



11 Chews Lane  
PO Box 10568  
The Terrace  
Wellington 6143  
New Zealand

Genesis Energy Limited

Fax: 04 495 6363

3 February 2017

Glenda MacBain  
Gas Industry Company  
PO Box 10-646  
WELLINGTON

Submitted online via [www.gasindustry.co.nz](http://www.gasindustry.co.nz)

Dear Glenda

## Gas Industry Co FY2018 Statement of Intent and Levy

Genesis Energy Limited welcomes the opportunity to provide a submission on the Gas Industry Company's ("GIC's") consultation paper "Gas Industry Company's FY2018 Statement of Intent and Levy".

Genesis Energy supports GIC's proposed work programme for the 2018 financial year. The projects are pragmatic and well-prioritised given the ongoing development of the Gas Transmission Access Code (GTAC), which we believe should be GIC's top priority for 2017/18.

### **GTAC resource estimate may fall short**

We encourage GIC to proactively support and assist First Gas in developing the new GTAC. This is a unique opportunity to create a platform that will facilitate downstream competition, and provide effective investment signals. As a neutral industry advocate, GIC must play a central part in the development process to promote the best long-term interests of the sector, increase stakeholder buy-in, and reduce the likelihood of unnecessary regulation.

The estimate of 1.5 FTE is, however, we believe extremely conservative. Due to the significance of this work, we urge GIC to review its resource allocation to this workstream at the beginning of the 2018 financial year. We fully support re-allocation of resource to this workstream as required, and encourage GIC to

actively engage with First Gas to strengthen communication and planning with industry throughout this process.

### **Retail competition – LPG**

We are pleased to see the GIC has committed to look into LPG networks during the balance of FY2017.

New Zealander's must be able to choose the right energy products to suit their lifestyle, at the right time, and at the right price. We believe gas plays an important role in meeting the energy needs of New Zealand, and there is significant potential for new and innovative offerings in the gas retail market. However, the ability to open up the retail market is, at times, unnecessarily constrained by infrastructure.

There are still a number of closed reticulated gas networks and infrastructure. In our experience, closed network owners can be a significant barrier to retail competition. Infrastructure investors must be able to make a fair return on their investment, but a fair return does not mean a perpetual retail monopoly. In our view, a competitive retail market will require closed network operators to provide access to retailers on fair and reasonable terms.

Given the potential for significant growth of competition in the retail gas market, we believe it is timely for the GIC to consider the broader implications of small monopoly infrastructure owners on consumers, and strongly support the GIC in this investigation.

### **Cost allocation**

We agree it is prudent for the GIC to budget for an increased workload to support the Transmission Access Code development, and the exact involvement that will be required from GIC is uncertain. We are interested in where the GIC expects to re-allocate this resource should the Code develop with full industry support and agreement.

We expect the future of MBB and the D+1 pilot will be unknown, and resource intensity will diminish. We encourage the GIC to consider progressing projects that will complement the Single Access Code, but may not require fundamental review, such as gas quality.

If you would like to discuss any of these matters further, please contact me on 04 830 0015.

Yours sincerely



Victoria Parker  
Regulatory Advisor

## Appendix A: Responses to Consultation Questions

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QUESTION	COMMENT
<p>Q1: Do you have any comments on Gas Industry Co's role or Strategy relevant to development of the Statement of Intent and Levy?</p>	<p>No.</p>
<p>Q2: Do you have any comments on the process for developing Gas Industry Co's SOI and Levy?</p>	<p>No.</p>
<p>Q3: Do you consider there to be any other items that should be included in the Company's intended Work Programme for FY2018? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS?</p>	<p>Genesis Energy supports the proposed work programme for 2018. We agree the transmission access work stream is likely to be highly intensive and variable over FY2018.</p> <p>However, if the GTAC progresses with strong stakeholder support and robust governance arrangements, we encourage GIC to carefully review the work programme and progress projects that will complement the Code.</p>
<p>Q4: Do you consider there to be any items that should be excluded from the Company's intended Work Programme for FY2018? Please provide reasons for your response?</p>	<p>No.</p>
<p>Q5: We are particularly interested in industry comment on the forecast gas volumes - do stakeholders consider the projection reasonable? If not, what would they consider an appropriate gas volume estimate to be?</p>	<p>No comment.</p>

QUESTION	COMMENT
Q6: Do you have any comment on the proposed levy for FY2018?	No comment.
Q7: Do you have any comment on the hybrid option proposed?	No comment.