



Consultation on Gas Industry Co FY2023 Work Programme and Levy

SUBMISSIONS CLOSE: 5PM TUESDAY 8 FEBRUARY 2022



Gas Industry Co.

Executive Summary



In consultation with industry, Gas Industry Co develops both an annual work programme and a cost estimate for that work programme. These costs are principally funded through a levy and market fees, the latter imposed under relevant governance rules and regulations.

The proposed FY2023 work programme includes meeting statutory requirements, such as the administration of existing gas governance regulations, and seeks to address Government and industry priorities through the completion of key project deliverables. It continues existing multi-year workstreams and reflects significant progress already made in addressing the objectives and outcomes set for Gas Industry Co and the industry in the Gas Act 1992 (Gas Act) and the Government Policy Statement on Gas Governance 2008 (GPS).

This paper has been prepared after taking into consideration feedback received on the proposed work programme and costs at the Co-Regulatory Forum held on 2 December 2021. Forum feedback generally supported these proposals.

The proposed FY2023 levy funding requirement is \$4,579,373. The corresponding proposed levy rates for FY2023 are a retail levy of \$6.63 per ICP (based on 300,000 ICPs), and a wholesale levy of 1.3997 cents per GJ of gas (based on a volume of 185 PJ).

Submissions

Written submissions on this Consultation Paper should be provided to Gas Industry Co by 5 pm on Tuesday 8 February 2022. Please note that submissions received after that time may not be able to be fully considered.

Submissions can be made by logging in to Gas Industry Co's website and uploading your submission, preferably in the form of the submissions template attached to this consultation document (Appendix A). No email confirmation will be sent acknowledging receipt of submissions. To check your submission has been successfully uploaded, log in and check your account. If this is unsuccessful, contact Gas Industry Co (+64 4 472 1800) or email: consultations@gasindustry.co.nz for assistance.

Submissions may be amended at any time prior to the closing date. All submissions will be published automatically on Gas Industry Co's website after the closing date. Submitters should discuss any intended provision of confidential information with Gas Industry Co prior to submitting the information.

Gas Industry Co is happy to meet with any stakeholder who wishes to discuss the proposals in more detail.



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1. Legislative and Strategic Context



1.1 Strategic Context

Energy constraints, and gas shortages specifically, during 2021 have influenced Gas Industry Co's assessment of work needed in coming years.

The shortages led the Minister of Energy and Resources to request Gas Industry Co to investigate gas market settings. That major piece of work looked at security of gas supply and the adequacy of market settings. We recommended a substantial programme of further work to explore the main themes uncovered in our investigation. The contents of this consultation paper outline work proposed as a result.

Some big themes have come into focus.

Strategies will be needed to allocate a diminishing quantity of gas alongside the need for gas to provide security in an increasingly renewable energy system.

Another dominant theme is the adequacy of commercial arrangements for security of supply. While we have found general consensus that the market works well, one weakness is that market participants may be inadequately incentivised to provide security of supply for participants other than their own customers. Resulting short-term responses to energy shortages are not always in the national best interest. Risks around short-term responses to shortages include social and political consequences, which will sooner or later result in solutions being imposed. The co-regulatory model provides for the identification of issues and encourages the industry to be the master its own destiny with a regulatory backstop.

Over the coming decade Gas Industry Co expects we will see a few years of relatively balanced gas supply with some seasonal challenges, followed by a glidepath into the 2030s that will be determined by the level of investment in field development over the next couple of years. Investment decision-makers on both the supply and demand side have told us they would benefit from better clarity and predictability. We propose to assist by gathering and publishing more information on supply and demand, and with a programme of work on various regulations. Understanding the gas transitions pathway is of key importance, and it is supported by a basket of complementary initiatives.

Our planned work on the gas transition pathway is likely to be a multi-year work programme that will input to a national energy strategy. It will help to shape the ongoing choices in balancing supply and use of gas. The contextual consideration is that Gas Industry Co is well-placed, as an industry-owned body, to facilitate the industry's transition.

De-carbonisation, changing composition of the gas market, long-term field decline, and investment confidence are emerging as the major themes over the next decade. This consultation document adds a response to this new context to our ongoing work in governance and facilitation of gas markets.

1.2 Gas Industry Co's Roles

What we do is conveniently grouped into three classes of activities (reflected in our Strategy at 1.3 below). These activities make up our work programme:

Gas Governance

The Gas Act and GPS guide us in these activities where we have statutory roles as well as oversight of the industry processes or regulations with the intention of ensuring appropriate activities are being undertaken. Examples of our Gas Governance roles include the determination of breaches or undertaking compliance audits. Our Gas Governance roles are normally designed to provide security of supply, build consumer trust, or oversight of competition and markets.

Facilitating Industry Systems and Processes

Gas Industry Co has regulatory defined roles and has undertaken activities requested by industry to deliver independent or centralised services. Examples of the facilitation role includes a wide set of activities including management of the D+1 model, the gas registry, or reconciliation processes, through to hosting the website for upstream disclosures.

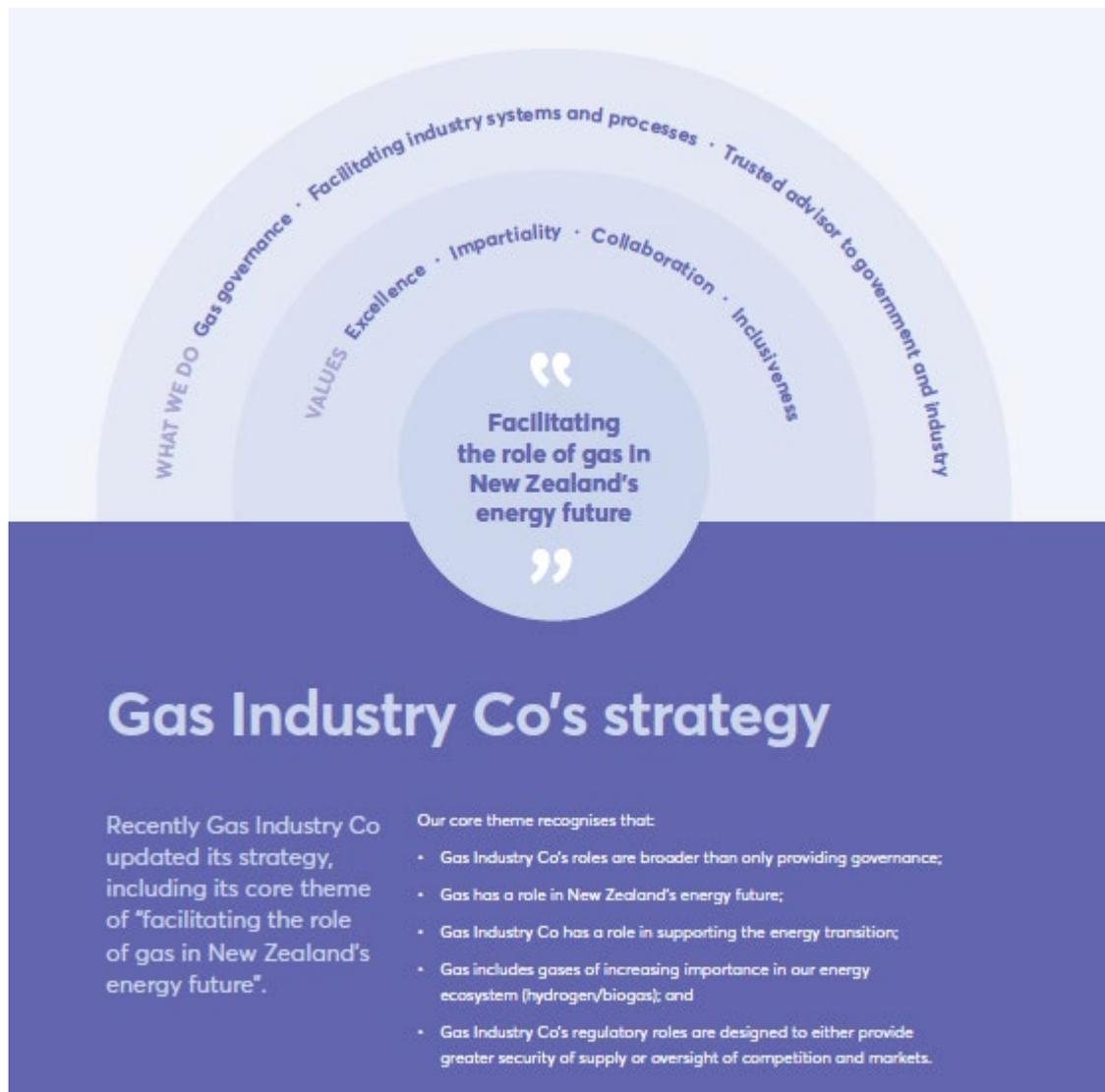
Trusted Advisor to Government and Industry

The trusted advisor role reflects the activities we undertake to inform about the gas industry. This role has become more pronounced as the wider energy sector and Government entities have sought to develop their understanding of the changing energy future. Examples include the Gas Market Settings Investigation report, Supply and Demand studies, engagement with government agencies such as MBIE or the Climate Commission, and discussions with industry regarding government processes. It is important to note here that our role is limited to informing, we are not an advocate or lobbyist for industry.

1.3 Gas Industry Co's Strategy

Gas Industry Co's strategy includes our core theme of "facilitating the role of gas in New Zealand's energy future". Our core theme recognises that:

- Gas Industry Co's roles are broader than only providing governance;
- Gas has a role in New Zealand's energy future;
- Gas Industry Co has a role in supporting the energy transition;
- Gas includes gases of increasing importance in our energy ecosystem (hydrogen/biogas); and
- Gas Industry Co's regulatory roles are designed to either provide greater security of supply or oversight of competition and markets.



1.4 Gas Industry Co's Values

Gas Industry Co's values are:

Collaboration: *We work together with integrity, to achieve our goals*

We do this by:

- working together on shared goals;
- sharing and seeking knowledge and experience;
- appreciating each other's differences; and
- having a positive attitude.

Impartiality: *Our decisions are transparent, fair, and based on evidence*

We do this by:

- maintaining the political neutrality and objectivity required to enable us to work with current and future governments;
- carrying out the functions of the Company unaffected by personal beliefs;

- ensuring our actions are not affected by personal interests or relationships; and
- supporting the Company's outcomes through robust, unbiased, evidence-based advice.

Inclusiveness: We treat others with respect, listening to all views, and engaging openly

We do this by:

- treating everyone with fairness, kindness, and respect;
- being honest and trustworthy;
- giving and receiving honest feedback; and
- being open to all ideas/seeking advice.

Excellence: We strive for quality in everything we do

We do this by:

- owning our work and our development;
- being committed – giving 100% to everything we do;
- being professional and responsive; and
- being reliable – we are a safe pair of hands.

Q1: Do submitters agree with Gas Industry Co's assessment of the strategic context?

Q2: Do submitters agree with Gas Industry Co initiating and progressing the workstreams identified in the Gas Market Settings Investigation final report (detailed in section 3.2 below)?

2. Developing the Proposed Work Programme



2.1 Work Programme and Levy Setting Process

Gas Industry Co's work programme is developed in a consultation process with industry participants and other stakeholders that commences with an annual Co-Regulatory Forum. This Consultation Paper takes into consideration feedback received on the draft work programme at the Co-regulatory Forum held on 2 December 2021.

Co-Regulatory Forum presentation slides can be found [here](#).

Following the Co-Regulatory Forum, this Consultation Paper is published. Submissions on the Consultation Paper are considered in preparing:

- The Statement of Intent (SOI) for the next financial year (with indicative activity for the subsequent two years in the three-year planning period covered by the SOI); and
- A formal recommendation to the Minister for regulations authorising the levy on industry participants for the ensuing year.

Pursuant to section 43ZZD of the Act, the Minister may accept or reject Gas Industry Co's formal recommendation to make levy regulations. However, in circumstances where the Minister is satisfied that the levy is reasonable, Gas Industry Co has consulted on the levy, and the requirements of sections 43ZZB to 43ZZE of the Act have been met, the Minister must accept the recommendation. Following cabinet and vice-regal approvals, this process culminates in annual levy regulations being promulgated.

Development of a given financial year's work programme starts early in the preceding year to ensure appropriate consultation with stakeholders. Gas Industry Co forecasts the expected or planned endpoint of current year activity to determine what further work, if any, might be necessary for each workstream into the following year.

Consistent with Gas Industry Co's statutory role the FY2023 work programme, like that for FY2022, focusses on Gas Industry Co's core market governance role under existing rules/regulations and continuing key multi-year programmes.

The diagram below outlines the process undertaken to develop the work programme and levy:



Q3: *Do submitters have any comments on the process for developing Gas Industry Co's FY2023 Work Programme and Levy?*

3. Proposed FY2023 Work Programme



3.1 Work Programme Prioritisation

The proposed FY2023 work programme is grouped into the three classes of activities discussed in section 1.2 above, being:

- Gas Governance;
- Facilitating industry systems and processes; and
- Trusted Advisor to Government and Industry.

Flexibility and Cost Efficiencies

It is always possible that unplanned, unbudgeted work might need to be undertaken in any one year. This is particularly a result of the changing nature of the industry and the period that elapses between development of each year's proposal and its implementation. Gas Industry Co prefers not to budget contingency amounts to keep the levy at a reasonable level. If unplanned or unbudgeted work becomes a priority, Gas Industry Co will reassess its planned workstreams and/or milestones.

As with all public and levy-raising entities, Gas Industry Co aims to deliver value in both its operational workstreams and in the provision of support services to Gas Industry Co as a whole. There is a specific focus on delivering efficiency and value for money.

As well, Gas Industry Co has considered carefully how each line item in the work programme should be budgeted. Some areas are demand-driven and it does not make sense to make full provision for each of these individually. Instead, Gas Industry Co makes a modest provision for these items and will manage within the global amount.

3.2 FY2023 Work Programme: Trusted Advisor to Government and Industry

Gas Market Settings Investigation Workstreams

The Gas Market Settings Investigation was initiated by the Minister of Energy and Resources who wrote to Gas Industry Co and requested a report back. She noted that New Zealand has a legislated emissions target and that the Government has committed to 100 per cent renewable electricity by 2030. The Minister's concern was to ensure that current market, commercial and regulatory settings that provide for gas visibility and flexibility are fit for purpose in supporting the transition.

Gas Industry Co has investigated and reported on the issues. The report noted two key areas of focus coming from the report, along with dedicated workstreams needed to improve the operation of the gas sector during the transition.

Forecast activities in FY2023

Initiating and progressing the following workstreams identified in the Gas Market Settings Investigation final report:

1. Gas Transition Pathway;
2. Improving commercial arrangements supporting electricity security of supply;
3. 4 other workstreams to improve the operation of the gas sector during the transition:
 - a. Information availability to help enable participants and users to predict and plan better;
 - b. The regulatory framework for gas pipelines;
 - c. How gas supports energy needs that cannot be met by electricity (including green gases, avoiding and reducing emissions, and the viability of emission capture);
 - d. Additional mechanisms to ensure gas is available to industrial users in unexpected tight situations.

Sector Coordinating Entity Role - COVID-19 Pandemic

The COVID-19 pandemic has highlighted the importance of natural gas for maintaining security of energy supply. Gas Industry Co has continued to act as the sector co-ordinating entity for the gas industry to:

- collate industry information on any risks to the New Zealand gas industry arising from the COVID-19 outbreak to inform MBIE's weekly reporting to Cabinet; and
- provide MBIE with updates in relation to any emergent issues in the New Zealand gas industry.

Forecast activities in FY2023

Maintain a watching brief of COVID-19 activities and be prepared to step into the sector co-ordinating entity role as and when required.

3.3 FY2023 Work Programme: Gas Governance

Critical Contingency Management

The purpose of the Gas Governance (Critical Contingency Management) Regulations 2008 (CCM Regulations) is to achieve the effective management of critical gas outages and other security of supply contingencies without compromising long-term security of supply. The CCM Regulations provide for the appointment of a Critical Contingency Operation (CCO) and that role is responsible for determining, managing, and terminating critical contingencies, as well as associated activities such as stakeholder training and running exercises.

It is expected that Gas Industry Co will have made a recommendation to the Minister to amend the CCM Regulations during FY2022 and, subject to ministerial approval, will be working to implement any changes during FY2023.

Forecast activities in FY2023

1. Implement changes to CCM Regulations;
2. Monitor the CCO;
3. Assess the performance of the CCM Regulations;

4. Respond to CCM events by appointing/monitoring experts;
5. Monitor the annual CCM exercise; and
6. Process applications and renewals for priority designations in the areas of critical care, essential services, critical processing, and electricity supply as required.

Electricity Price Review

Gas Industry Co monitors governance arrangements in related industries to assess whether any changes may influence existing gas industry regulations, and if any changes to gas regulations are required in response.

The Government's Electricity Price Review made 32 recommendations about whether the electricity market delivers efficient, fair, and equitable prices to customers. Gas Industry Co considered it prudent to review whether those recommendations should apply to the gas market, given the similarities and links between the gas and electricity markets. Gas Industry Co consulted on its assessment of the application of the EPR recommendations to the gas market. Following this consultation process, Gas Industry Co developed new guidelines for:

1. Dealing with vulnerable gas consumers;
2. Raising consumer awareness of the Utilities Disputes and Powerswitch services; and
3. Managing saves and winbacks behaviour in the gas market.

Gas Industry Co is currently finalising these guidelines with a view to publishing final versions in the coming months.

Forecast activities in FY2023

1. Follow up on steps taken by dual fuel retailers to comply with the guidelines in accordance with the 12-month review process in the guidelines (stand-alone gas retailers have 24 months to align their processes); and
2. Establish processes to progress any remaining EPR recommendations that are relevant to the gas market (e.g. processes for access to consumer consumption data, access to smart meter data).

Advanced Gas Metering

Gas Industry Co is determining what changes are required to support the roll-out of advanced gas meters. This includes assessing if there is merit in changing the Gas (Switching Arrangements) Rules 2008 (Switching Rules) and the Gas (Downstream Reconciliation) Rules 2008 (Reconciliation Rules), and working closely with industry to ensure associated gas industry systems and rules are fit for purpose.

Forecast activities in FY2023

1. Continue to work with industry to ensure systems and rules are appropriate for advanced gas metering; and
2. Make a recommendation to the Minister if changes to the rules are required.

Retail Gas Contracts Oversight Scheme

In 2010, Gas Industry Co established a Retail Gas Contracts Oversight Scheme. This was designed to assess retailers' contracts with residential and small commercial/industrial

consumers, against a series of benchmarks of satisfactory customer expectations and outcomes. Reviews are undertaken by an Independent Assessor.

The most recent full review occurred 2018. There was 'substantial' compliance with the scheme.

This review process is carried out every three years. In FY2022 we decided to defer our assessment of retail contracts to allow us to consider the alignment of the Scheme with the outcomes of the EPR workstream. Our preference is to align the next assessment of retail contracts with our assessment of dual fuel retailers compliance with the guidelines developed as part of the EPR workstream. This is likely to take place in FY2023.

Forecast activities in FY2023

1. Consider the alignment of the Scheme with the outcomes of the EPR workstream;
2. Engage an Independent Assessor to carry out an assessment of retailers' contracts with residential and small commercial/industrial consumers, and advise retailers of the results of this assessment;
3. Review new-entrant retail contracts, as requested; and
4. Provide information to new entrant retailers to help them understand their obligations and the governance processes.

Gas Distribution Contracts Oversight Scheme

In 2012, Gas Industry Co established the Gas Distribution Contracts Oversight Scheme. This is an industry agreed scheme which assesses standard contracts between gas distributors' and gas retailers against a set of principles.

Gas Industry Co appointed an Independent Assessor in FY2014 who found that contracts offered by distributors exhibited 'substantial' alignment with the set of principles agreed upon.

Following the 2014 assessment, Gas Industry Co's assessments would be undertaken on an exceptions basis (as contracts are revised or replaced). In our most recent survey of distributors in 2020, no material changes had been made to distribution agreements since 2014. However, we understand that one distributor is currently working on a new agreement.

Forecast activities in FY2023

1. Liaise with distributors regarding new distribution contracts and undertake and assessment if a new contract is completed in FY2023;
2. Assess progress with executing new distribution contracts consistent with the Scheme principles; and
3. Report on next steps.

Downstream Reconciliation

The purpose of the Reconciliation Rules is to establish a set of uniform processes that will enable the fair, efficient, and reliable downstream allocation and reconciliation of downstream gas quantities.

In addition to business-as-usual activities such as managing the Allocation Agent, commissioning audits and investigating unaccounted for gas, Gas Industry Co will complete work on the D+1 project to incorporate daily allocations into the Reconciliation Rules. We will

also carry out an RFP process to select and appoint a new Allocation Agent when the current contract expires at the end of 2023.

Forecast activities for FY2023

1. Complete the D+1 project;
2. Carry out a tender process to appoint an Allocation Agent;
3. Assess ongoing performance of the Reconciliation Rules;
4. Monitor allocation results;
5. Commission performance and event audits as required;
6. Assess any outcomes from the audit reports; and
7. Make determinations under the Rules as required.

Switching and Registry

The purpose of the Switching Rules is to establish a set of gas switching and registry arrangements that will enable consumers to choose, and alternate, efficiently and satisfactorily between competing retailers. The Switching Rules provide for a centralised database, the gas registry, which stores key technical parameters about every customer installation and facilitate and monitors each customer switch from initiation through to completion.

The Switching Rules provide for the appointment of a Gas Registry Operator. The appointment of the current Gas Registry Operator does not expire until 2025.

Forecast activities in FY2023

1. Manage Registry Operator contract;
2. Assess the ongoing performance of the Switching Rules;
3. Monitor and report on switching statistics;
4. Make determinations under the Switching Rules as required;
5. Commission performance and event audits as required;
6. Continue to provide support to Powerswitch until new arrangements are created and/or the site becomes self-sustaining;
7. Follow up on any issues identified in the switching audits; and
8. Update Switching Rules in response to advanced gas meter roll-out.

Compliance and Enforcement

The Gas Governance (Compliance) Regulations 2008 (Compliance Regulations) provide for monitoring and enforcement of the other gas governance rules and regulations. The compliance arrangements are designed as an efficient, low-cost means of determining or, where appropriate, settling rules/regulations breaches that raise material issues.

Forecast activities in FY2023

1. Appoint Rulings Panel;
2. Perform Market Administrator role;
3. Assess ongoing performance of the Compliance Regulations;
4. Assist Investigator and Rulings Panel as required; and

5. Monitor compliance trends for indications of regulatory inefficiency.

Statement of Intent and Annual Report

The Gas Act requires that the industry body provide its Annual Report to the Minister of Energy and Resources within three months of the end of the financial year (the Minister then tables it in the House of Representatives). Similarly, annual Statements of Intent (SOI) are required to be submitted to the Minister for comment prior to being finalised and published.

Forecast activities in FY2023

1. Prepare and publish the SOI to meet statutory timeframes;
2. Provide the draft SOI to the Minister for comment prior to publication; and
3. Prepare and publish the Annual Report and meet requirements for tabling in Parliament.

Other Reporting

Gas Industry Co is required by the Gas Act to report on the present state and performance of the gas industry. It does this through a number of publications, including Switching Statistics, Quarterly Report and Industry Performance Measures.

Forecast activities in FY2023

1. Prepare and publish Switching Statistics and Industry Performance Measures; and
2. Continue engagement and communications for interested stakeholders.

3.4 FY2023 Work Programme: Facilitating Industry Systems and Processes

Information Disclosure

In 2018 Gas Industry Co commenced a workstream to assess the level of information disclosure in the industry and consider options to address any issues found. As part of this workstream, the Information Disclosure: Problem Assessment paper ("Problem Assessment paper") was published in October 2019. This paper assessed possible information issues in 10 separate information elements. From the Problem Assessment paper, three projects were identified where Gas Industry Co should conduct further work:

1. Development of a Statement of Proposal (SOP) for the disclosure of gas production and storage facility outage information;
2. Development of a paper on gas contract price and volume information – this project assesses whether a weighted average gas price would provide valuable insight into market gas prices; and
3. Development of a paper on major user outage information – this project assesses whether major gas user outage information should be disclosed publicly.

The latter two papers should be completed by the end of FY2022.

The SOP phase of the first project was completed in FY2022, including stakeholder consultation on draft and final SOP papers. The conclusion from this work was that the regulatory objective is unlikely to be satisfactorily achieved by any reasonably practicable

means other than through regulation. Gas Industry Co will make a recommendation to the Minister for gas governance regulations before the end of FY2022.

Forecast activities in FY2023

Subject to Ministerial approval of Gas Industry Co's recommendation, Gas Industry Co will proceed to implement a regulated solution for the disclosure of gas production and storage facility outage information.

Gas Transmission Pipeline Access

Gas Industry Co has a role in assessing changes to the terms of the Maui Pipeline Operating Code (MPOC).

We recently received a letter from the Major Gas Users' Group (MGUG) asking that Gas Industry Co consider issues around the transmission arrangements, including transmission pricing. Gas Industry Co considers that the suitability of the transmission arrangements during the energy transition is a matter that requires further consideration. MGUG's letter is relevant for Gas Industry Co's energy transition workstream as well as the work that the Commerce Commission is progressing regarding the price quality path reset and input methodology review under Part 4 of the Commerce Act.

Forecast activities in FY2023

1. Liaise with Firstgas and the Commerce Commission to better understand the suitability of the transmission arrangements during the energy transition and any changes that may be progressed;
2. Be prepared to assume any role allocated to Gas Industry Co under the terms of the current gas transmission codes in relation to changes to the transmission access arrangements; and
3. Assess and action any changes to industry arrangements that may be required as a result of changes to the transmission codes (e.g. gas metering, gas quality, transmission security and reliability, interconnection, etc.).

Q4: Do you consider there to be any other items that should be included in Gas Industry Co's intended Work Programme for FY2023? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.

Q5: Do you consider there to be any items that should be excluded from Gas Industry Co's intended Work Programme for FY2023? Please provide reasons for your response.

4. Funding of Operations



4.1 Sources of Funding

Gas Industry Co has two main sources of funding to meet the total costs of delivering on the Work Programme and other aspects of its role as the industry body – the levy and market fees.

Levy

The levy funds the industry body's costs that are not covered by market fees, including the direct costs of workstreams and non-operational expenditure for the business.

Market Fees

Established gas governance rules and regulations include provision to recover costs directly required to meet Gas Industry Co's obligations under those arrangements (referred to as 'market fees'). These cover the contractually agreed costs of any service providers (particularly the Allocation Agent, the Registry Operator and the Critical Contingency Operator) and any other expected direct costs related to the monitoring of those arrangements.

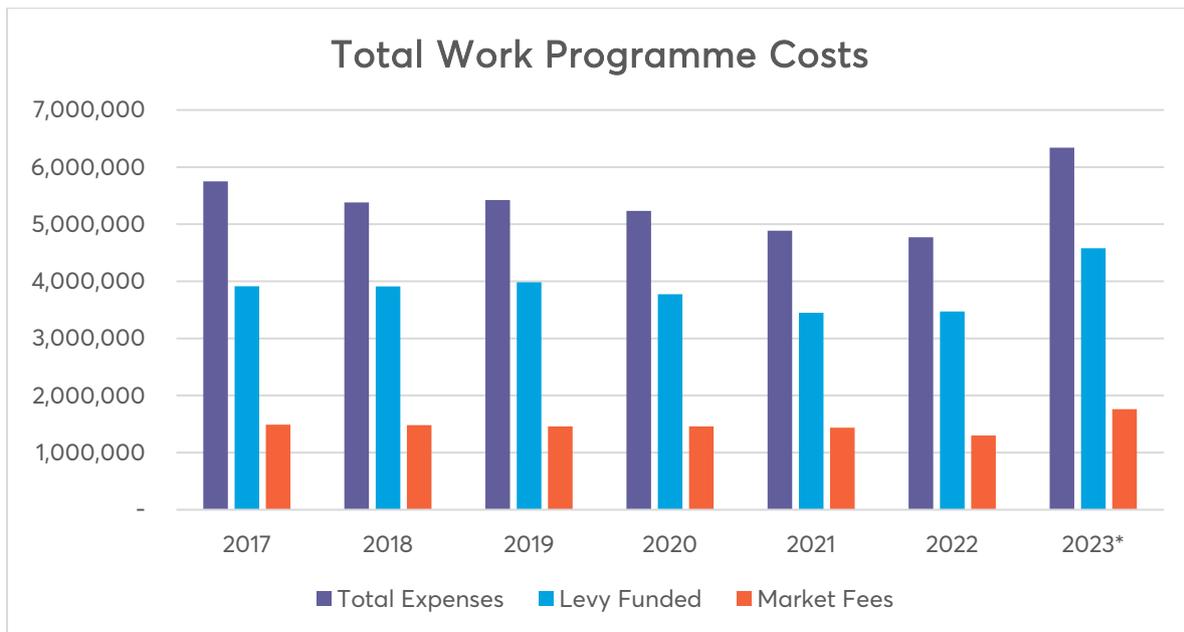
A formal estimate of market fees for each set of rules or regulations is published two months before they apply with each new financial year commencing on 1 July. Market fees collected are applied to actual expenses incurred for each set of rules or regulations. Any shortfall or excess fees are invoiced/credited to the market fee payers in a year-end 'wash-up'.

4.2 Total Work Programme Costs

Gas Industry Co expects the FY2023 levy funding requirement to be \$4,579,373 (\$3,472,368 in FY2022), and market fees to be \$1,761,000 (\$1,449,000 in FY2022)¹. Added together, this results in total work programme costs for FY2023 of \$6,340,373 (\$4,771,367 in FY2022), as illustrated in the diagram below.

However, our current forecast for FY2022 has total costs for delivering the work programme of approximately \$6,000,000 - substantially exceeding the expected costs of \$4,771,367 when the FY2022 levy was approved. This is due to Gas Industry Co funding a substantial portion of the work programme itself, rather than from the levy or market fees. As such, we expect the year-on-year increase in actual costs to deliver the work programme between FY2022 and FY2023 to be \$340,373, or 5.7%.

¹ The increase in approximate market fees in FY2023 is largely due to increased costs for the CCO, and incorporating D+1 into the Reconciliation Rules.



Combining all of the above, the levy funding requirement for FY2023 can be calculated as follows:

Description	\$
Gas Governance	
Comprising: Critical Contingency Management; Electricity Price Review; Advanced Gas Metering; Retail Gas Contracts Oversight Scheme; Gas Distribution Contracts Oversight Scheme; Downstream Reconciliation; Switching and Registry; Compliance and Enforcement; Statement of Intent and Annual Report; Other Reporting.	3,294,603
Facilitating Industry Systems and Processes	
Comprising: Information Disclosure; Gas Transmission Pipeline Access.	1,130,050
Trusted Advisor to Government and Industry	
Comprising: Gas Market Settings Investigation workstreams; Sector Coordinating Entity Role - COVID-19 Pandemic.	1,915,721
Total Work Programme Costs	6,340,373
Less: Approximate Market Fees	1,761,000
Levy Funding Requirement	4,579,373

4.3 Proposed Levy Method and Rates

Gas Industry Co's existing levy method:

1. Is based on a set of [Levy Principles](#). In summary, those Principles are economic efficiency, beneficiary pays, rationality, simplicity, equity, and revenue sufficiency; and
2. Has two components: a wholesale component and a retail component. These components are apportioned according to the cost allocated to each part of the

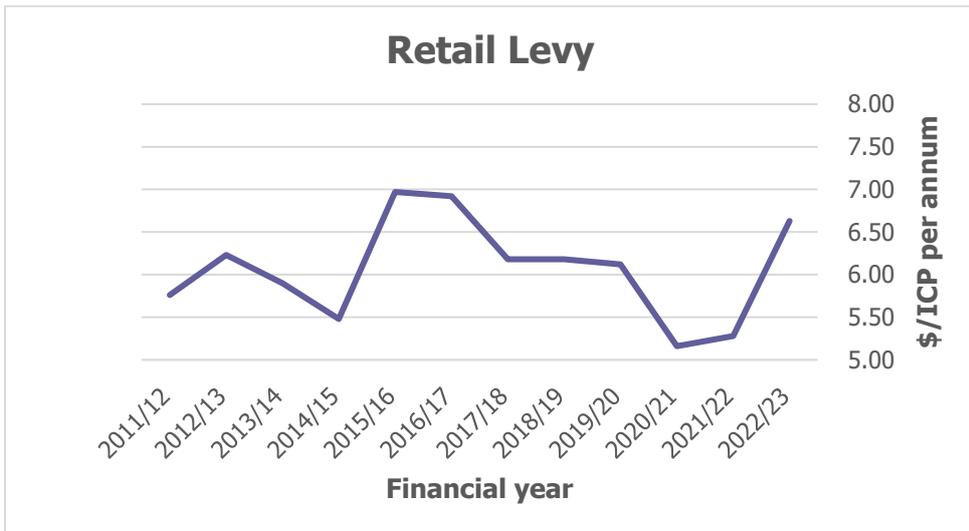
annual work programme and apportioned among levy payers pro rata with either their wholesale levy volumes or ICP market shares. In years when the work programme focusses on retail issues, for instance, the retail levy rate will increase while the wholesale levy rate will decrease.

These arrangements have remained unchanged since 2007.

Based on the TWPC above, the levy rates for FY2023 would be:

1. Wholesale levy: 1.3997c/GJ (up from 1.1445c/GJ in FY2022, a 22.30% increase); and
2. Retail levy: \$6.63/ICP² (up from \$5.28/ICP in FY2022, a 25.57% increase).

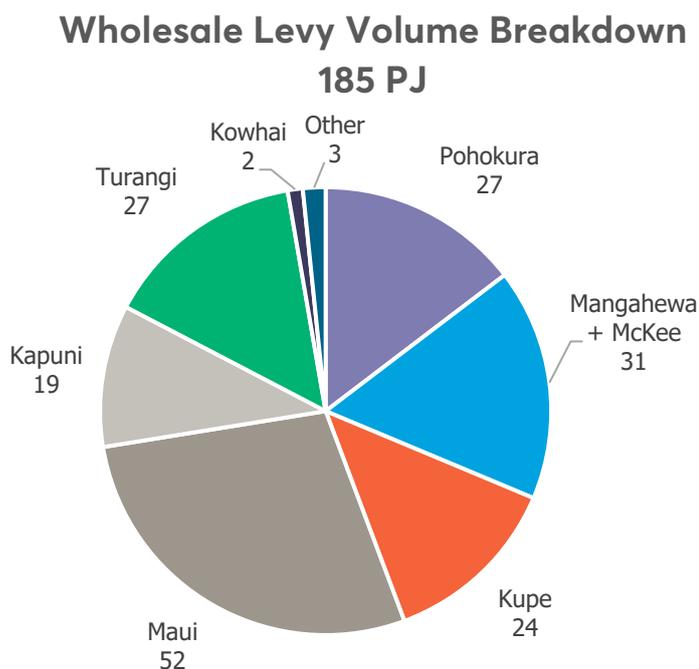
The trend in both wholesale and retail levies is illustrated in the graphs below, which show that while the levies are not at record-high levels, they are at levels previously seen when Gas Industry Co's work programme was as vast and ambitious as it is expected to be in FY2023. Given the sheer volume and complexity of the FY2023 proposed work programme, it is not possible to maintain the levies at the rates seen in the last few years.



² This figure equates to a sum of \$0.5525 per month

Assumptions:

1. The draft gas volume assumption for FY2023 is 185 PJ. This is based on soundings from industry, external consultants and the data contained in MBIE's petroleum reserves data from January 2021. The breakdown of the 185 PJ assumption per gas field is illustrated below:



2. The ICP assumption of approximately 300,000 is based on the current number of ACTIVE-CONTRACTED entries in the gas registry (circa 298,000 at the time of publication).

Q6: *Gas Industry Co is particularly interested in industry comment on the forecast gas volumes - do stakeholders consider the 185 PJ projection reasonable? If not, what would they consider an appropriate gas volume estimate to be? **NOTE - any submissions provided in response to this question will be treated as confidential and will not be published.***

Q7: *Do you have any comment on the proposed levy rates for FY2023?*

Appendix A – Recommended format for submissions



To assist Gas Industry Co in the orderly and efficient consideration of stakeholders' responses, a suggested format for submissions has been prepared. Respondents are also free to include other material in their responses.

Submission prepared by: <company name and contact>

Question	Comment
Q1: Do submitters agree with Gas Industry Co's assessment of the strategic context?	
Q2: Do submitters agree with Gas Industry Co initiating and progressing the workstreams identified in the Gas Market Settings Investigation final report (detailed in section 3.2)?	
Q3: Do submitters have any comments on the process for developing Gas Industry Co's FY2023 Work Programme and Levy?	
Q4: Do you consider there to be any other items that should be included in Gas Industry Co's intended Work Programme for FY2023? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.	
Q5: Do you consider there to be any items that should be excluded from Gas Industry Co's intended Work Programme for FY2023? Please provide reasons for your response.	

Q6: Gas Industry Co is particularly interested in industry comment on the forecast gas volumes - do stakeholders consider the 185 PJ projection reasonable? If not, what would they consider an appropriate gas volume estimate to be? **NOTE – any submissions provided in response to this question will be treated as confidential and will not be published.**

Q7: Do you have any comment on the proposed levy rates for FY2023?

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:
8 February 2022

SUBMIT TO:
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ENQUIRIES:
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