



Extending the Electricity Price Review's Final Recommendations to the Gas Market - An Assessment

6 November 2020

Executive Summary

In April 2018, the Government appointed an advisory panel to investigate whether the current electricity market delivers “efficient, fair and equitable prices [to customers]” (Electricity Price Review or EPR).

That panel issued its final report in May 2019 (Report).

Given the similarities and links between the electricity and natural gas and LPG (Gas) markets¹, and Gas Industry Company's (GIC) policy objective “To ensure that gas is delivered to existing and new customers in a safe, *efficient, fair*, reliable and environmentally sustainable manner”, GIC considers it prudent to consider extending the EPR recommendations to the Gas market.

GIC has established a workstream to investigate the application of the 32 EPR recommendations to the Gas market.

¹ Both markets referred to from this point as the “Gas market”.

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1. Introduction and purpose

1.1 Introduction

The Report made 32 recommendations in relation to the electricity market.

Gas was not included within the EPR terms of reference and consequently only three EPR recommendations applied directly to the Gas market: Recommendation D1 relating to wholesale market information, recommendation G2 relating to the security and resilience of electricity supply (where the proposed work of the Security and Reliability Council (SRC) references “matters overseen by GIC”) and G3 relating to new institutional arrangements for energy policy and regulation (which refers to the potential for a combined electricity and gas regulator).

Given the parallel policy objectives of GIC and the EPR, and the similarities and linkages between the electricity and Gas markets, GIC considers it prudent to review the 32 EPR recommendations to consider their application to the Gas market.

1.2 Purpose

The purpose of this paper is to analyse and identify recommendations from the Report that may have application to the Gas market, helping ensure that Gas is delivered to existing and new customers in a safe, efficient, fair, reliable and environmentally sustainable manner.

We welcome stakeholders’ submissions on the issues raised in this paper.

These stakeholder submissions will be used by GIC in its assessment of which (if any) of the EPR recommendations should be extended to the Gas market, in furtherance of the Gas market policy objectives in the Gas Act 1992 (Gas Act) and the Government Policy Statement on Gas Governance 2008 (GPS).

1.3 Implementation

The means of implementing any relevant recommendations (that is, whether by education, information, voluntary compliance, or regulation), and the implementation timing, will be consulted on separately, following selection of any recommendations.

1.4 GIC Policy Objective

GIC’s principal policy objective as set out in GPS is “To ensure that gas is delivered to existing and new customers in a safe, efficient, fair, reliable and environmentally sustainable manner”.

1.5 Similarities and links between electricity and Gas markets

There are many similarities and links between electricity and Gas markets. These similarities and links are relevant when considering the potential extension of EPR recommendations to the Gas market.

1.5.1 Overlapping fuel uses

Electricity and Gas are substitutes for each other in several residential and small business uses, including space heating, water heating and cooking. Most Gas consumers are likely also electricity consumers (whilst the reverse is not true).

1.5.2 Infrastructure similarities

Electricity and Gas fuels utilize broadly similar (but separate and distinct) infrastructure arrangements comprised of upstream producers or generators, midstream delivery agents (transmission, distribution, and LPG bottle delivery trucks) and downstream retailers.

Electricity and gas are both delivered over reticulation infrastructure. While electricity is reticulated nationwide across wires, natural gas is only available from the piped gas reticulation system in the North Island.

LPG is available through a small number of LPG reticulation networks based mainly in the South Island and by bottle delivery, nationwide.

Access to electricity and Gas reticulation infrastructure is managed in both markets via bilateral contracts.

1.5.3 Wholesale market similarities

Electricity is bought and sold at over 200 nodes via a near real time wholesale spot market whereas Gas is largely bought and sold via bilateral contracts (with a growing volume of sales being made on the emsTradepoint trading platform).

The electricity market also features two connected markets used to manage price and location risk – the electricity hedge market and the financial transmission rights market.

1.5.4 Retail market similarities

Electricity and Gas are sold to residential and small business customers by an overlapping set of retailers and fuel (as substitutes for each other) an overlapping set of services enjoyed by these customers. Almost all the largest electricity retailers also retail Gas.

Both fuels are retailed using similar tariff structures, made up of a mix of fixed and variable charges. The main difference being that Gas variable charges are purely volumetric whereas electricity variable charges are typically based on a mix of time of use, peak demand, or volumetric elements.

The greater variety of variable electricity tariffs reflects the dynamic pricing of the wholesale electricity market, and the more acute requirement of managing peak demand on the electricity delivery infrastructure.

1.5.5 Electricity generation

Natural gas plays an important role in the electricity market. It is used to fuel around 10%² of electricity generation, fuelling gas-fired plants which are used to manage peak demand, to firm hydro generation and manage plant outages on the electricity system.

² MBIE Data Tables for electricity, Table 6 Electricity Generation by Fuel Type with Cogeneration separated out (GWh), <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-statistics/electricity-statistics/>

1.5.6 Regulatory similarities

Upstream Gas and electricity producers/generators are not subject to monopoly regulation. Nor are Gas and electricity retailers.

With some exceptions (described in more detail in E4 below) both electricity and Gas transmission and distribution operate open access regimes subject to price-quality regulation by the Commerce Commission.

Both industries also have regulatory frameworks to facilitate switching, allocation of downstream energy quantities and the effective management of security of supply issues.

2. Assessment Framework

2.1 Introduction

In this section we set out the framework we have used to assess the application of the EPR's recommendations to the Gas market.

This framework is based on the Government's objectives in the Gas industry, as identified in the Gas Act and the GPS.

We have assessed each of the EPR's 32 recommendations against these objectives.

2.2 Assessment methodology

To understand the relevance of the EPR recommendations to the Gas market, we assess each recommendation against the Government's policy objectives for the sector. These objectives are identified in the Gas Act and the GPS. This assessment methodology is used on GIC's Information Disclosure workstream.

Table 1 – Assessment Criteria

Criterion	Objective	Text
1	Gas Act s43ZN(a)	the principal objective is to ensure that gas is delivered to existing and new customers in a safe, efficient, and reliable manner
2	Gas Act s43ZN(b)(i)	facilitation and promotion of the ongoing supply of gas to meet New Zealand's energy needs, by providing access to essential infrastructure and competitive market arrangements
3	Gas Act s43ZN(b)(ii)	barriers to competition in the gas industry are minimised
4	Gas Act s43ZN(b)(iii)	incentives for investment in gas processing facilities, transmission, and distribution are maintained or enhanced
5	Gas Act s43ZN(b)(iv)	delivered gas costs and prices are subject to sustained downward pressure
6	Gas Act 43ZN(b)(v)	risks relating to security of supply, including transport arrangements, are properly and efficiently managed by all parties
7	Gas Act s43ZN(b)(vi)	consistency with the Government's gas safety regime is maintained

Criterion	Objective	Text
8	GPS Item 12(a)	energy and other resources used to deliver gas to consumers are used efficiently
9	GPS Item 12(b)	competition is facilitated in upstream and downstream gas markets by minimising barriers to access to essential infrastructure to the long-term benefit of end-users
10	GPS Item 12(c)	the full costs of producing and transporting gas are signalled to consumers
11	GPS Item 12(d)	the quality of gas services where those services include a trade-off between quality and price, as far as possible, reflect customers' preferences
12	GPS Item 12(e)	the gas sector contributes to achieving the Government's climate change objectives as set out in the New Zealand Energy Strategy, or any other document the Minister of Energy may specify from time to time, by minimising gas losses and promoting demand-side management and energy efficiency
13	GPS Item 9	it is also the Government's objective that GIC takes account of fairness and environmental sustainability in all its recommendations. To this end, the Government's objective for the entire gas industry is as follows: To ensure that gas is delivered to existing and new customers in a safe, efficient, fair, reliable, and environmentally sustainable manner
14	GPS Item 13	<p>Pursue and report against the following outcomes:</p> <ul style="list-style-type: none"> - All small gas consumers have effective access to a complaints resolution system - Contractual arrangements between gas retailers and small consumers adequately protect the long-term interests of small consumers. - Effective and efficient customer switching arrangements that minimise barriers to customer switching. - Accurate, efficient, and timely arrangements for the allocation and reconciliation of downstream gas quantities. - An efficient market structure for the provision of gas metering, pipeline, and energy services. - The respective roles of gas metering, pipeline and gas retail participants are able to be clearly understood. - Efficient arrangements for the short-term trading of gas. - Accurate, efficient, and timely arrangements for the allocation and reconciliation of upstream gas quantities.

Criterion	Objective	Text
		<ul style="list-style-type: none"> - Gas industry participants and new entrants are able to access Gas market infrastructure on reasonable terms - Consistent standards and protocols apply to the operations relating to access to all distribution pipelines. - Sound arrangements for the management of critical gas contingencies. - Gas governance arrangements are supported by appropriate compliance and dispute resolution processes. - Gas governance arrangements approved by the Minister of Energy are monitored by GIC for ongoing relevance and effectiveness. - Good information is publicly available on the performance and present state of the gas sector.

These criteria are then mapped against the five outcomes listed in Table 2.

Table 2 – Assessment Outcomes

	Efficiency	Fairness	Reliability	Environment	Safety
Gas Act	Criterion 1 Criterion 2 Criterion 3 Criterion 4 Criterion 5		Criterion 1 Criterion 2 Criterion 6		Criterion 1 Criterion 7
GPS Objective	Criterion 8 Criterion 9 Criterion 10 Criterion 11	Criterion 13		Criterion 8 Criterion 12 Criterion 13	
GPS Outcome	Criterion 14	Criterion 14	Criterion 14		Criterion 14

GIC uses these five outcomes as the screen for determining the 'in-principle' relevance of each of the EPR recommendations to the Gas market.

3. GIC Analysis

Set out below is GIC’s analysis of the relevance of each of the EPR recommendations to the Gas market (cross referencing the EPR recommendation numbers) and its view on the relevant Gas Act/GPS “outcome” that the recommendation might deliver on.

3.1 Strengthening the Consumer Voice

Ref	EPR Recommendation	Lead agency	GIC commentary	Relevant GIC Assessment Outcome
A1	Establish an independent consumer advocacy council (CAC) to advocate on behalf of residential and small business electricity consumers. The CAC is fundamental to strengthening the consumer’s voice and consumers’ trust in the sector.	MBIE	<p>As noted earlier in this paper, electricity and Gas fuels are sold to residential and small business customers by an overlapping set of retailers and fuel (as substitutes for each other) an overlapping set of services enjoyed by residential and small business consumers.</p> <p>GIC supports in principle the extension of the CAC’s remit to Gas consumers. Extending the CAC’s remit will help ensure more effective advocacy for the energy needs of residential and small business Gas consumers.</p> <p>GIC notes however that there are no current Government plans to expand the CAC’s remit to include Gas. The Cabinet Paper “Progressing the Electricity Price Review’s Recommendations” published on 13 February 2020 recommended the CAC should initially focus on electricity.</p>	All
A2	Ensure regulators listen to consumers	MBIE	<p>The Government wrote letters to the Commerce Commission and the Electricity Authority (EA) setting out its expectations, encouraging each to review, document and publish their consultation and stakeholder engagement processes.</p> <p>GIC considers that consumer engagement is in principle an issue equally important for</p>	All

			<p>Gas customers as it is for electricity customers.</p> <p>GIC is open to considering new initiatives to improve engagement with residential and small business consumers in the discharge of GIC's objectives.</p>	
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Q1: Do you support the role of the CAC being extended to Gas markets for the benefit of residential and small business Gas consumers? If so, when should it occur? What measures should GIC be taking to better engage with residential and small business Gas consumers?

3.2 Reducing energy hardship

Ref	EPR Recommendation	Lead agency	GIC commentary	Relevant GIC Assessment Outcomes
B1	Establish a cross sector energy hardship group (Hardship Group)	Cross sector	<p>GIC supports the Hardship Group initiative and supports the Group's remit being extended to include Gas.</p> <p>There is efficiency in considering Gas alongside electricity in any energy hardship initiatives:</p> <ul style="list-style-type: none"> - Gas is an important residential and small business fuel, making up approximately 11%³ of the household fuel market (including transport fuels); in some urban areas such as Wellington, Gas provides more energy to heat water than electricity. - Gas is typically sold as an alternative to electricity. - Gas is sold by most of the larger electricity retailers, either as a standalone fuel or as part of a 'bundled' offering. 	Fairness
B2	Define energy hardship	MBIE	GIC supports this initiative and proposes the Group's remit is extended to include Gas.	Fairness

³ MBIE Energy Balance Tables, 2019 Residential energy consumption, <https://www.mbie.govt.nz/assets/Data-Files/Energy/nz-energy-quarterly-and-energy-in-nz/energy-balance-tables.xlsx>

			GIC considers that the role of Gas in energy hardship is not well understood and is supportive of a cross sector, collaborative, data-based investigation of this issue, led by the Hardship Group.	
B3	Establish a network of community-level support services to help consumers in energy hardship	TBC	GIC supports this initiative in principle and supports work on this recommendation being extended by the appropriate Government agency to include Gas.	Fairness
B4	Set up a fund to help households in energy hardship become more energy efficient	TBC	GIC supports this initiative in principle and supports work on this recommendation being extended by the appropriate Government agency to include Gas.	Fairness
B5	Offer extra financial support for households in energy hardship	MSD	GIC supports this initiative in principle and supports work on this recommendation being extended by the appropriate Government agency to include Gas.	Fairness
B6	Set mandatory minimum standards to protect vulnerable and medically dependent consumers	MBIE	<p>Gas is not a fuel for critical medical support. Thus, Gas is not relevant when establishing guidelines (minimum standards) for treating medically dependent customers⁴.</p> <p>Gas is however relevant when establishing guidelines (minimum standards) for treating vulnerable customers. GIC supports in principle the establishment of appropriate minimum standards for the protection of vulnerable Gas consumers.</p> <p>GIC understands that the EA is currently revising its guidelines on arrangements to assist vulnerable consumers Version 2.1, to Gas consumers. https://www.ea.govt.nz/dmsdocument/8565-guidelines-on-arrangements-to-assist-vulnerable-consumers</p> <p>GIC will liaise with the EA in the development of these new guidelines and</p>	Fairness

⁴ Based on the Electricity Authority's (EA) definition of Medically Dependent Consumer set out in its Guideline on arrangements to assist medically dependent consumers version 2.1. <https://www.ea.govt.nz/dmsdocument/8564-guidelines-arrangements-to-assist-medically-dependent-consumers>

			assess the extent to which these should be extended to vulnerable Gas consumers.	
B7	Prohibit prompt payment discounts but allow reasonable late payment fees	MBIE	<p>Electricity and Gas are commonly sold in 'dual fuel' bundles.</p> <p>GIC supports extending the electricity market's initiative to move away from prompt payment discounts, to the Gas market.</p> <p>GIC notes through its discussions with 'dual fuel' retailers that the move away from non-cost reflective prompt payment discounts is being applied equally to electricity and Gas customers.</p> <p>Based on GIC's discussions with LPG retailers, prompt payment discounts are not a feature of the LPG market (save when sold as part of dual fuel offering by an electricity retailer – in which case the above comments apply).</p>	Fairness
B8	Explore bulk deals for social housing and/or Work and Income clients	MSD/ HUD	<p>GIC in principle supports this initiative being extended to Gas consumers.</p> <p>The work of the Hardship Group on the role of Gas in energy hardship should be used to help inform the solutions developed for this recommendation.</p>	Fairness, Efficiency

Q2: Do you support the extension of the energy hardship initiatives in B1-B6 and B8 to include Gas (please address each separately)? Do you support the extension of the electricity market arrangements on PPDs to Gas?

3.3 Increasing retail competition

Ref	EPR Recommendation	Lead agency	GIC commentary	Relevant GIC Assessment Outcomes
C1	Merge the Electricity Authority and Consumer NZ price comparison websites:	EA	<p>This work is already underway and is supported by GIC.</p> <p>GIC notes however that LPG price comparison functionality is not currently include on Powerswitch.</p>	Fairness, Efficiency

	Whatsmynumber and Powerswitch			
C2	Improve consumer awareness of Powerswitch and Utilities Disputes	EA/ CAC	<p>GIC in principle supports improving Gas consumer awareness of the Powerswitch and Utilities Disputes services.</p> <p>Extending the awareness measures being implemented by the EA in respect of electricity, to Gas, is a pragmatic implementation approach for Gas given that Gas consumers are commonly also electricity consumers (typically purchasing both fuels in a 'dual fuel' bundle).</p> <p>Based on GIC's discussions with Gas retailers, it appears that 'dual fuel' retailers are likely to extend the EA's awareness measures equally to Gas consumers.</p>	Fairness, Efficiency
C3	Develop a streamlined way to process customer requests for consumption data	EA	<p>Efficient, timely access to customer consumption data is important for the promotion of retail market competition. GIC supports in principle the development of an agreed approach to processing customer requests for consumption data, noting the following differences between the electricity and Gas markets:</p> <ul style="list-style-type: none"> - There is currently no Gas smart metering for residential and small business consumers so 'instant access' to consumption data is not possible. - For these types of consumers, Gas consumption data is purely volumetric, with no time series data available due to the absence of Gas smart metering. - energy prices in the Gas market are not set via a near real time settlements (as is the case with electricity) and delivery costs are a function of volume x distance rather than being time or demand based. - the LPG market does not have a centralized data registry 	Fairness, Efficiency

			The EA is commencing a workstream on this recommendation, in respect of electricity. GIC will liaise with the EA in the development of these new guidelines and assess the extent to which these should be extended to the Gas market	
C4	Make distributors offer retailers standard terms of network access	EA	<p>The EA has implemented mandatory default distributor agreement terms covering network access terms and distributors accessing consumption data due to a concern that a lack of standardization increases retailer costs and impedes competition. Electricity distributors will have default agreements in place we understand by early 2021.</p> <p>GIC does not support a similar mandatory model for Gas.</p> <p>GIC operates a voluntary, industry-agreed Gas Distribution Contracts Oversight Scheme which assesses standard natural gas distribution service agreements against a set of principles and aims to ensure that the core terms and conditions in distribution arrangements are clear and reasonable; promote market efficiency; and ultimately enhance consumer outcomes.</p> <p>GIC considers that this voluntary approach is functioning well. The most recent independent assessment of this Scheme found “substantial” alignment of distributor access agreements with the Gas Distribution Contracts Oversight Scheme principles.⁵</p>	Efficiency
C5	Prohibit saves and win-backs	EA	<p>The EA has amended the Electricity Industry Participation Code to prohibit retailers from acting on notice that a customer intends switching or has switched to a competitor, to win back that customer (saves and winbacks activity).</p> <p>The prohibition was to help counter the development of a two-tier market in which consumers who actively shop around receive discounts and those who do not</p>	Fairness, Efficiency

⁵ Assessment of Contracts against Gas Industry Co’s Gas Distribution Contracts Oversight Scheme, Elwood law, 29 May 2014.

			<p>pay higher prices (with vulnerable customers being over-represented in non-switchers).</p> <p>GIC understand that some retailers are continuing with Gas consumer saves and winbacks activity.</p> <p>GIC supports extending the saves and winbacks prohibition to include residential and small business Gas consumers.</p> <ul style="list-style-type: none"> - Prohibiting saves and winbacks activity in the Gas market should in principle help to improve fairness in the Gas market. - The extension of this prohibition to residential and small business Gas consumers may improve retailer operational efficiency, for the benefit of these Gas consumers, by ensuring a common approach across all retailer fuels. 	
C6	Establish a pilot scheme to help non-switching consumers find better deals	EA	<p>GIC is undecided on this recommendation being extended to the Gas market.</p> <p>GIC would like to better understand the design of the proposed EA scheme and the resulting benefits for consumers before determining whether it would be appropriate to extend that scheme to Gas consumers.</p>	Fairness, Efficiency

Q3: Do you support the extension of PowerSwitch to include LPG (reticulation and bottles)? Do you support GIC's views on the initiatives in C1–C6 (please address each separately)?

3.4 Reinforcing wholesale market competition

Ref	EPR Recommendation	Lead agency	GIC commentary	Relevant GIC Assessment Outcomes
D1	Improve availability of wholesale	EA	GIC supports this recommendation. Free-flowing, timely and accurate information is	Efficiency

	electricity and gas market information		<p>a key element of a well-functioning market.</p> <p>GIC's Information Disclosure workstream established to assess information transparency and asymmetry in the Gas sector is running in parallel to this EPR workstream and will deliver GIC's views on availability of gas market information.</p>	
D2	Introduce mandatory market-making obligations	EA	<p>The retail electricity market relies on the four largest generator-retailers voluntarily quoting competitive buy and sell prices to non-generator retailers for wholesale electricity contracts. The EPR's recommendation D2 was made in response to evidence that this voluntary system was not operating effectively, to the detriment of non-generator retailers.</p> <p>GIC does not support extending this recommendation to Gas markets, as GIC has not identified a corresponding problem in Gas markets.</p> <ul style="list-style-type: none"> - GIC is aware of 'white label' solutions being offered to some small retailers which helps facilitate competition. GIC continues to monitor Gas markets as part of its normal activities. 	Efficiency, Fairness
D3	Make generator - retailers release information about the profitability of their retailing activities	EA	<p>Recommendation D3 arose in response to a perception held by some, that electricity generator - retailers were making excessive profits and favoring their own retail businesses at the expense of non-generator retailers.</p> <p>GIC does not support extending this recommendation to Gas markets. It is not aware of Gas producer – retailers making excessive profits, and vertical integration of energy production/generation and retail is not the dominant business model it is in the electricity market.</p>	Efficiency
D4	Monitor contract prices and generation costs more closely	EA	<p>This recommendation arose in response to a perception held by some that generator - retailers were making excessive profits at</p>	Efficiency, Fairness

			<p>the expense of consumers, by inflating wholesale contract prices.</p> <p>GIC does not support extending this recommendation to Gas markets.</p> <p>GIC monitors Gas markets as part of its normal activities and GIC has not identified a corresponding problem in Gas markets.</p>	
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Q4: Do you support GIC's views in respect of the initiatives in D1 to D4 (please address each separately)?

3.5 Improving transmission and distribution

Ref	EPR Recommendation	Lead agency	GIC commentary	Relevant GIC Assessment Outcomes
E1	Issue a government policy statement on transmission pricing	MBIE	<p>GIC does not support extending this recommendation to Gas transmission.</p> <p>GIC has not identified a corresponding problem in Gas markets. Gas transmission pricing does not face the same issues and pressures as electricity transmission pricing, although GIC is keeping a watching brief on the transmission pricing effects of large natural gas consumers leaving the natural gas transmission system. .</p> <p>Gas transmission is already the subject to price-quality regulation by the Commerce Commission.</p>	Efficiency
E2	Issue a government policy statement on distribution pricing	MBIE	<p>GIC does not support extending this recommendation to Gas distribution.</p> <p>GIC has not identified a corresponding problem in Gas markets. Gas distribution pricing does not face the same issues and pressures as electricity distribution pricing through the emergence of new technologies. The gas distribution market is well established, with four open access network services providers, and one non-open access network owner. No efficiency or competition issues have been identified</p>	Efficiency

			by the GIC around open access gas distribution networks.	
E3	Ensure distributors have access to smart meter data on reasonable terms	EA	<p>GIC does not support extending this recommendation to Gas distributors.</p> <p>Smart meters are not yet a feature of the retail and small business segment of the Gas market and Gas distributors do not, as far as GIC is aware, require access to this data (if it existed) for the efficient management of Gas distribution networks.</p> <p>GIC recommends this issue should be revisited following the roll-out of smart metering technology for smaller Gas consumers, and following any material changes to Gas distribution networks that mean distributors would benefit from access to this data (for the efficient management of Gas distribution networks).</p>	Efficiency
E4	Give the Commerce Commission more powers to regulate distributors	MBIE	<p>The EPR recommended a range of additional powers for the Commerce Commission that would make its price-quality regulation of electricity distributors more flexible, potentially enhancing the Commission's ability to deliver improved outcomes for consumers.</p> <p>GIC is undecided on this recommendation being extended to Gas distribution, but notes the following:</p> <ul style="list-style-type: none"> - All open-access gas distribution pipelines are subject to Commerce Commission administered price-quality regulation. - The natural gas distribution market does not feature price-quality regulation 'exempt' distributors to the extent found in the electricity market. There is only one open-access distribution network that is not subject to Commerce Commission price-quality regulation. This is owned by Nova Energy. 	Efficiency

			<ul style="list-style-type: none"> - LPG reticulation networks and assets are not 'open-access' and are not subject to Commerce Commission administered price-quality regulation. However, in its 2018 report on Retail Competition in the LPG Market, GIC did not find any barriers to LPG market entry (that is, any costs or impediments that are not faced by all LPG retailers). 	
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Q5: Do you support GIC's initial view to not extend the initiatives in E1-E4 to include Gas (please address each separately)?

3.6 Improving the regulatory system

Ref	EPR Recommendation	Lead agency	GIC commentary	Relevant GIC Assessment Outcomes
F1	Give the Electricity Authority more powers to regulate network access	MBIE	<p>This EPR recommendation arose in response to technology changes leading to the involvement of regulated monopolies (Transpower and electricity distributors) in competitive markets for consumer generated power, energy storage, demand management systems, and related services (known collectively as 'distributed energy services').</p> <p>GIC is undecided on extending this recommendation to Gas markets.</p> <p>Save for the potential use of Gas pipelines for delivering hydrogen gas, GIC is not aware of any equivalent technology changes, or 'overspilling' of regulated monopoly participant activity into unregulated competitive market equivalents in Gas markets.</p> <p>GIC proposes to keep a watching brief on Gas market technology developments in the event the need for more regulatory power to manage these new technology-driven issues arise in future.</p>	Efficiency

F2	Give the Electricity Authority an explicit consumer protection function	MBIE	<p>GIC does not support extending this recommendation to Gas markets.</p> <p>GIC already takes fairness to consumers into account when it is discharging its Gas Act functions (the GPS extended GIC's policy objective to include "fairness" to consumers).</p>	Fairness
F3	Update the Electricity Authority's compliance framework and strengthen its information-gathering powers	MBIE	<p>GIC sees no need to update to its compliance framework as it has not identified any problems with the current framework. GIC proposes however to keep a watching brief on changes made to the EA's compliance framework and to monitor the success or otherwise of these changes.</p> <p>GIC supports a strengthening of its information gathering powers to better enable it to assess and monitor Gas market arrangements. Generally, GIC experiences good compliance with information requests however on occasion its information requests are not met. GIC considers there may be merit in aligning its information gathering powers with the EA's modified powers.</p>	Efficiency
F4	Phase out low fixed charge tariff regulations	MBIE	<p>GIC does not support extending this recommendation to Gas markets.</p> <p>There is no low fixed charge tariff equivalent in the Gas market. Power exists in the Gas Act for making such regulations however no such regulations have been enacted (section 43H Gas Act).</p> <p>In principle GIC would not support the creation of a low fixed charge regime for Gas, for the same reasons put forward by the EPR in recommending reform of the equivalent electricity regime.</p>	Fairness

Q6: Do you support GIC's initial view to not extend the initiatives in F1-F4 to include Gas (please address each separately)?

3.8 Preparing for a Low-Carbon Future

Ref	EPR Recommendation	Lead agency	GIC commentary	Relevant GIC Assessment Outcomes
G1	Encourage more energy sector innovation	MBIE	<p>GIC supports the inclusion of Gas in any Government initiatives arising from this recommendation.</p> <p>Gas market participants and Gas market assets have an important role in New Zealand’s transition to a low-carbon future.</p> <p>MBIE is leading work on this recommendation. GIC is liaising with MBIE to seek appropriate Gas market involvement.</p>	Environment, Efficiency
G2	Examine security and resilience of electricity supply	EA/SRC	<p>GIC supports the inclusion of Gas in any Government initiatives arising from this recommendation (including the proposed work of the SRC).</p> <p>Gas plays a key role in the security of supply of the electricity system and the wider New Zealand energy system.</p> <p>The EA is leading work on this recommendation. GIC is liaising with the EA to seek appropriate Gas market involvement.</p>	Reliability, Environment, Efficiency
G3	Explore new institutional arrangements for energy policy regulation	MBIE	<p>GIC supports increased collaboration and cooperation between Government agencies involved in energy policy and regulation. The Council of Energy Regulators has an increasingly important role to play in this regard. GIC is an active contributor to the Council of Energy Regulators.</p> <p>MBIE is leading work on this recommendation. GIC is liaising with MBIE to seek appropriate Gas market involvement.</p>	Efficiency
G4	Improve the energy efficiency of new and existing buildings	MBIE	<p>GIC supports this recommendation and is open to the role the Gas market can play in delivering such improvements, cost effectively.</p>	Environment, Efficiency

			<p>Energy efficiency and conservation should be energy policy priority issues.</p> <p>MBIE is leading work on this recommendation. GIC is liaising with MBIE to seek appropriate Gas involvement.</p>	
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Q7: Do you support the extension of the initiatives in G1-G4 to include Gas (please address each separately)?

5. Appendix I - At a glance overview

EPR Recommendation		GIC's in-principle assessment	Comment
A	Strengthening the Consumer Voice		
1	Establish the CAC	●	
2	Ensure regulators listen to consumers	●	
B	Reducing energy hardship		
1	Establish a cross sector energy hardship group	●	
2	Define energy hardship	●	
3	Establish a network of community-level support services to help consumers in energy hardship	●	
4	Set up a fund to help households in energy hardship become more energy efficient	●	
5	Offer extra financial support for households in energy hardship	●	
6	Set mandatory minimum standards to protect vulnerable and medically dependent consumers	●	
7	Prohibit prompt payment discounts but allow reasonable late payment fees	●	
8	Encourage bulk deals for social housing and/or Work and Income clients	●	
C	Increasing retail competition		
1	Merge the Electricity Authority and Consumer NZ price comparison websites: Whatsmynumber and PowerSwitch	●	

EPR Recommendation		GIC's in-principle assessment	Comment
2	Improve consumer awareness of PowerSwitch and Utilities Disputes		
3	Develop a streamlined way to process customer requests for consumption data		
4	Make distributors offer retailers standard terms of network access		
5	Prohibit saves & win-backs		
6	Establish a pilot scheme to help non-switching consumers find better deals		
D	Reinforcing wholesale market competition		
1	Toughen rules on disclosing wholesale market information		
2	Introduce mandatory market-making obligations		
3	Make generator retailers release information about the profitability of their retailing activities		
4	Monitor contract prices and generation costs more closely		
E	Improving transmission and distribution		
1	Issue a government policy statement on transmission pricing		
2	Issue a government policy statement on distribution pricing		
3	Ensure distributors have access to smart meter data on reasonable terms		
4	Strengthen the Commerce Commissions powers to regulate distributor's performance		
F	Improving the regulatory system		
1	Give the Electricity Authority clearer, more flexible powers to regulate network access for distributed energy services		

EPR Recommendation		GIC's in-principle assessment	Comment
2	Give the Electricity Authority an explicit consumer protection function		
3	Update the Electricity Authority's compliance framework and strengthen its information-gathering powers		
4	Phase out low fixed charge tariff regulations		
G Preparing for a Low-Carbon Future			
1	Encourage more energy sector innovation		
2	Examine security and resilience of electricity supply		
3	Explore new institutional arrangements for energy policy and regulation		
5	Preparing for a Low-Carbon Future		

Key

We consider the recommendation could be extended to the Gas market	
We are undecided	
We do not support extension of the recommendation to the Gas market	

Glossary

EA	Electricity Authority
EPR	Electricity Price Review
CAC	Consumer Advocacy Council
Gas	Natural gas and LPG
Gas Act	Gas Act 1992
GIC	Gas Industry Company
GPS	Government Policy Statement on Gas Governance 2008
Hardship Group	Energy Hardship Group
HUD	Ministry of Housing and Urban Development
LPG	Liquefied Petroleum Gas
MBIE	Ministry of Business Innovation and Employment
MSD	Ministry of Social Development
PPD	Prompt Payment Discount
SRC	Security and Reliability Council

Questions

Title of Report

Submission prepared by: <company name and contact>

Question	Comment
Q1 Do you support the role of the CAC being extended to Gas markets for the benefit of residential and small business Gas consumers? If so, when should it occur? What measures should GIC be taking to better engage with of residential and small business Gas consumers?	
Q2 Do you support the extension of the energy hardship initiatives in B1-B6 and B8 to include Gas (please address each separately)? Do you support the extension of the electricity market arrangements on PPDs to Gas?	
Q3 Do you support the extension of PowerSwitch to include LPG (reticulation and bottles)? Do you support GIC's views on the initiatives in C1-C6 (please address each separately)?	
Q4 Do you support GIC's views in respect of the initiatives in D1 to D4 (please address each separately)?	
Q5 Do you support GIC's initial view to not extend the initiatives in E1-E4 to	

	include Gas (please address each separately)?	
Q6	Do you support GIC's initial view to not extend the initiatives in F1-F4 to include Gas (please address each separately)?	
Q7	Do you support the extension of the initiatives in G1-G4 to include Gas (please address each separately)?	

ABOUT GAS INDUSTRY CO

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.

SUBMISSIONS CLOSE: 4
DECEMBER 2020 AT 5PM.

SUBMIT TO:
www.gasindustry.co.nz

ENQUIRIES:
consultations@gasindustry.co.nz