

Rt. Hon James Bolger, ONZ, Chair

Strategic Issues for the Gas Sector

Delivering the GPS – Industry Workshop

1 December 2005



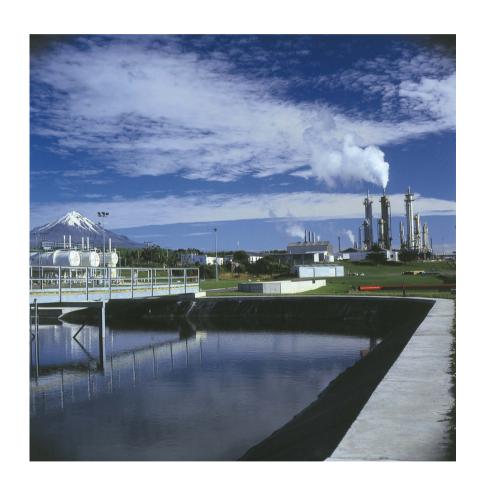
- Explore strategic issues
- Update on Gas Industry Co activities
- Receive feedback from industry participants
- Share workplan

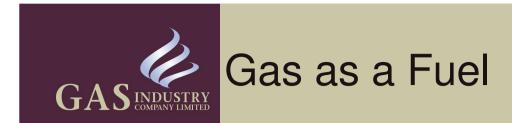


## Strategic Issues Overview

### 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



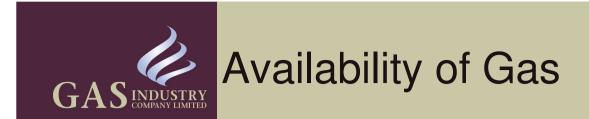


### Gas is a non-renewable, combustion fuel

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



- 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



### 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