



FY2022 Draft Work Programme and Budget Co-Regulatory Forum

DATE: 27 November 2020



Agenda

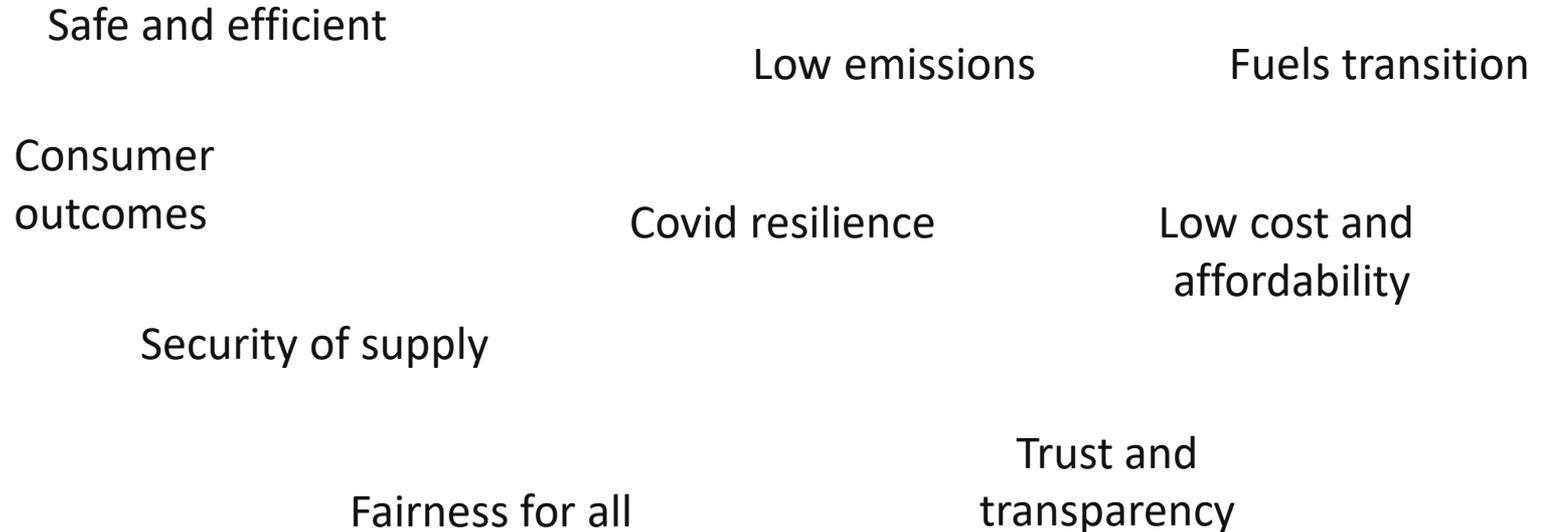
- Summary of year-to-date
- Looking forward
- Strategy
- Proposed Work Programme
- Funding
- Questions/discussion

Summary of year-to-date

- Worked with Government and industry to help address NZ's energy sector issues and climate change goals
- Security of gas supply
- COVID-19 Sector Coordinating Entity role for New Zealand gas industry
- Information disclosure remained a focus
- Establishment of a workstream to identify relevant EPR recommendations and investigate extension to gas
- Supply/demand study published
- Hydrogen
- Progressed other FY2020 GIC work:
 - CCM review
 - Follow-on work relating to transmission access arrangements
 - Statutory roles (CCM, reconciliation, market admin etc)

Looking forward

We identified social and political focal points, which we believe define our landscape. These focal points are an important test to benchmark if our behaviours and actions are meeting the needs of our community.



Strategy



FY2022 Planning process starts early

October 2020	Board notes Indicative Work Programme & Budget
November	Industry initial engagement (Co-regulatory Forum)
December	Board approves Consultation Paper for Work Programme and Levy
January/February 2021	Industry submissions
February	Board approves Levy Recommendation
March	Recommendation to Minister for Levy Regulations



Proposed Work Programme

Key work programme – Changing energy markets

- Strategic shift in long term energy supply and demand including:
 - Policy work
 - Analysis
 - Engagement across Government
 - Climate change
 - Hydrogen

Information disclosure

- Objective is to ensure information is available to all parties, supporting an efficient and effective wholesale gas market.
- Three areas of focus:
 - Statement of Proposal on gas production and storage outage information – draft SOP out for consultation by the end of the year.
 - Major user outage information – developing a position paper.
 - Average contract price and volume information – developing a position paper.
- Will develop an information portal over the coming year. Gas production, major user consumption and Ahuroa storage information already published on our website.
- The EA has nearly completed its review of thermal fuel information disclosure. Proposed actions include Code changes, reporting guideline updates and an information webpage.

Critical contingency management

- Statement of Proposal for amending the Critical Contingency Management Regulations - released May 2020
- Eleven submissions received
- Currently undertaking further analysis on issues raised in submissions
- Summary/analysis of submissions and Recommendation to Minister in 2021
- Then, work with MBIE and PCO on amendments to regulation
- Implementation

Electricity Price Review (EPR)

- The GIC has established a workstream to identify relevant EPR recommendations and investigate extending these recommendations to the Gas market.
- Gas Industry Company has recently released a consultation paper setting out its initial assessment of whether the EPR recommendations should be extended to gas.
- Potential FY2022 activities:
 - Expect to have a clear picture of any EPR recommendations that should be extended to gas and have considered non-regulatory/regulatory solutions by start of FY2022
 - If necessary, progress a recommendation for regulation
 - Implementation of any of the above arrangements

Gas transmission

- Assess and action any changes to industry arrangements that may be required as a result of GTAC not progressing (e.g. gas metering, gas quality, transmission security and reliability, interconnection).
- Be prepared to assume any role that industry requests Gas Industry Co to perform in relation to changes to gas transmission access arrangements.

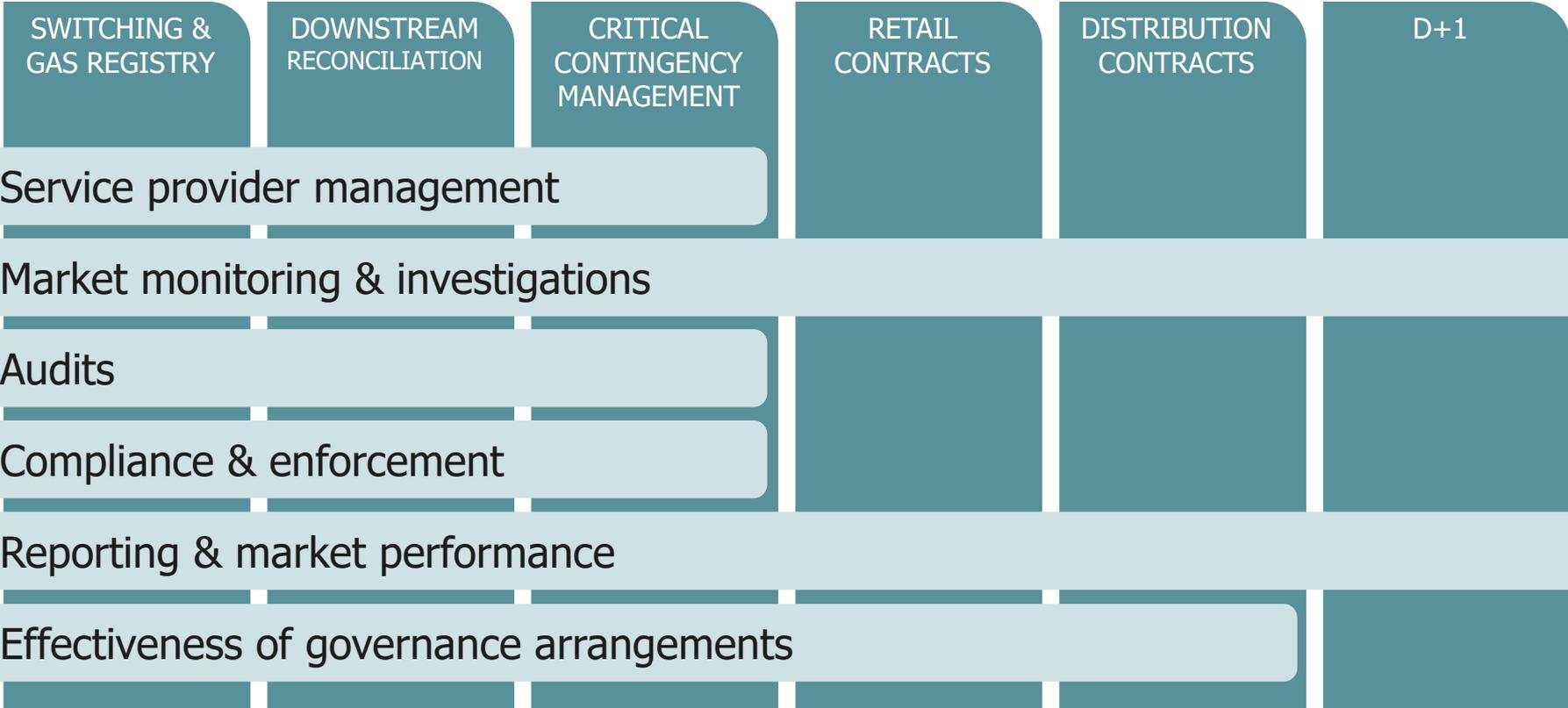
Implementation of formal D+1 model

- After more than five years running the D+1 'pilot' scheme, we will proceed with the implementation of a formal D+1 system in 2021
- We see D+1 as providing value in all future scenarios for the transmission system (and this was reinforced by commentary in the recent GTAC workshop)
- The implementation project has regulatory, contractual & technology strands:
 - Proposing changes to the Gas (Downstream Reconciliation) Rules 2008
 - Developing contractual arrangements to cover the build and operation of the system
 - Choosing and appointing a vendor (for build and subsequently for operation)
 - Managing the design, build, testing and eventual cutover from the pilot system
- All stages of the project would benefit from stakeholder input, most likely via DAWG or similar working group

Advanced gas metering

- Genesis/Vector announce that they will begin an advanced gas meter rollout to Genesis customers
- GIC will reassemble the TARMAC working group to consider what changes might be required to the systems and rules for the gas registry/switching/reconciliation (short term and long term view)
- Work on the rollout was delayed by COVID-19 but will commence in FY2021

Statutory accountabilities and established activities



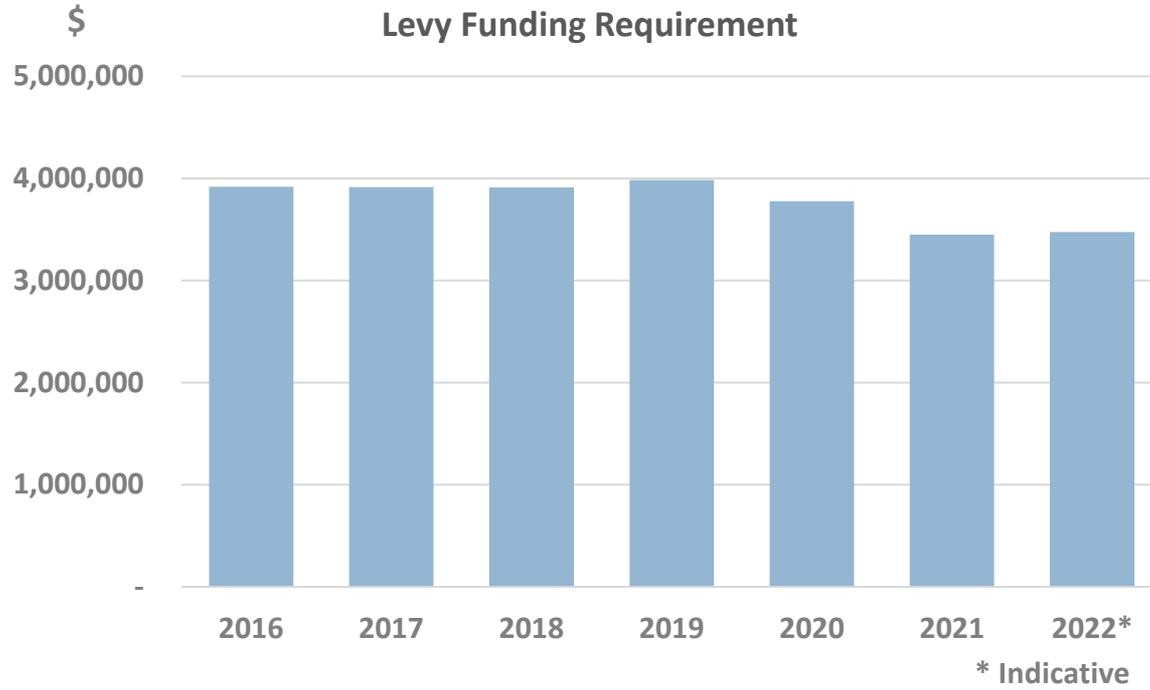
Funding

Two main sources of funding: Market fees and Levy

- Market fees:
 - Provided for in gas governance rules and regulations;
 - Cover costs of service providers, and other direct costs relating to the monitoring of rules/regulations;
 - Formal estimate of market fees published two months before the beginning of the financial year, so placeholder included in FY2022 budget;
 - GIC required to wash-up at year end - either invoices under-recovery, or credits over-recoveries.
- Levy:
 - Cover direct cost of workstreams and non-operational expenditure;
 - Two components of the levy: wholesale and retail;
 - Wholesale levy paid by industry participants on purchases from gas producers;
 - Retail levy paid by gas retailers on the number of ACTIVE-CONTRACTED ICPs in the registry;
 - Wholesale/retail component of levy reflects the weighting of the work programme, which changes from year to year;
 - GIC Board practice has been to return any over recovery and/or underspend.

Projected FY2022 expenditure

Levy funding requirement		Market fees		Total work programme costs
\$3,472,367		\$1,299,000*		\$4,771,367
0.64% increase from FY2021 (\$3,450,182)	+	9.5% decrease from FY2020 (\$1,436,000)	=	2.35% decrease from FY2021 (\$4,886,182)
		*Placeholder - Market fees estimated in April		



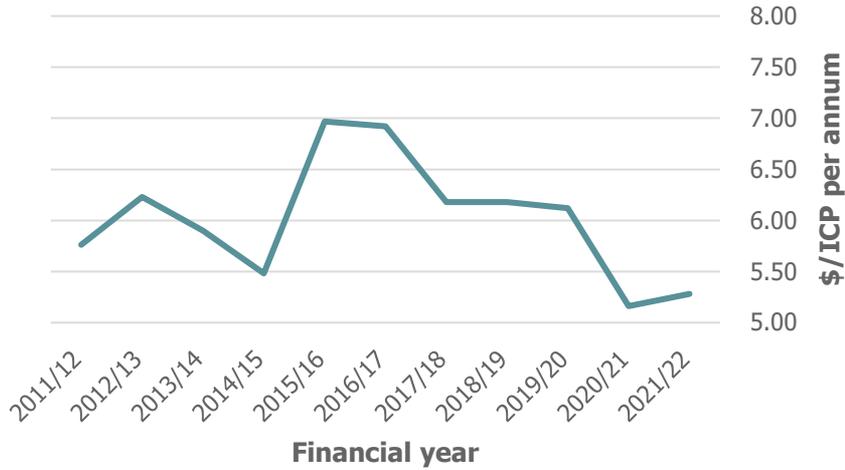


Comparison of FY2021 and FY2022

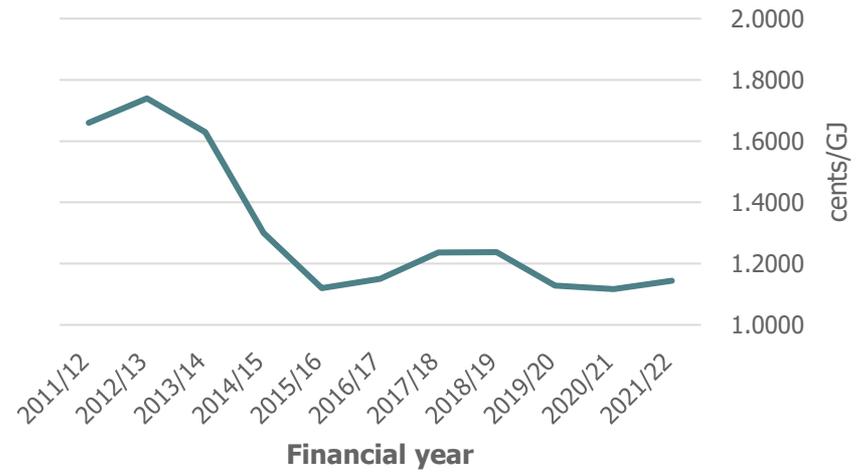
	FY2022 (indicative)	FY2021 (published)	Variance
Levy Funding requirement	\$3,472,367	\$3,450,182	0.64% increase
Wholesale volume estimate	165PJ	175PJ	-10PJ
Wholesale Levy	1.1445c/GJ	1.1164c/GJ	2.52% increase
Retail Levy	\$5.28/ICP	\$5.16/ICP	2.33% increase

Prior year levies

Retail Levy



Wholesale Levy





Thank you