memorandum of Understanding with MDL has been signed in relation to this role.

Concluding Remarks

- GPS sets out an extensive work programme for the industry
- Gas Industry Co has made good progress towards achieving the government's vision of competitive market structures and access on reasonable terms to key infrastructure
- The best way for the industry to demonstrate to the Government that co-regulation is effective is by deeds not words
- Timeframes are challenging but we are making good progress with industry support.