



**Rt. Hon James Bolger,
ONZ, Chair**

Strategic Issues for the Gas Sector

Delivering the GPS – Industry Workshop
1 December 2005

Purpose of Workshop

- Explore strategic issues
- Update on Gas Industry Co activities
- Receive feedback from industry participants
- Share workplan

Strategic Issues Overview

Key challenges / opportunities:

- Gas as a Fuel
- Availability of Gas
- Access to Gas Processing Facilities
- Efficient Wholesale Markets
- Access to Transmission Infrastructure
- Retail & Distribution Issues
- Consumer Issues
- Gas Industry Governance



Gas as a Fuel

Gas is a non-renewable, combustion fuel

- Challenge because of environmental commitments

However:

- Gas produces lower levels of pollution
- More efficient than coal
- Direct use of gas is efficient
- Security comes from diversity of supply

Availability of Gas

- At present there is insufficient gas to meet demand
- Supply uncertainty and price increases in future
- Long lead time for exploration and production
- Infrastructure and market size issues
- However:
 - Favourable regulatory regime
 - New entrants
 - Option of importing LNG

Access to Gas Processing Facilities

- Infrastructure is field specific
- Production dynamics are changing
- As a result:
 - Surplus processing capacity may emerge
 - New fields may require new investment
- Arrangements may be needed to ensure efficient access

Innovative solutions required:

- Number of market participants
- Nature of transport arrangements
- Nature of long term contracts
- Lack of uncontracted gas
- Tension between liquid production and gas demand

There are opportunities to develop flexible arrangements

Access to Transmission Infrastructure

Transmission networks mid way through asset lives

Adequate pipeline capacity to meet demand and expected growth, but:

- New power station or new sources of supply → new investment
- Regulatory regime

Access to Transmission Infrastructure

Different transmission access arrangements:

- Interface issues
- Administratively inefficient

Also legacy issues

Gas Industry Co asked to review these arrangements

Retail & Distribution Issues

- Customer switching improvements
- Reconciliation review
- Low density of usage
- Thresholds regime and new investment

Government:

- Policy of ensuring “fairness”
- Expects action from industry:
 - Model contracts
 - Access to complaints schemes
 - Low fixed charges
 - Meter removal arrangements

Need new pan industry arrangements to meet GPS:

- Fit within legal framework
- Transition from existing arrangements

In Summary

Government's objective:

“To ensure that gas is delivered to existing and new customers in a safe, efficient, fair, reliable, and environmentally sustainable manner.”

Gas Industry Co priority areas:

Wholesale Market	Efficient and effective wholesale market arrangements
Access Arrangements	Efficient arrangements for access to pipelines and key infrastructure
Retail & Distribution	Efficient retail and distribution arrangements