Quarter ended 30 June 2013

FROM THE CHIEF EXECUTIVE

A range of important Gas Industry Co workstreams reached significant milestones during the June quarter and justify a focus in this quarter's report. They allow us to reflect on the overall mix of voluntary and regulated gas governance arrangements that continue to underpin the health of the downstream gas industry. A number of these milestones comprise recommendations from Gas Industry Co to the Minister of Energy and Resources and, subject to acceptance, will be brought to fruition in the near future.

In the case of gas processing facility access and insolvent retailer arrangements, our recommendations are that formal regulations are unnecessary, and this is evidence that current industry practices are generally sound. Similarly, a review of the interconnection of the Cheal field to the transmission system has illustrated again that existing industry protocols are efficient and appear to work well for both parties.

All of those matters accordingly involve conclusions that regulation is not required for the good governance of the industry. In the case of access to gas processing, the recommendation is that the existing disclosure regulation is allowed to expire in 2014.

The next tier is the use of voluntary industry arrangements. The quarter also saw the results of the first assessment under the Gas Distribution Contracts Oversight Scheme. The Independent Assessor's report noted the industry's wide support for updates to be made to distribution arrangements, but that these changes were not made in time for the assessment process as expected. The report notes distributors' commitment to aligning their contracts with the Scheme principles before the next assessment in February 2014. We also commenced a review of the Retail Gas Contracts Oversight Scheme to ensure it remains relevant after its successful first three years in operation, and introduced a new Information Gathering Protocol after industry submissions convinced us that voluntary disclosures could remove the need for new regulatory requirements.

Our transmission governance arrangements have developed through voluntary open access and multilateral code arrangements. Work of the Panel of Expert Advisers on our Gas Transmission Investment Programme has culminated in recommendations for "evolutionary convergence" of the existing Maui and Vector Codes. That would see the industry continuing to lead in a next phase of code developments. We await industry submissions on this matter.

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All reports, submissions and other documents referred to in this Quarterly Report are available on our website at www.gasindustry.co.nz

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And we continue to improve the existing rules and regulations that provide the fundamental underpinning for the downstream gas market. The first tranche of improvements to the Downstream Reconciliation Rules came into operation successfully on 1 June. The comprehensive review of the CCM Regulations has resulted in the development of recommendations on changes to the CCM Regulations, along with consequential (and other) changes to the Compliance Regulations. These will be published shortly, having first been submitted to the Minister.

All of these developments are the culmination of focused and co-operative work between Gas Industry Co and industry stakeholders. They portray an industry that not only understands and acknowledges its issues, but one that is also concerned to resolve them. That remains fundamental to the industry's "regulatory compact" with government.

And finally, this report reflects on one important pending development that fits within this overall framework as a genuine industry-led initiative – the unfurling of two proposals for wholesale gas market platforms. While there is still some work to do, successful implementation of short-term trading would be a significant milestone for the industry.

Steve Bielby
Chief Executive

Industry Performance Highlights

This Quarterly Report includes Gas Industry Co's regular Industry Performance Report (**page 10**) against the Switching Rules, the Reconciliation Rules, and the Critical Contingency Management Regulations in the three months ended 30 June 2013.

- There have been over 4,000 switches per month during the past four months, an increase from the average monthly switching rate of about 3,200. The Electricity Authority (EA) has also experienced higher than usual switching in the past 6 months. Overall, the annual gas customer churn rate is over 15 percent.
- Unaccounted-for gas (UFG) volumes were unusually high for the May and June initial allocations. However, as UFG tends to increase in the winter months it is likely the UFG recorded for these months will decrease at the interim and final allocation stages. As a long-term trend, UFG continues to fall.
- As reported last quarter, Nova Energy has transferred the customers from its subsidiary brand, Bay of Plenty Energy, to the Nova retail brand. As of 1 July, TrustPower acquired Energy Direct's customers, although the Energy Direct retailer brand continues. There are now eight different gas retail brands in the market. There have been no other major movements in customer market share over recent months. Genesis Energy, Contact Energy, and Mercury Energy continue to be the largest retailers by customer number.
- As measured by the Herfindahl–Hirschman Index (HHI), market concentration in all regions of the North Island has decreased in the past four years, reflecting new retailers entering the market and smaller retailers increasing their market share.
- Nova and OnGas are the largest retailers by gas volumes, reflecting their primary focus on the industrial and commercial sectors of the gas market.
- Over 95 percent of gas consumers are connected to a gate where at least six retailers trade, demonstrating an actively contestable retail market throughout the North Island.

Transmission balancing update for Minister

Developments with transmission code change and wholesale market proposals, together with the second phase of the Reconciliation Rules Review, provide the foundation of a Ministerial Update by Gas Industry Co on transmission balancing arrangements.

The Update notes that effective pipeline balancing – the management of the inventory of gas in a pipeline to maintain gas pressures within safe operating limits – is necessary for reliable transportation, but that balancing arrangements have been a contentious issue for the gas industry since the commencement of open access to the Maui pipeline in 2005.

Improvements to balancing arrangements have proved difficult to achieve, with one complicating factor being the physical and commercial overlap between the Maui pipeline, governed by the Maui Pipeline Operating Code (MPOC), and the Vector transmission system, governed by the Vector Transmission Code (VTC). Gas Industry Co has previously suggested a regulated solution, but most industry participants would prefer non-regulated arrangements.

The Update notes that imminent changes to the MPOC, making causers of pipeline balancing actions more accountable for balancing costs, are designed to improve balancing processes. Other improvements sought by industry participants, including better access to the balancing market, more timely downstream allocation of delivery quantities, and extended nomination arrangements, are being addressed.

Vector's proposal to change the VTC to align it with the MPOC, two separate proposals for wholesale gas markets, and the commencement of the second phase of the Reconciliation Rules review, which will look at the feasibility of more timely allocations, together represent significant progress towards good outcomes for gas balancing (updates on these developments are included below).

The Update also notes that, with the substantial decline in balancing costs since 2009, there are no significant current issues with balancing that demand a more immediate response.

Transmission code changes

27 November 2012 VTC Appeal - Vector

Gas Industry Co is monitoring negotiations between Vector and Non-Code Shippers on supplementary agreement changes before issuing its final recommendation on a VTC change request appeal relating to balancing processes, peaking charges and disputed invoices.

The changes, proposed by Vector, arise from the balancing-related changes to the MPOC, which have previously been supported by Gas Industry Co. As the proposed VTC changes did not receive the 75 percent support from Shippers necessary to be implemented, they were referred by Vector on 27 November 2012 to Gas Industry Co for consideration, as the VTC appeals body.

Because commercial arrangements on the Maui pipeline impact those on Vector's transmission pipelines, the changes to the VTC are seen as necessary to align the two codes when the MPOC changes are implemented. Of the three changes proposed by Vector, two are designed to accommodate the MPOC changes for back-to-back balancing and for peaking charges, and the third seeks to limit the ability of Shippers to dispute balancing invoices issued by Vector.

Certain major transmission users are not parties to the VTC (Non-Code Shippers) and it would be best if their contractual arrangements accommodate the same back-to-back balancing and peaking costs mechanisms. Subject to Vector getting such agreement from Non-Code Shippers, Gas Industry Co Management proposes to recommend to Gas Industry Co's Independent Directors Committee that the change request be approved.

31 May 2013 VTC Appeal – Contact Energy

On 6 May 2013, Contact Energy submitted a VTC change request proposing that change requests must relate only to a single issue or related series of issues. The change request was supported by all Shippers except one, who abstained from responding.

Vector did not consent to the Change Request, and Contact has notified Gas Industry Co that it is appealing Vector's decision on two grounds. Gas Industry Co will first assess the first ground for appeal before determining whether it is necessary to address the second ground.

Full details are available here.

The outstanding 27 November 2012 appeal does not preclude Gas Industry Co beginning its consideration of the 31 May 2013 Change Request appeal, but it is likely the Final Recommendation on this will not be issued until after the 27 November 2012 appeal Final Recommendation is finalised.

28 March 2013 MPOC Change Request - MDL

On 10 June 2013, Gas Industry Co issued its Final Recommendation in support of the 28 March 2013 Change Request seeking a number of minor and technical amendments to the MPOC. The changes had no impact on market participants and submissions all supported the change request. The Final Recommendation confirmed the Draft Recommendation issued by Gas Industry Co on 12 April for industry comment.

Gas spot market proposals taking shape

Two gas spot market platforms are proposed to be operating before the end of this calendar year.

Transpower's Energy Market Services has commissioned its emTrade website, and published its market rules on 1 July 2013. The exchange platform will be available to interested parties to trial from 1 August and trading is scheduled to open on 3 September. The emTrade product, centred on the Frankley Road welded point where the Maui and Vector pipelines adjoin, is sponsored by Vector, Methanex and OMV. The NZX platform, currently being tested, will be based on a notional welded point on the Maui pipeline.

Gas Industry Co is not associated with these proposals and, as commercial market initiatives, cannot endorse either of them. However, establishment of a wholesale market has long been considered a desirable goal and Gas Industry Co is overseeing these developments, including in terms of its role in reviewing interconnection agreements. The proposals promise to fulfil Government policy objectives for facilitating and promoting gas supply through access to competitive market arrangements, and in particular the 2008 Government Policy Statement on Gas Governance (GPS) call for 'efficient arrangements for the short-term trading of gas.'

Parties considering joining one or both markets must seek their own advice on the respective governance and trading arrangements. Gas Industry Co also plans to publish a paper providing background information and experience from other markets on aspects of gas trading.

Downstream Reconciliation review focus shifts to phase two

Following the commencement of the first round of amendments to the Gas (Downstream Reconciliation) Rules 2008 (Reconciliation Rules) on 1 June 2013, and the receipt of submissions on the associated Consultation Paper, Gas Industry's Co's attention has now turned to the more complex second phase of considering initial allocation alternatives.

The Consultation Paper on the first-phase changes was issued for industry feedback on 17 April. It was a requirement for Gas Industry Co to consult and make determinations on a number of details arising from these changes, produce guidelines on the new arrangements and to revoke or vary some existing exemptions.

Three submissions on the Consultation Paper were received, all of which support the changes.

The second phase has commenced with the development of an Options Paper that will focus on alternatives for improving the accuracy of initial allocations. The options include:

- changing the allocation algorithm
- addressing the lack of Balancing and Peaking Pool (BPP) wash-up after initial allocation
- introducing daily allocations ('D+1')
- early publication of Seasonal Adjustment Daily Shape Values (SADSV).

The drafting of the Options Paper, and an analysis and testing of the alternatives has commenced. A number of participants – Contact Energy, Genesis Power, Nova Energy and Mighty River Power – took part in an early SADSV trial in May/June and, using the new Information Gathering Protocol (see page 7), Gas Industry Co will seek allocation data from participants to test the effectiveness of the D+1 option.

The Reconciliation Rules are an important governance arrangement and ensure the effective reconciliation of downstream gas quantities. They have been particularly effective in reducing UFG volumes.

Bridge Commitments update

The Bridge Commitments are a series of commitments made by the majority of Shippers and aimed at addressing short-term concerns about competition on the North Pipeline. They have been in place since August 2011.

In the past three months, capacity offers have been listed on the Gas Transmission Exchange (GTX) in respect of three large gas tenders. One of these offers was taken up by a competing retailer.

In addition, three Time of Use (ToU) customers on the North Pipeline switched retailers in the period without requesting a capacity offer. Gas Industry Co is also aware of other tender processes where a number of competitive bids were received without the need for a capacity transfer.

GTIP Update

The primary focus for the Panel of Expert Advisers (PEA) during the quarter has been on developing its Second Advice paper to Gas Industry Co on its transmission capacity allocation and pricing deliberations, taking account of discussion at an industry workshop on 11 April.

This work culminated post-quarter with the release of the PEA's paper *'Advice from Panel of Expert Advisers: Report to Gas Industry Company, July 2013.* In it, the PEA proposes an 'evolutionary convergence' approach that builds on commonalities between the Maui and Vector transmission access regimes.

It observes that, while the essentially common carriage arrangements on the Maui pipeline appear to be significantly different to the contract carriage arrangements on Vector pipelines, there are numerous areas of commonality in how they operate in practice. Establishing better common arrangements between two systems will significantly foster the characteristics of an ideal gas transmission market in New Zealand.

In most cases, Shippers need to use both systems to get gas to consumers, and the PEA considers that services currently available on the two pipeline systems can be progressively evolved and harmonised to allow Shippers to seek a mix of capacity access rights that best match their needs. The PEA sets out proposed guiding principles to facilitate this evolution.

In establishing evolutionary convergence as the preferred approach, the PEA rejects a number of other options it believes will not achieve the ideal characteristics criteria. Further, it does not favour a fully-integrated transmission/wholesale gas regime of the type adopted in Victoria, Australia, on the grounds of complexity and expense.

Elements of the PEA's First Advice in July 2012 have been retained in this latest advice. It urges a system of daily nominations, proposes that scarce capacity is allocated through a price-based auction process to users who value it most highly in order to establish clear price signals, advocates the phasing-out of 'in perpetuity' grandfathering of capacity, and calls for improved transparency in transmission capacity availability, allocation and pricing.

The PEA suggests the improvement process should commence immediately, and invites MPOC and VTC signatories to make the necessary code changes so they can adopt and operationalise the guiding principles.

In association with the release of the PEA's advice, Gas Industry Co has provided a companion paper - *'Gas Transmission Investment Programme, Status and Development' July 2013* - that updates that status of broader workstreams within the GTIP, and its view on how it can be progressed in light of the PEA's recommendations. Subject to consideration of submitters' views, Gas Industry Co's preliminary view is that it endorses the guiding principles set out in the PEA's Second Advice paper.

Submissions on both papers are invited by 30 August 2013.

CCM/Compliance Regulations change proposals

Gas Industry Co will shortly publish details of proposed changes to the Gas Governance (Critical Contingency Management) Regulations 2008 (CCM Regulations), along with proposed consequential (and other) changes to the Gas Governance (Compliance) Regulations 2008 (Compliance Regulations). Recommendations have been formally submitted to the Minister of Energy and Resources.

CCM Regulations change proposals arose from a review to capture lessons from the five-day Maui pipeline outage in October 2011, and were initially presented in a Statement of Proposal dated 12 November 2012. Preparation of the recommendation has taken account of submissions on that proposal, the findings and submissions on an independent report by Concept Consulting, as well as additional industry participant input from drafting workshops on 13 March and 23 April.

In summary, the key proposals are to:

- clarify and tighten the criteria used to define eligibility for Essential Service Provider (ESP) designation, and to specify that the ESP designation applies only to that part of the consumer's load that is 'essential'.
- introduce a new, highest priority consumer band for Critical Care Providers (CCP).
- introduce a new band for Electricity System Security Providers (ESSPs) allowing for small amounts of temporary gas usage to better support the electricity system when gas is in short supply.
- make Gas Industry Co the body responsible for processing and determining ESP, CCP, ESSP, and Minimal Load Consumer (MLC) designations.
- require retailers to periodically inform their customers about the CCM Regulations and the existence of the ESP/CCP/MLC/ESSP categories.
- adjust and broaden the criteria for MLC designations, to provide for the completion of critical processing. The existing criteria are to avoid serious damage to plant, or to mitigate serious environmental damage while undertaking an orderly plant shutdown.
- expand the communications responsibilities of affected asset owners and the Critical Contingency Operator (CCO) to provide publicly available information.

Technical 'nil' result from initial distribution contracts assessment

The Initial Independent Assessor's Report on gas distributors' contracts with retailers against principles under the Gas Distribution Contracts Oversight Scheme (Distribution Scheme) has resulted in a technical 'nil' overall rating.

As indicated in Gas Industry Co's March 2013 Quarterly Report, distributors have taken longer than expected to develop revised contract arrangements consistent with the principles, and the scope of the initial assessment, on contracts as at 1 February 2013, was therefore revised.

As at 1 February 2013, a date set in consultation with the industry, none of the distributors had published a standard gas distribution contract. As a result, technically, the overall alignment of published standard gas distribution contracts with the Distribution Scheme was 'Nil' – meaning no alignment with the intention of the principles.

Although no specific distribution issues for gas retailers or consumers have been notified to Gas Industry Co, the current development status of these contractual arrangements confirms the justification for oversight through the Distribution Scheme.

Gas Industry Co is disappointed that distributors were not able to develop new contracts in time for the 1 February 2013 assessment, as participants indicated would be possible during early consultation on the Distribution Scheme. However, each distributor covered by the Distribution Scheme is in the process of developing a standard gas distribution contract – also called a Gas Use of System Agreement (GUoSA) – and Gas Industry Co is encouraged by a positive indication from the review that these should broadly align with the principles once finalised. New standard contracts are expected to have been published before the next scheduled assessment on 1 February 2014.

As was the experience with the Retail Gas Contracts Oversight Scheme (Retail Scheme), the initial assessment under the Distribution Scheme elicited some industry requests for clarification, which are noted in the Independent Assessor's Report. These are within a range of expected implementation issues, which will be addressed by Gas Industry Co, the independent assessor and participants as part of the transparent assessment approach being taken. Similar implementation queries raised in the first two assessments under the Retail Scheme resulted in a re-statement of benchmarks and the publication of information on how Gas Industry Co interpreted them.

The voluntary Distribution Scheme, endorsed by the Minister of Energy and Resources in September 2012, has the overall purpose of ensuring that core terms and conditions in distribution contracts are clear and reasonable, promote market efficiency and ultimately enhance consumer outcomes. Elwood Law, was appointed as the Independent Assessor to undertake the initial assessment.

Voluntary protocol for gathering information

Gas Industry Co has issued its *'Protocol for Information Gathering for Policy Development'*, following consultation with industry stakeholders on an appropriate means of addressing difficulties in the Company's ability to obtain full and timely information for its policy development work.

Industry participants in their submissions committed to support a voluntary approach, and have since demonstrated that by providing information in response to two pilot information requests. As such, Gas Industry Co has decided to defer making a recommendation to the Minister of Energy and Resources for framework regulation. A formal and transparent voluntary Protocol for requesting information from industry participants was developed instead.

The Protocol simply provides that, where Gas Industry Co has identified a need for information regarding a specific workstream, it will draw up a formal request notice outlining what that information is and how it will assist the Company with the progression of the particular workstream. The operation of this formal request process will determine whether regulations might be needed at a later date.

Retail Contracts Scheme Review

Gas Industry Co has issued a Consultation Paper in the first step of its Retail Gas Contracts Oversight Scheme (Retail Scheme) review.

'Retail Gas Contracts: Review of the Oversight Scheme' provides a review scope, assesses the success of the Retail Scheme to date, and suggests possible changes for industry consultation. Submissions were sought by 25 July 2013.

The Retail Scheme was developed by Gas Industry Co in conjunction with industry and consumer representatives, to assess retailers' gas contract arrangements with small consumers against a set of benchmarks. It received Ministerial endorsement in 2010 and was introduced that year with a two-year transition period. Initial, transitional, and full independent assessments of retailers' contracts over the past three years have shown a marked improvement in overall rating, from 'moderate' to 'substantial' alignment with the benchmarks.

When originally recommending the Retail Scheme, Gas Industry Co suggested it should be reviewed following the first full assessment, which was conducted in 2012. The review is consistent with that approach and recognises the improving trend over the past three years. Its purpose is to confirm future work, ensure the Retail Scheme design is fit for purpose, and that compliance costs are appropriate when compared with the benefits.

As it is unlikely that retailers' contracts will be further amended in the near future, Gas Industry Co has advised the Minister of Energy and Resources that it would be appropriate to suspend contract assessments until the review is completed. This is expected by December 2013.

Future options range from leaving the Retail Scheme as it is, modifying it based on experience to date, moving to regulated terms, or combining the reviews with a similar scheme operated by the Electricity Authority.

Cheal interconnection with gas transmission system

Tag Oil has completed a second gas transmission interconnection arrangement, with the tying-in of its Cheal field to Vector's Frankley Road pipeline in Taranaki in April.

Inquiries by Gas Industry Co confirm the interconnection was completed smoothly. There were no unusual features to the project, the *Guidelines on Interconnection with Transmission Pipelines* were followed, and the parties were satisfied with the timing, communication and documentation associated with it.

The assessment was the second undertaken in response to a Ministerial request in 2010 for Gas Industry Co to formally review current interconnection arrangements following the next two interconnections to each of the Maui and Vector pipeline systems, or by the end of 2013, whichever is sooner.

Since then, there have been two interconnections to the Vector pipelines – Tag Oil's Sidewinder and Cheal fields – and none to the Maui pipeline. Both of the completed interconnections took about 40 weeks from the interconnection application being lodged to first gas flow.

Gas Industry Co proposes to report formally to the Minister of Energy and Resources once any interconnection arrangements associated with wholesale gas spot market developments are completed and reviewed.

Gas Industry Co Statement of Intent

Gas Industry Co has published its Statement of Intent (SOI) for the financial years (ended 30 June) 2014 to 2016. The SOI presents a strategy and work programme developed in close consultation with industry stakeholders and reflecting a high level of consensus on current priority issues for the industry. At the same time, it maintains a strong alignment with Government policy objectives and outcomes for the New Zealand gas industry, as set out in the Gas Act and the GPS.

Gas Industry Co has also developed and structured its activities conscious of industry and Government expectations for cost efficiency in performing its role as the industry body and co-regulator. Consistent with this approach, the levy requirement to fund Gas Industry Co's activities in the 2014 financial year, which was recently approved by Cabinet and now incorporated in Regulations, is lower than in the previous year.

The SOI can be accessed here. Gas Industry Co will commence consultation with the industry in October on its proposed work programme for FY2015, which will form the basis for the development of the Statement of Intent for financial years 2015 to 2017.

Coming up….

August	**September**
9th – due date, Part 2 disclosures, Gas (Processing Facilities Information Disclosure) Rules 2008 12th (tentative) – forum to present PEA paper to stakeholders 16th – submissions deadline, Draft Recommendation, first ground VTC change request appeal (Contact Energy) 23rd – Final Recommendation, first ground VTC change request appeal (Contact Energy) 30th – submissions deadline, PEA Second Advice report and Gas Industry Co GTIP status report	30th - tabling/publication of Gas Industry Co 2013 Annual Report

Performance Measures Quarterly Report for the period ending 30 June 2013

1 Summary

This Report provides an update on the performance measures that Gas Industry Co monitors on a regular basis. The purpose of these measures is to track the performance of the Gas (Switching Arrangements) Rules 2008 (the Switching Rules), the Gas (Downstream Reconciliation) Rules 2009 (the Reconciliation Rules), and the Gas Governance (Critical Contingency Management) Regulations 2008 (CCM Regulations), both in terms of activity related to these statutes and the competitive outcomes that they foster. The Report also tracks transmission balancing actions, as a means of informing Gas Industry Co's work on this issue.

Highlights of the Report:

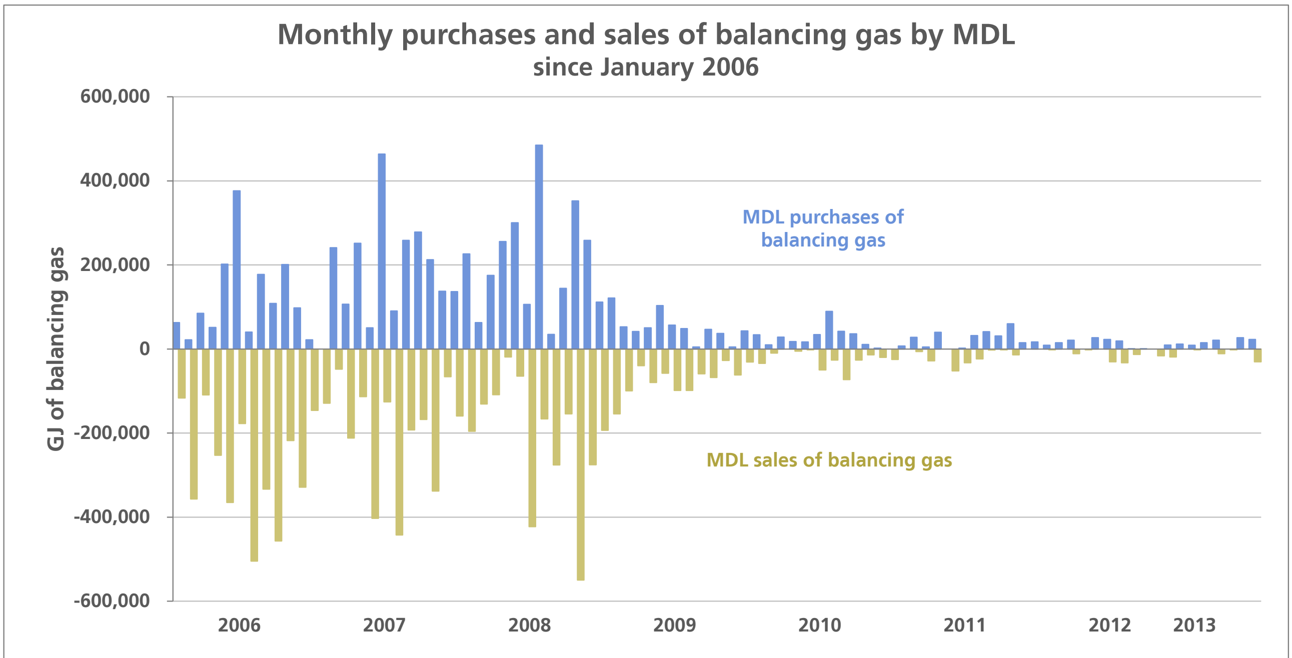
- There have been over 4,000 switches per month over the past four months, an increase from the average monthly switching rate of about 3,200 switches. Overall, the annual churn rate – that is, the percentage of gas customers who switch retailer in a year – is over 15%.
- Unaccounted for gas (UFG) volumes have been unusually high for the May and June initial allocations. UFG tends to go up in the winter months, and it is likely that the UFG recorded for these months will decrease at the interim and final allocation stages.
- As a long-term trend, UFG continues to fall, as evidenced by the annual UFG factors calculated for the 2013-14 gas year that commences in October. There are now 68 gas gates with AUFG factors between the former cap of 1.035 and floor of 0.985; an improvement over the 61 such gates last year and 54 at the start of the Reconciliation Rules.
- As reported last quarter, Nova has transferred the customers from its subsidiary brand Bay of Plenty Energy to the Nova retail brand. As of 1 July, TrustPower acquired Energy Direct's customers, although the Energy Direct retailer brand continues. There are now eight different gas retail brands in the market. There have been no other major movements in customer market share over recent months. Genesis, Contact, and Mercury continue to be the largest retailers by customer number.
- The Herfindahl–Hirschman Index (HHI) is a way of measuring market concentration by using size and number of competing firms. In all regions of the North Island, HHI has decreased in the past four years, reflecting the activities of new retailers entering the market and smaller retailers increasing their market share.

- In terms of market share by gas volumes, Nova and OnGas are the largest retailers, reflecting their focus on the industrial and commercial sectors of the gas market (although Nova also has a presence in the mass market segment).
- Over 95%, of gas consumers are connected to a gate where at least six retailers trade, demonstrating that gas retailers generally are competitive throughout the North Island.

2 Balancing gas volumes

The volume of gas in a pipeline relates to the gas pressure in the pipeline and needs to be maintained below the safe operating pressure limit for the pipeline and above the minimum required to maintain the supply of gas to consumers. On the Maui pipeline, pressures will rise or fall as parties who inject gas into the pipeline over- or under-inject and as parties who receive gas from the pipeline under- or over-take relative to their respective scheduled volumes. When a transmission owner, or operator, manages the gas inventory in a pipeline, it is referred to as *secondary* or *residual balancing*. MDL buys and sells balancing gas in order to manage gas volumes and thus maintain gas pressure within safety and operational limits.

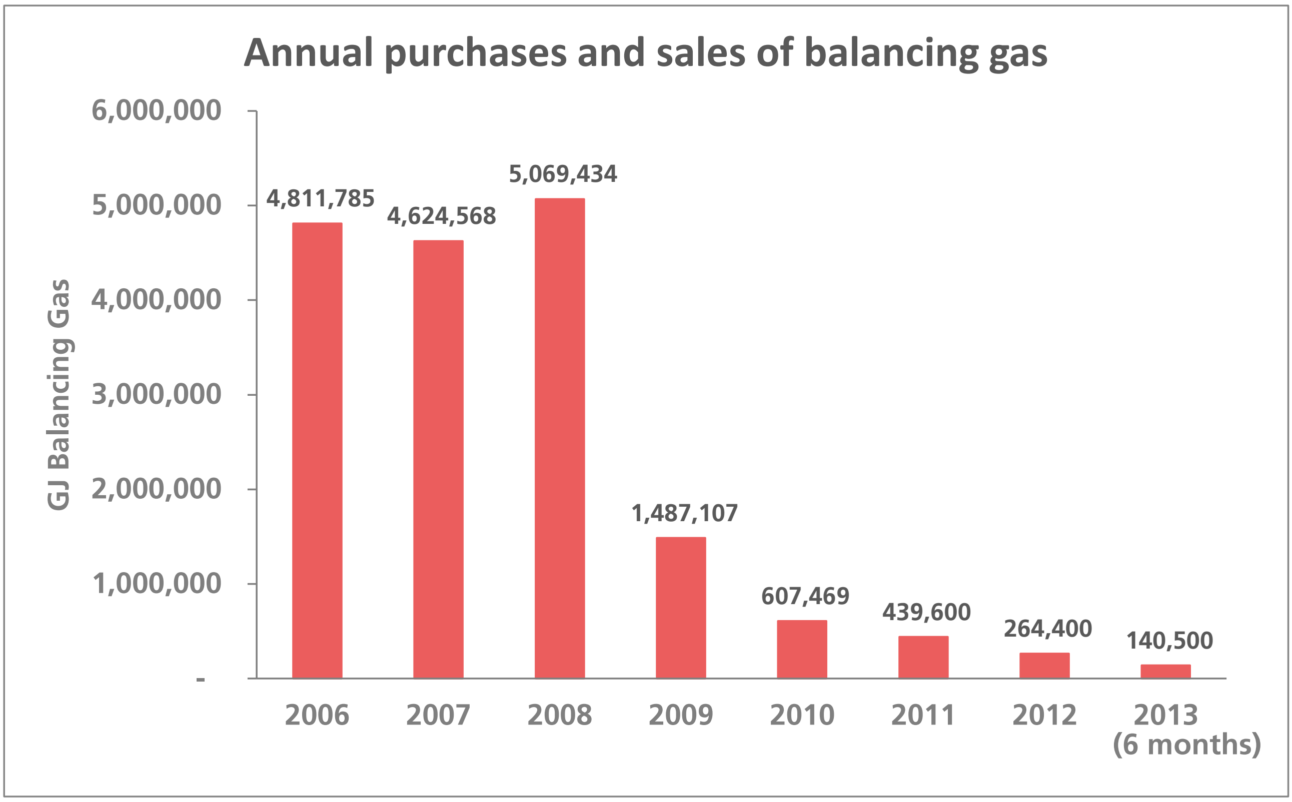
Prior to 2008, secondary balancing services were essentially free to holders of legacy Maui gas contracts, but changes implemented at the end of 2008 to the Maui Pipeline Operating Code, together with the arrangements in the Vector Transmission Code, mean that pipeline users are now responsible for imbalances that they create. In 2009, MDL instituted the Balancing Gas Exchange, an online platform that displays pipeline balance conditions and enables parties physically interconnected to the Maui pipeline to post offers to buy and sell balancing gas. These two changes appear to have provided gas transmission customers with an incentive to self-balance and greater information on which to base their balancing decisions.



Source: MDL and bgx.co.nz

The outcome is the significantly reduced volumes of gas needed to be purchased or sold by MDL to balance the Maui pipeline, as can be seen in the chart above.

The chart below summarises balancing gas transactions (both purchases and sales) by calendar year.



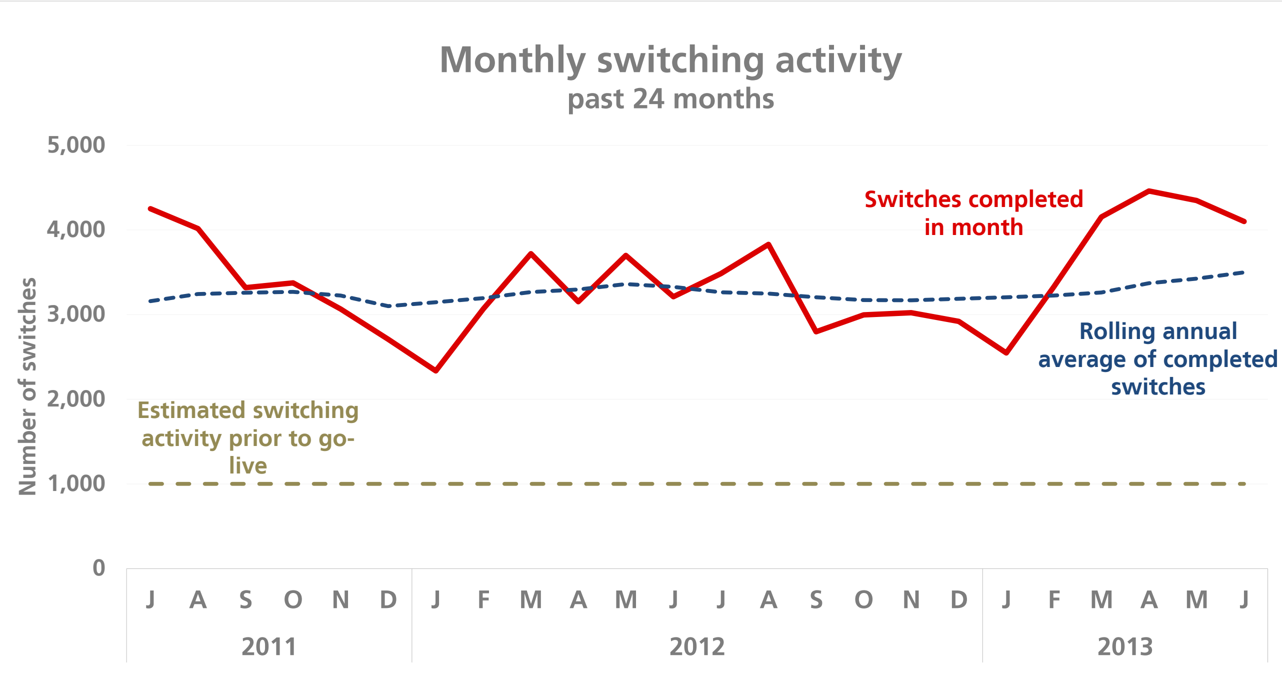
In each of the calendar years 2006, 2007, and 2008, over 4,600,000 GJ of balancing gas were bought and sold by MDL. Since then, balancing gas volumes have decreased each year. Balancing gas volumes are now about 6% of what they were in 2006-2008.

3 Switching performance measures

Monthly switching activity

There have been over 4,000 switches per month over the past four months, an increase from the average monthly switching rate of about 3,200 switches.

Overall, the annual churn rate – that is, the percentage of gas customers who switch retailer in a year – is over 15%. Prior to the gas registry going live in March 2009, approximately 1,000 switches were processed on a monthly basis, and the annual churn rate was approximately 4.8%.



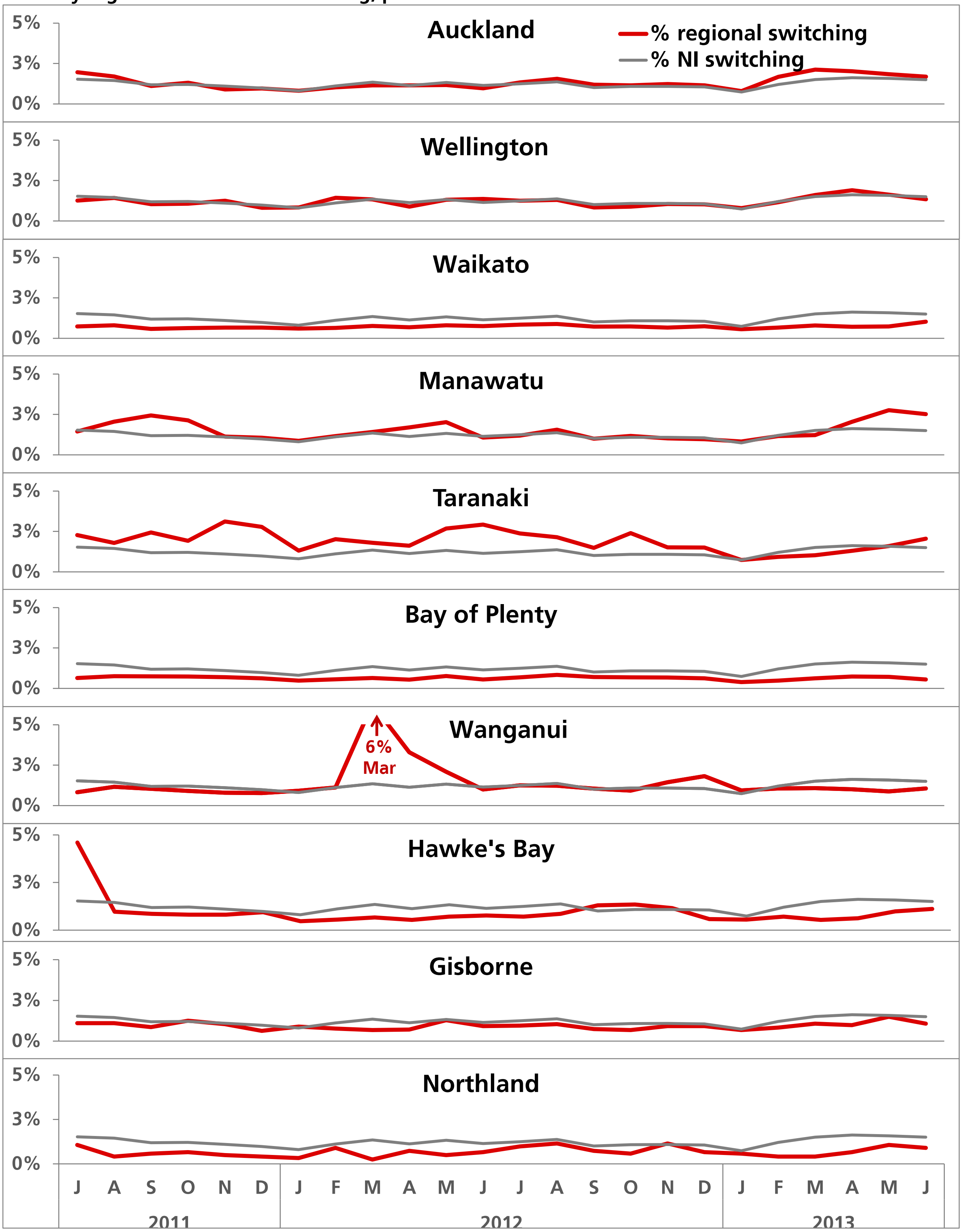
Regional switching activity

The charts below compare regional switching rates with total switching rates. The grey line is the same in all the charts below and shows number of switches (both move switches and standard switches) in a month as a percentage of active-contracted and active-vacant ICPS across all North Island gas consumers. As that line shows, monthly switching varies between about 0.7% and 1.6% per month.

The red line in each chart shows the number of switches in that region as a percentage of ICPs in that region. As might be expected, Auckland and Wellington switching rates tend to be similar to the North Island rates. Differences emerge in the smaller regions, though: in the past 24 months, for example, switching in Taranaki has generally tended to be higher than the average, while switching in Bay of Plenty and Northland has tended to be lower. There can be short-term fluctuations in switching as well, as evidenced by the spikes in switching rates seen in the Wanganui and Hawke's Bay regions.

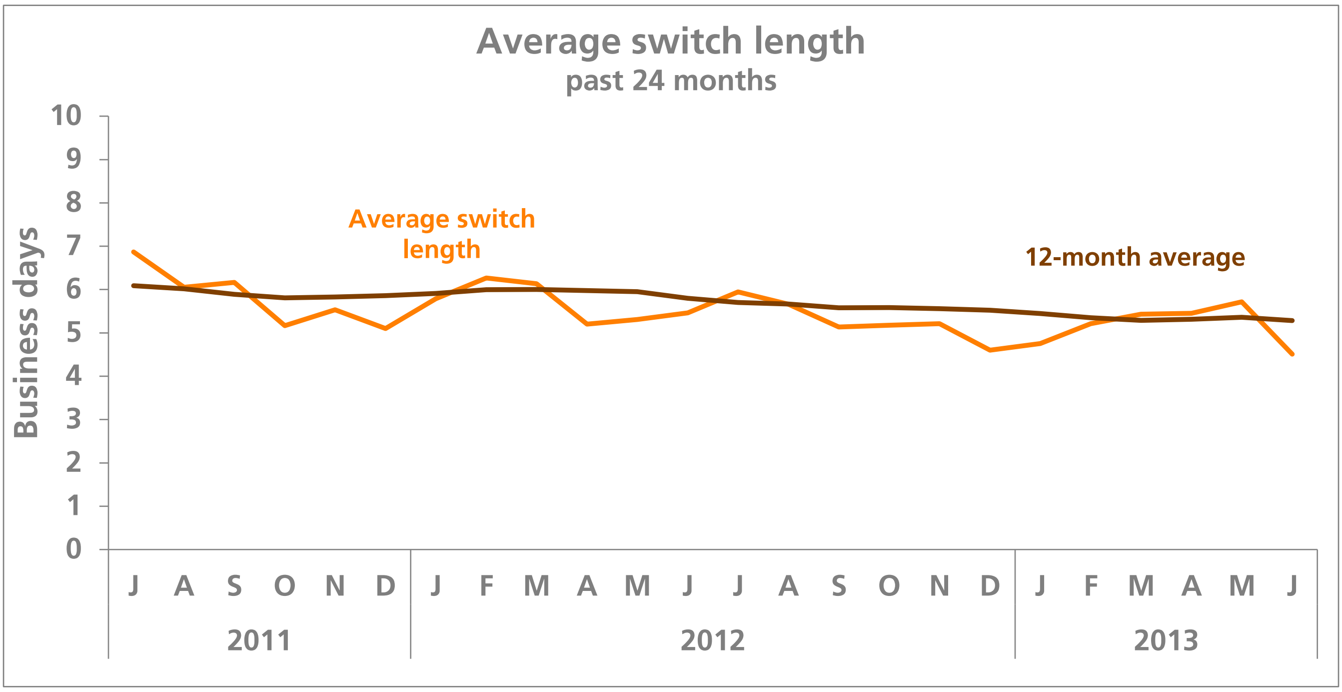
Note that the figures in the chart below do not include transfers of Auckland Gas and Bay of Plenty Energy customers to Nova.

Monthly regional and overall switching, past 24 months



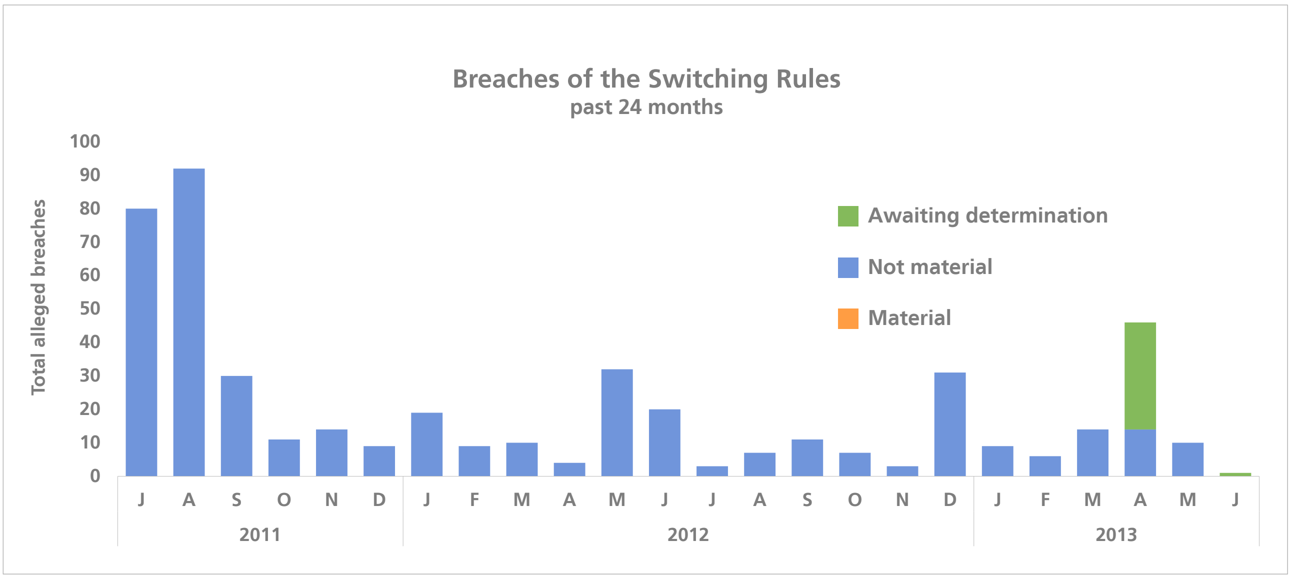
Time to process switches

The chart below shows the average length of time it has taken to process the switch requests that have been received in a month. The twelve-month rolling average switching time now stands at about 5.3 business days, in contrast to the weeks or months that switching used to take prior to the inception of the switching registry.



Number and severity of breaches of the Switching Rules

In the first year after the inception of the Switching Rules, nearly 5,500 switching breaches were alleged. Many of these breaches can be attributed to unfamiliarity with the Rules. Since that first year, the numbers of switching breaches have fallen significantly. The average number of alleged breaches per month has fallen significantly: from 450 in the first 12 months to the current average of fewer than 13 per month.



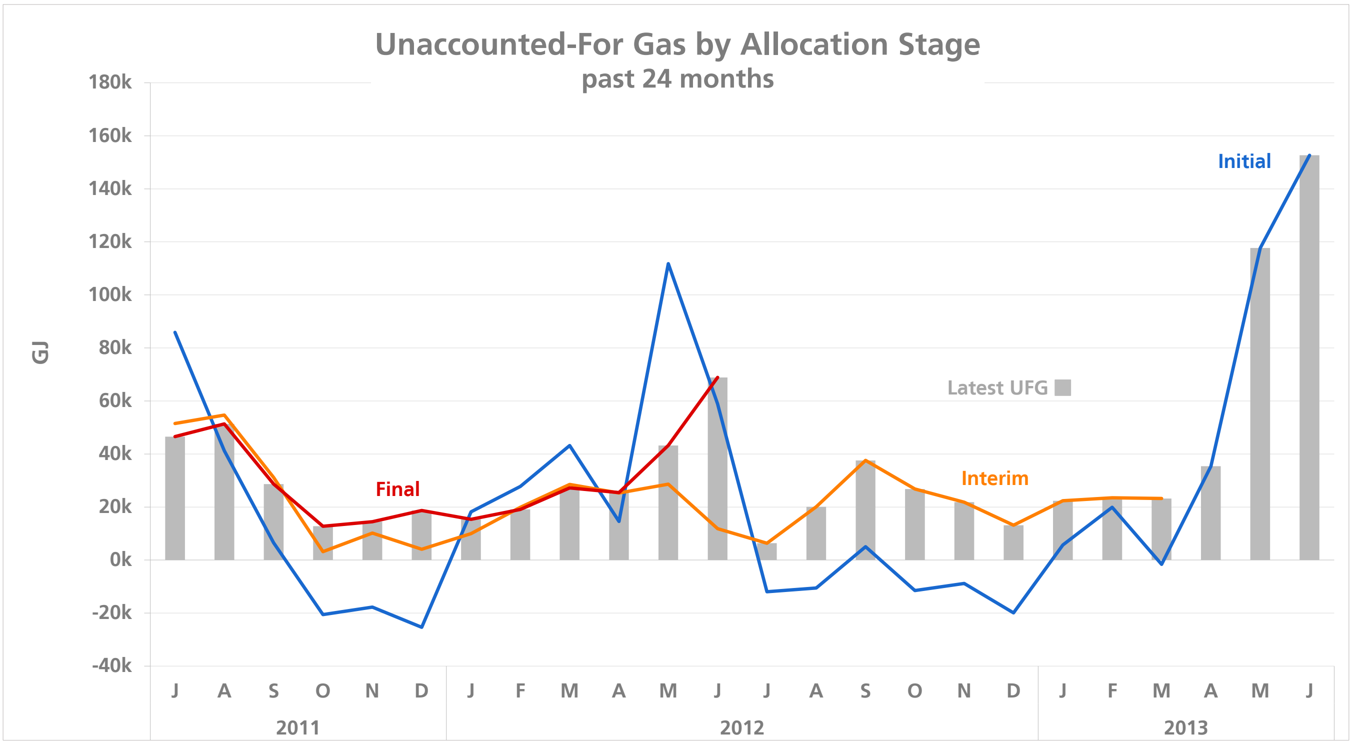
4 Allocation and reconciliation performance measures

Volumes of Unaccounted-for Gas

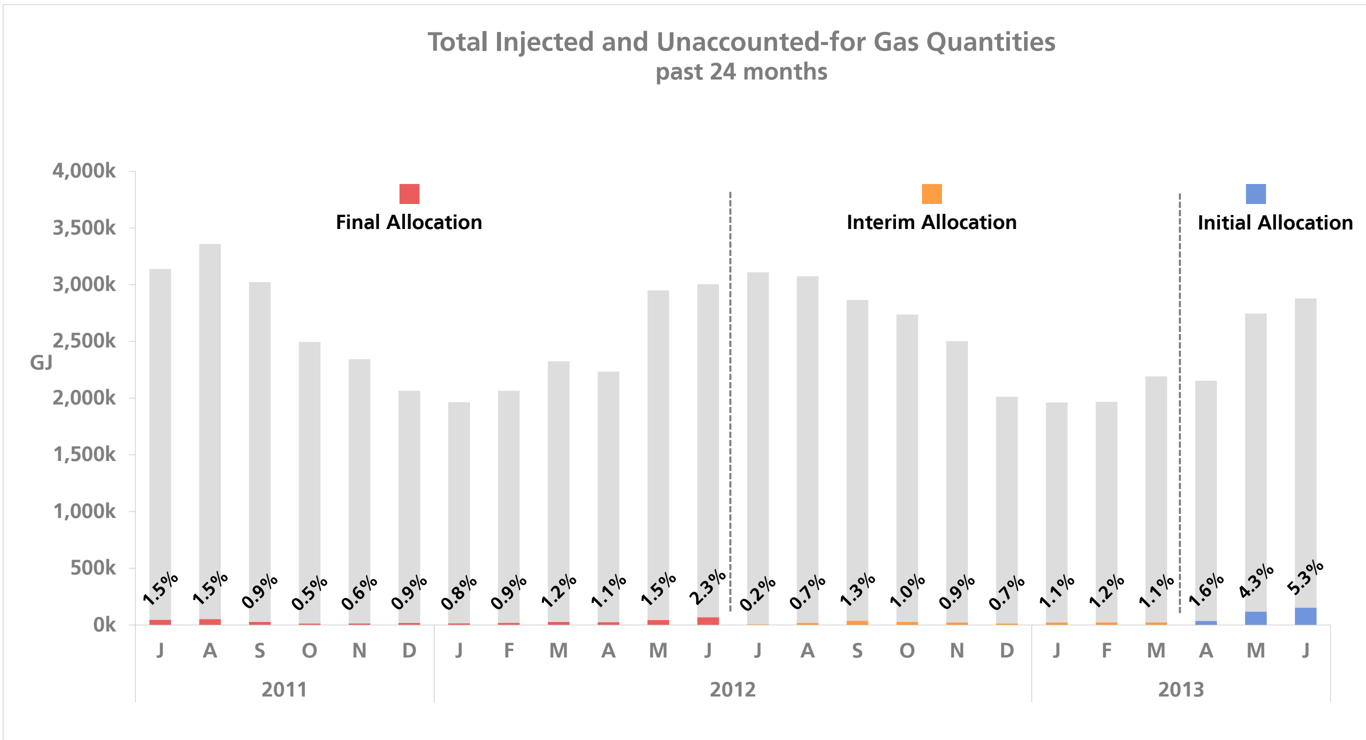
Under the Reconciliation Rules, the amounts of gas that retailers estimate their customers have used are subtracted from the amounts of gas leaving the transmission system. The difference is UFG, which arises from technical losses on the system, metering inaccuracies, and retailer estimation errors. UFG imposes a cost on the market: it is gas that retailers are allocated and must pay for, but cannot sell. Tracking UFG is a way of monitoring these costs and the efficiency of the retail market. This transparency should assist the industry to take steps to reduce UFG where it is efficient to do so.

The chart below compares total UFG quantities by consumption month and allocation stage (initial, interim or final). The grey bars show UFG based on the most recent data available.

Changes in UFG from one allocation stage to another are largely due to mass market retailers' consumption submissions becoming more accurate at later allocation stages. UFG tends to be most extreme at the initial allocation stage: in summer, UFG tends to be negative due to retailers' overestimations of customer consumption; and in winter, UFG tends to be positive due to retailers underestimating consumption. Generally, UFG volumes diminish considerably from the initial to the interim allocation stages. The final allocation stage reflects further minor adjustments to retailers' data, which can result in slightly more or less UFG, as shown by the orange and red lines in the chart below.

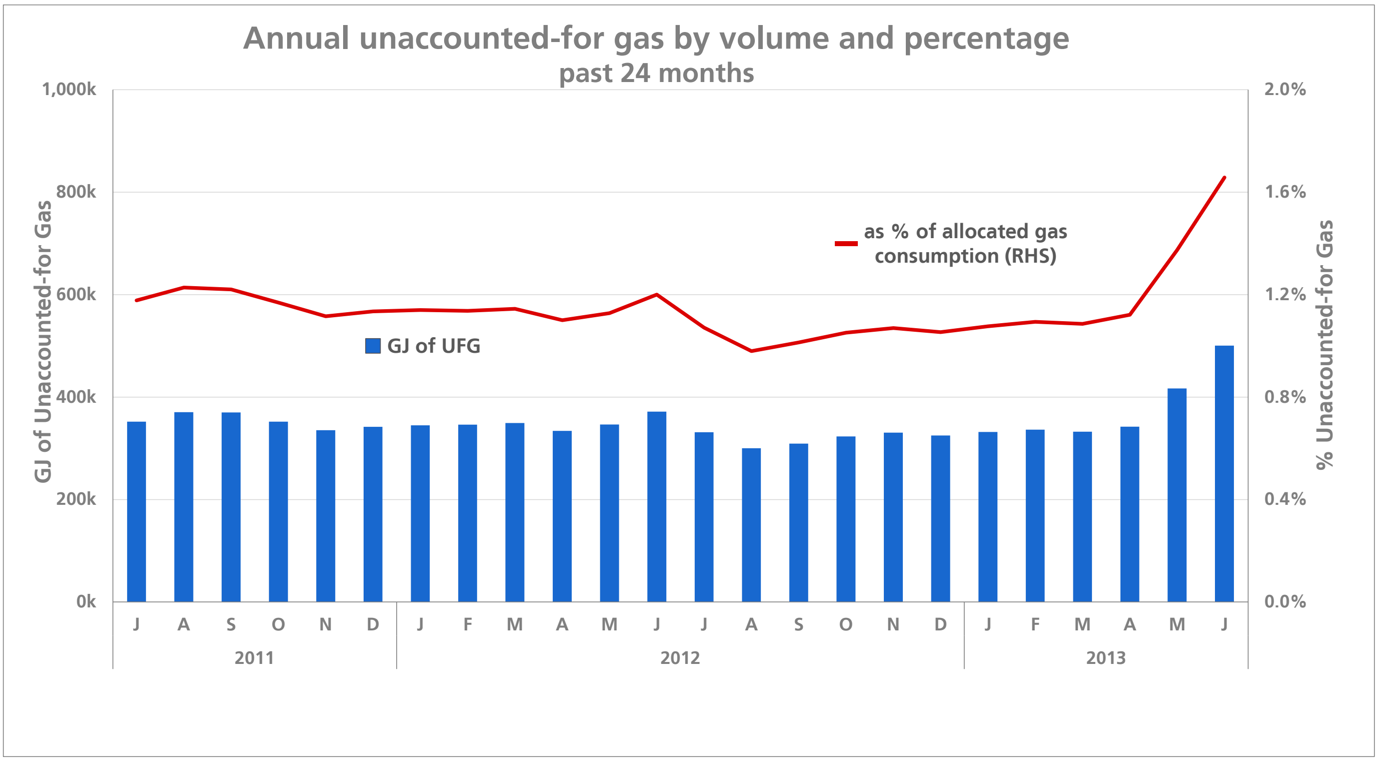


The chart below shows the amount of unaccounted-for gas in comparison to the total amount of allocated gas consumed each month. The grey bars show gas consumption at allocated gas gates, while the coloured bars show UFG volumes, by allocation stage. The labels show the percent of UFG as a proportion of total allocated gas.



Another way to think about UFG is the amount recorded over a 12-month period. The chart below shows rolling 12-month UFG figures, both as a GJ total and as a percentage of gas consumed. As initial data are often inaccurate, the chart includes only consumption months for which interim or final data are available. The figures in the chart are based on the best data available at the time of publication, so, for example, the March 2013 total is based on nine interim results and three final results, while the March 2012 total is based on twelve final allocation runs.

For the first year after the Reconciliation Rules came into effect, annual UFG was about 2%. UFG has recently been just over 1%, though the unusually high UFG at the initial stage in May and June 2013 have increased the average in recent months. It is likely that the UFG percentages will revert to the long term average with the interim and final allocation stages.



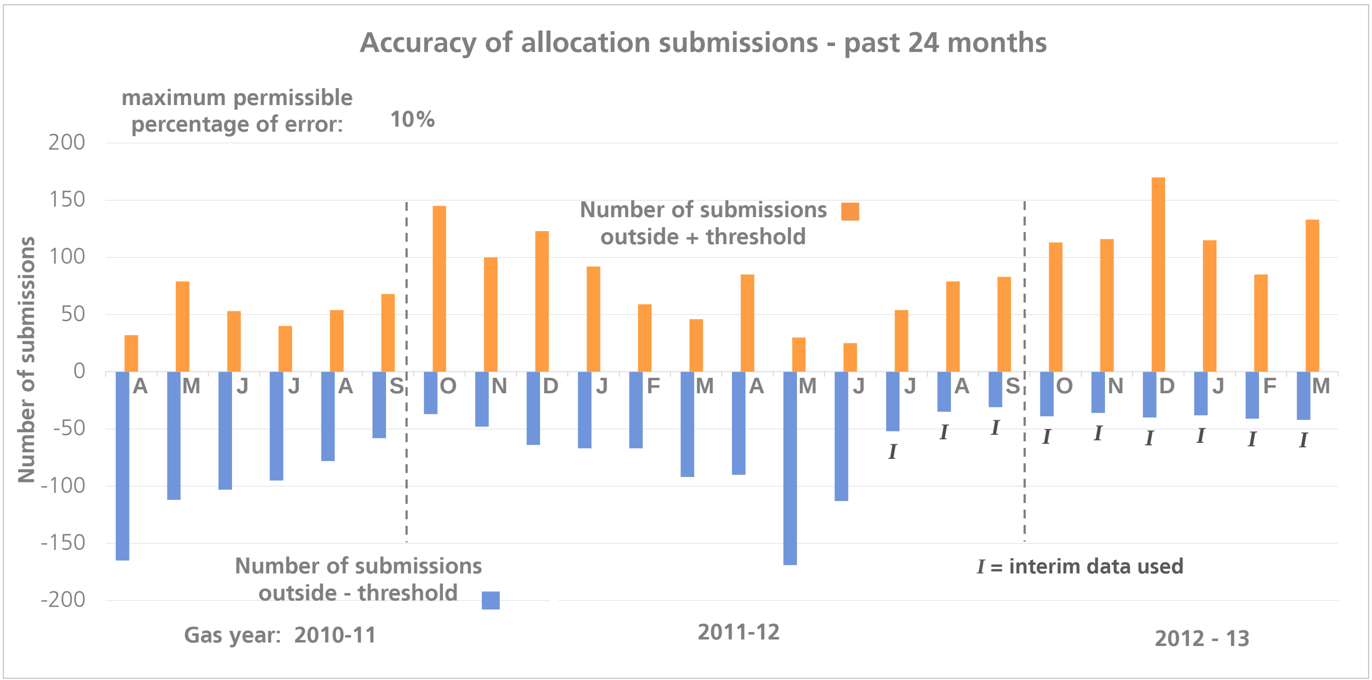
Accuracy of submission data

The accuracy of initial submissions is important, as balancing and peaking charges on the Vector transmission system are levied on the basis of initial allocation results and are not subsequently washed up. This means that the UFG created through inaccurate initial consumption submissions falls onto all retailers at the affected gate and affects their exposure to balancing costs. To limit the impact of this effect, the Reconciliation Rules require that initial consumption submissions are within a specified percentage of the final (and most accurate) consumption submissions.

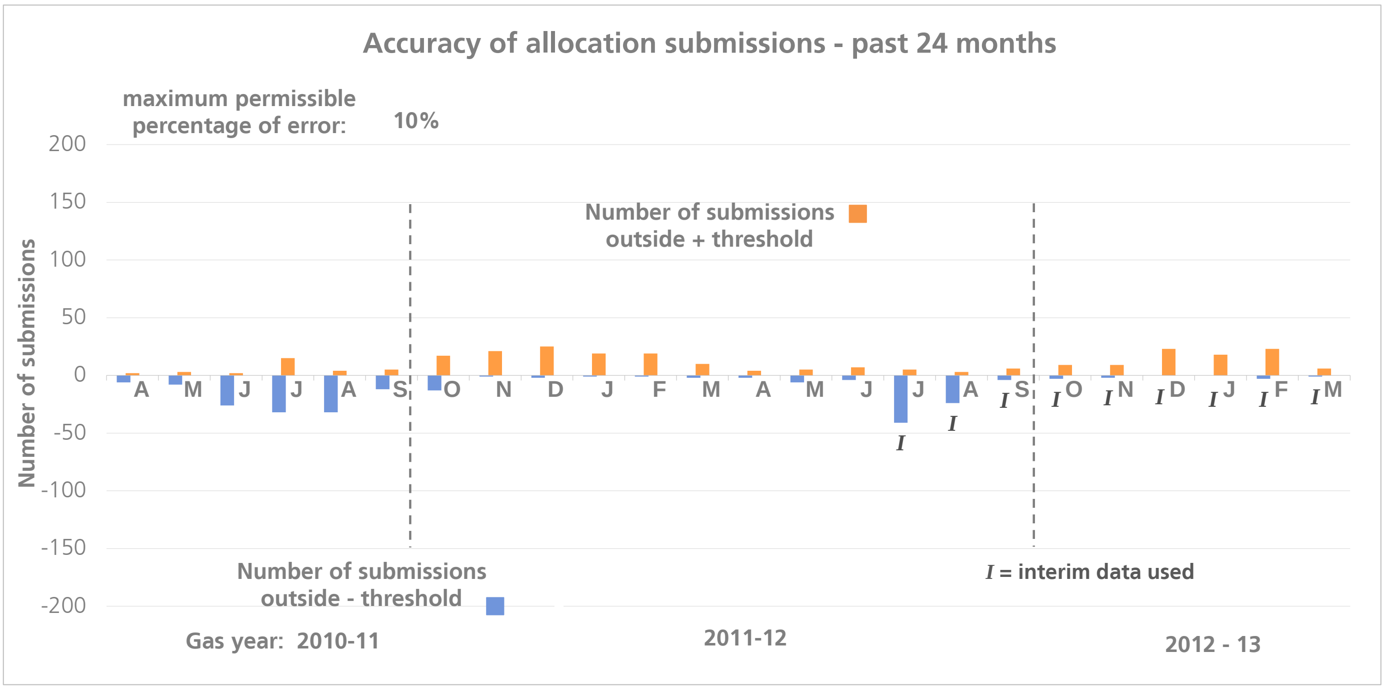
The chart below shows the number of retailer submissions that were outside the maximum permissible error threshold in the last 24 months for which data are available. For this analysis, final submissions were compared to initial allocation submissions for the months they were available (April 2011 – June

2012). Other months use interim submissions (in place of final) for the comparison data and are marked with '*I*'. The percentage of error used to measure accuracy is 10%.

There is a pattern of retailers oversubmitting in October through January (shown by the orange bars), which corresponds with the negative UFG seen at the initial allocation stage in the preceding charts. Retailers also tend to undersubmit in the months of April through June (as seen in the blue bars), which corresponds with the high levels of UFG experienced in those months.



The market administrator uses a volume threshold of 200 GJ as a means of differentiating those breaches that are likely to have had a materially adverse effect on other market participants. The chart below shows the number of accuracy breaches that involve gas quantities larger than 200 GJ. As a comparison of the two charts illustrates, there is a significant proportion of accuracy breaches that have involved less than 200 GJ. Deeming these breaches not material allows industry participants to focus on addressing the harm caused by larger volume estimation errors.



Distribution of AUFG factors

Annual UFG (AUFG) factors are used as part of the reconciliation process to determine how much UFG gets assigned to customers with time of use meters. Time of use meters are used by large industrial customers and provide daily measurements. The data from those meters are considered to be more reliable than the readings from meters used in the mass market which are only read at monthly or two-monthly intervals. Under the allocation methodology, at gas gates where there are both time of use and mass market consumers, customers with time of use meters receive UFG based on historical amounts of UFG at the gas gate, defined as the AUFG factor, while the remainder of customers receive the remainder of the UFG experienced at that gate. (Under rule changes that will go into effect with the October 2013 consumption month, gas gates where over 80% of the load is from time of use customers can be allocated can be allocated with the global one-month methodology, which does not use AUFG factors.)

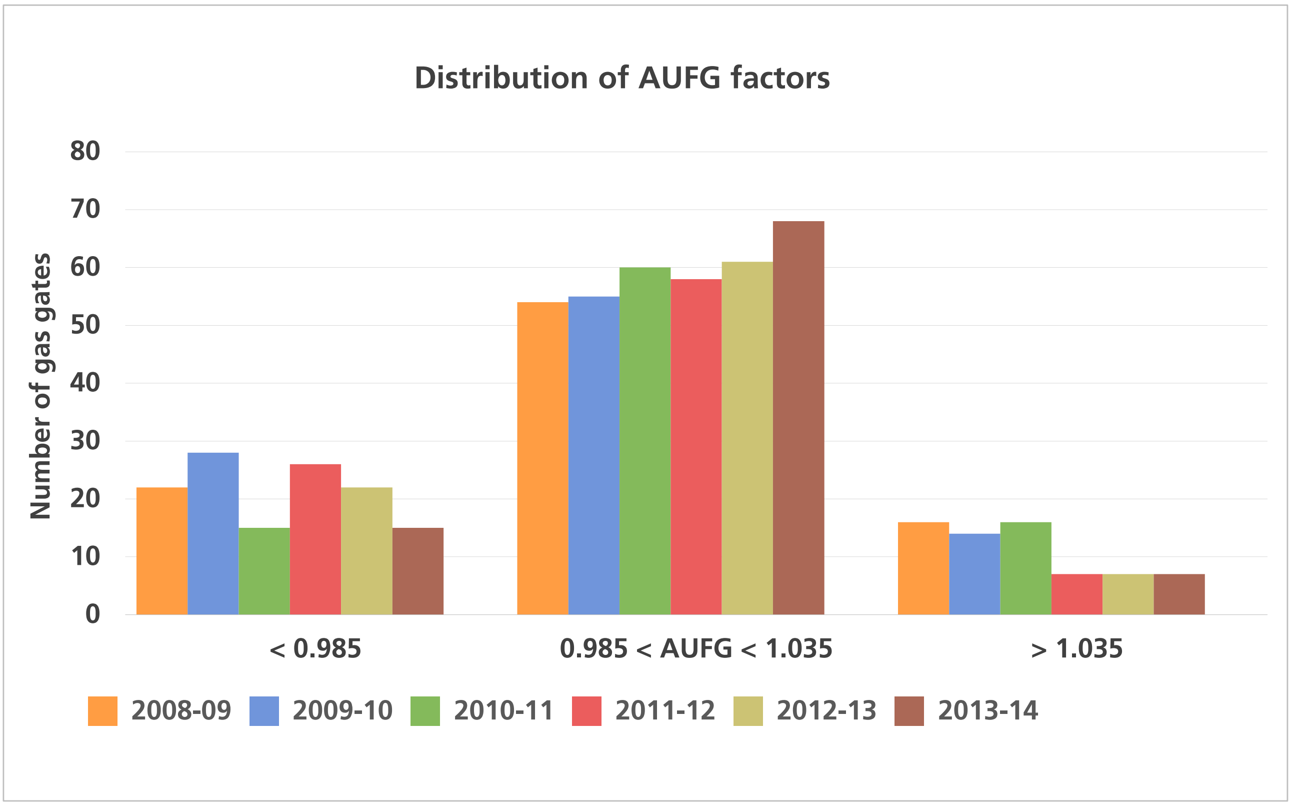
When the Reconciliation Rules were implemented, AUFG factors were at first constrained to a maximum of 1.035 and a minimum of 0.935. Those transitional provisions have now expired;

however, the former cap and floor limits are useful as a means of tracking improvements in AUFG factors.

The closer AUFG is to one, the more accurate the consumption submissions have historically been at that gate. The chart below shows the improvement in AUFG factors over the six years that the Reconciliation Rules have been in effect.

The number of gas gates with an AUFG factor within the former cap and floor limits has increased from 54 in 2008-09 to 68 for the 2013-14 gas year. This outcome reflects falling UFG and the underlying efforts of retailers, aided by the results of the event and performance audits, to remedy identified causes of UFG.

There are now seven gas gates with AUFG factors greater than 1.035, down from a total of 16 in 2008-09. Similarly, the number of gas gates with AUFG factors below 0.935 has also decreased, from 22 to 15 over the same period.

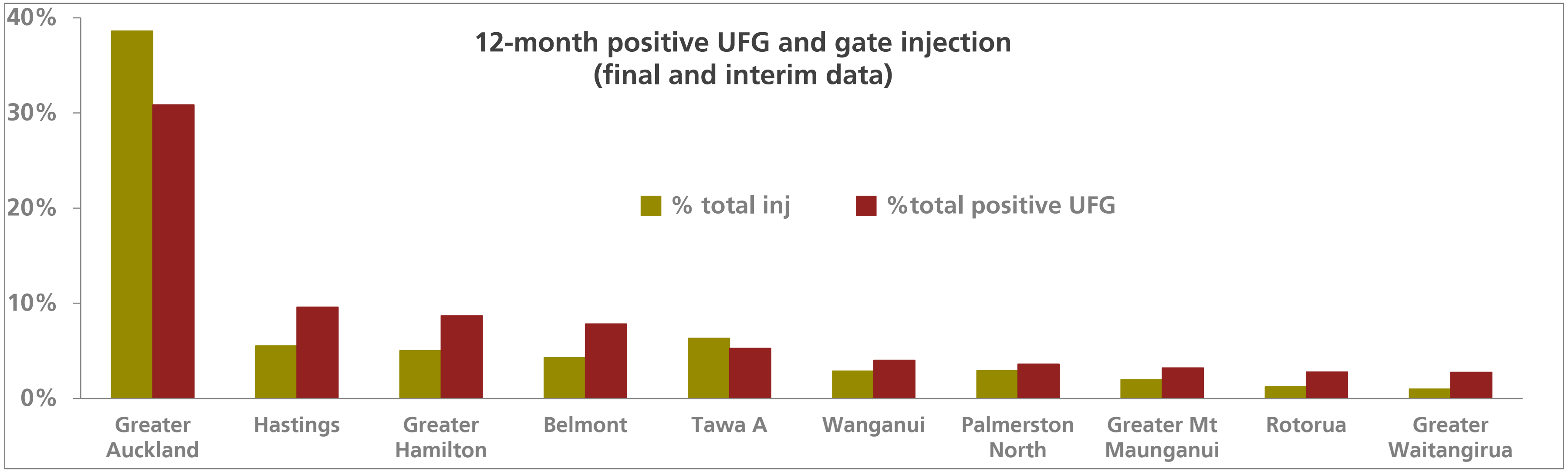


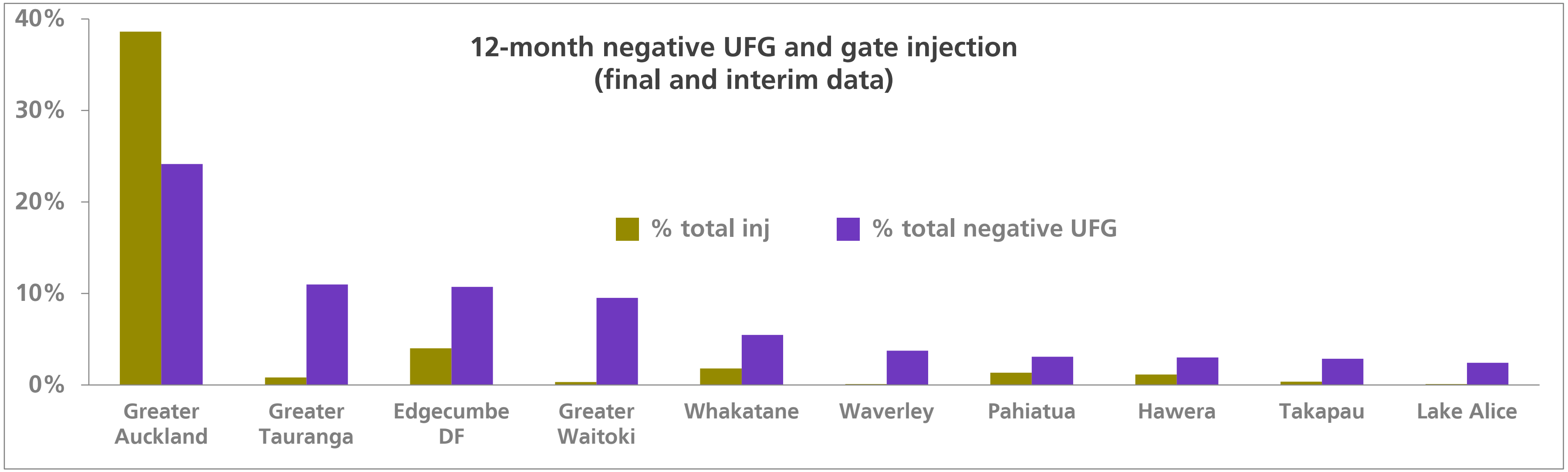
Gas gates where UFG is the highest

The charts below show the gates with the largest volumes of positive and negative UFG over the 12 months from April 2012 to March 2013, according to the most recent (final and interim) data. In those 12 months, a net of 332,355 GJ of UFG has been allocated: 420,785 GJ of positive UFG; and 88,430 GJ of negative UFG.

About 80% of positive UFG has occurred at the ten gas gates shown in the first chart below. For context, the chart also shows the percentage of total gate injections each gate represents; that is, the proportion of total gas consumption that is drawn from those gates. The chart shows, for example, that nearly 40% of gas from shared gas gates was consumed in Greater Auckland, and about 30% of positive UFG occurred there. Conversely, Hastings accounted for about 6% of gas consumption and 10% of positive UFG.

The second chart concerns negative UFG. The ten gates shown account for over 75% of the negative UFG experienced in the twelve months; and again the percentage of gate injections is shown for each of the gates.


12-month positive UFG and gate injection
(final and interim data)
40%
30%
20%
10%
0%
% total inj
%total positive UFG
Greater Auckland
Hastings
Greater Hamilton
Belmont
Tawa A
Wanganui
Palmerston North
Greater Mt Maunganui
Rotorua
Greater Waitangirua


12-month negative UFG and gate injection
(final and interim data)
40%
30%
20%
10%
0%
% total inj
% total negative UFG
Greater Auckland
Greater Tauranga
Edgecumbe DF
Greater Waitoki
Whakatane
Waverley
Pahiatua
Hawera
Takapau
Lake Alice

Audits commissioned

Event audits

There have been no event audits commissioned in the past quarter.

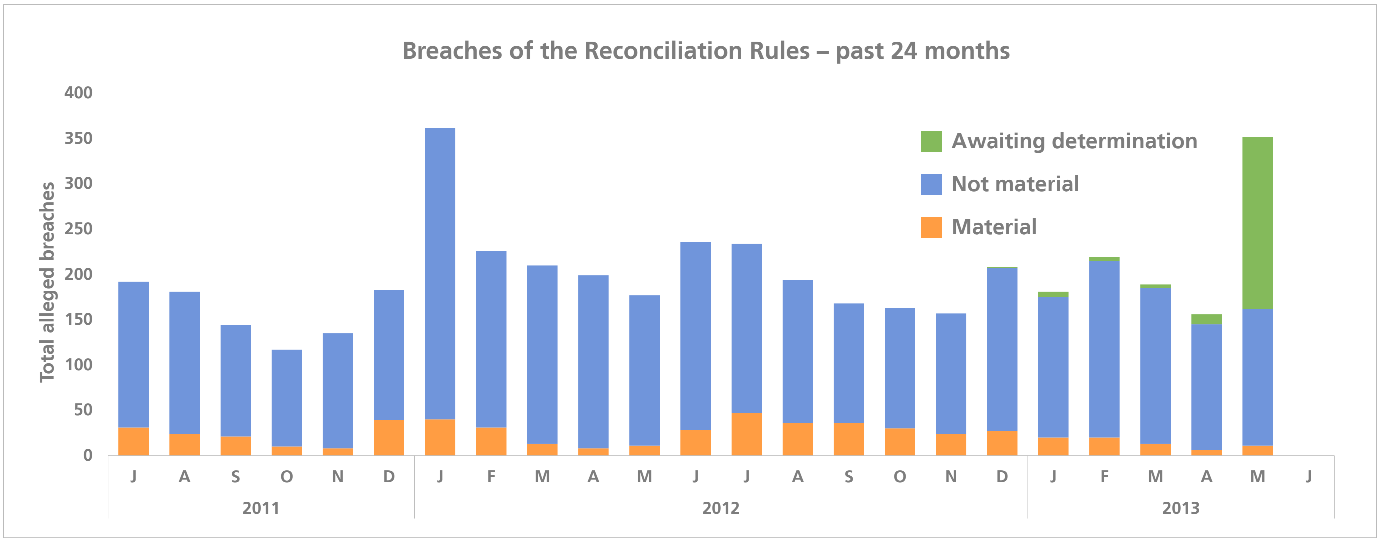
Performance audits

There have been no performance audits commissioned this quarter.

Number and severity of breaches of the Reconciliation Rules

On average, about 86% of breaches alleged under the Reconciliation Rules relate to rule 37, the rule that requires the accuracy of consumption information provided at the initial allocation stage to be within a specified tolerance level of the information provided at the final allocation stage.

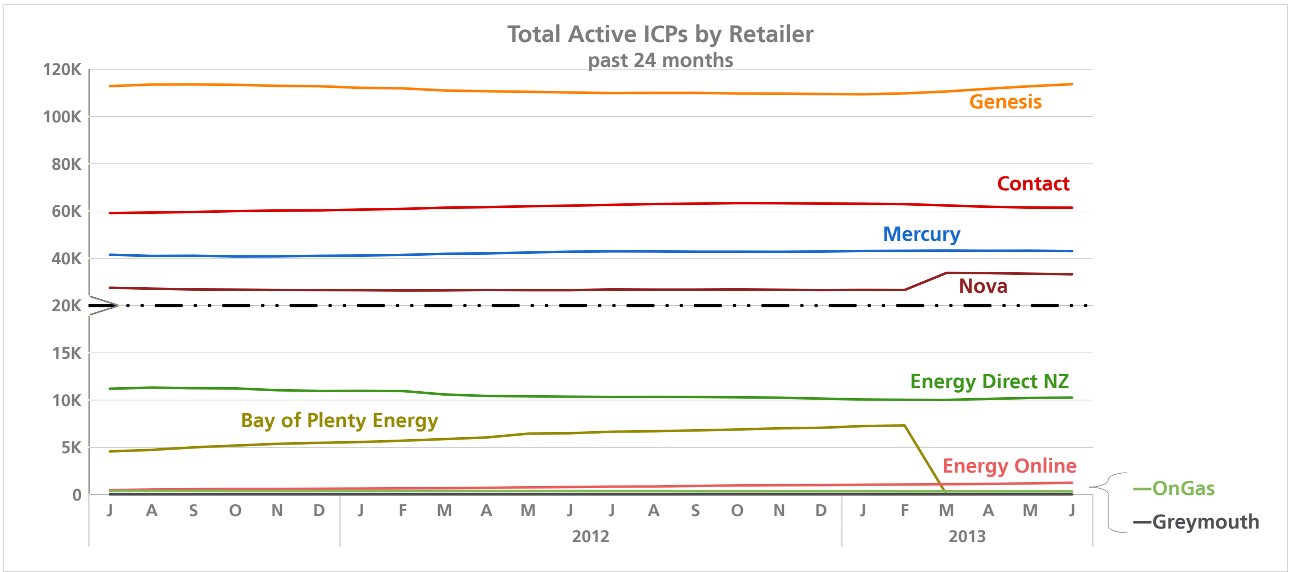
It has proven efficient for the Market Investigator to attempt to reach settlements in yearly batches of rule 37 breaches. A batch of rule 37 breaches, encompassing material breaches alleged from June 2012 to May 2013, is currently with the Market Investigator for settlement.



5 Market competition performance measures

Market share of ICPs by retailer

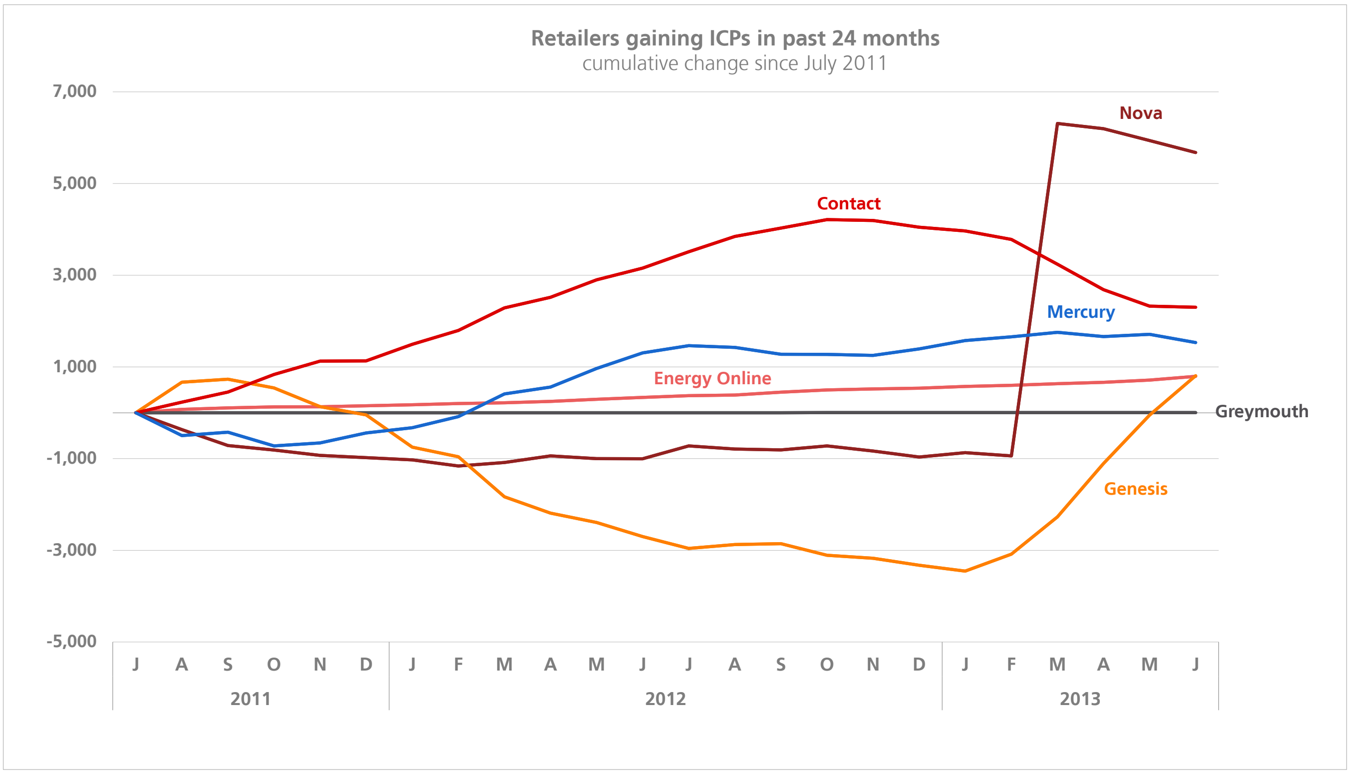
In March, Nova transferred all of its ICPs under the Bay of Plenty Energy brand to its Nova brand. As of 1 July, TrustPower acquired Energy Direct's customers, although the Energy Direct retail brand continues. There are now eight different gas retail brands in the market. There have been no major movements in market share among the other retailers.

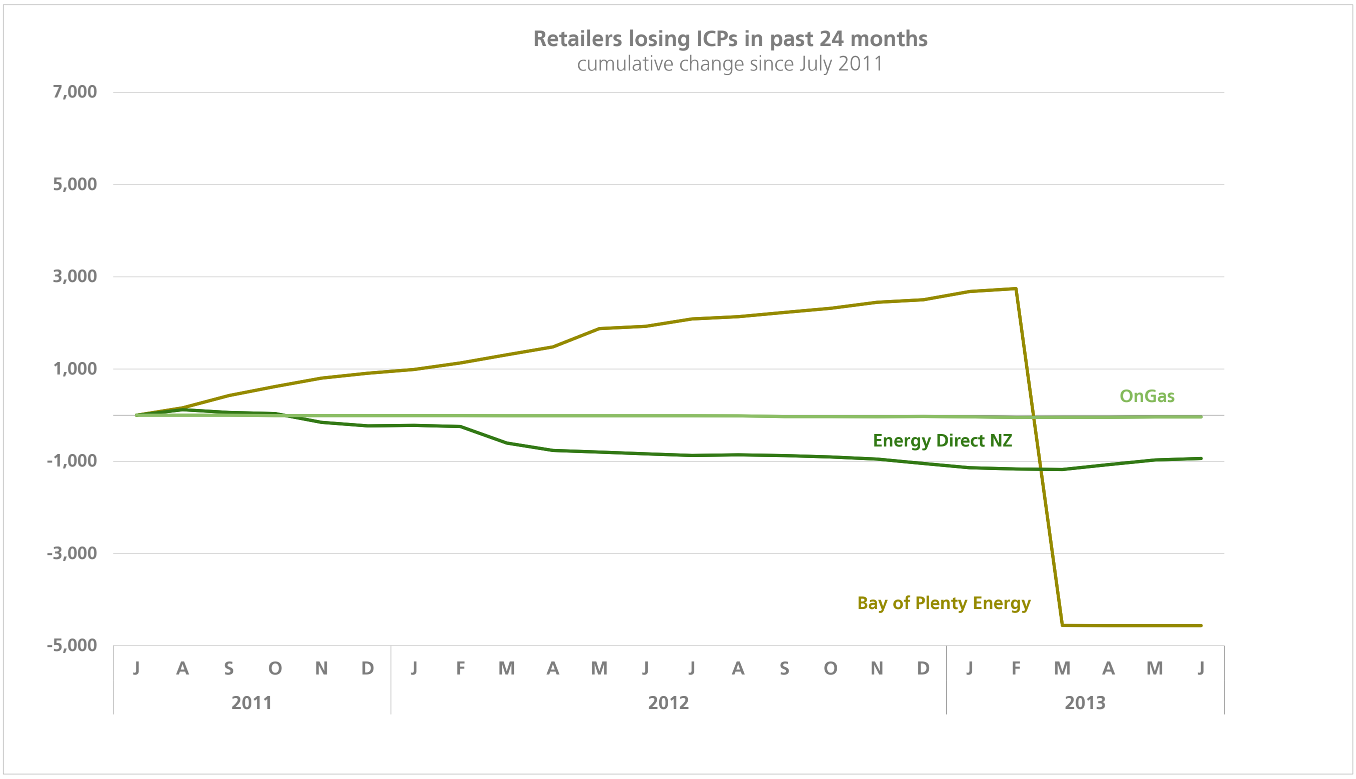


The two charts below are drawn from the same data set. Both show the cumulative changes in ICPs over the past two years; the first chart shows retailers who gained customers over that time; the second is retailers who have lost customers.

As noted above, Nova has now assimilated the Bay of Plenty Energy brand, which explains the large increase in its customer numbers in March of this year. Mercury Energy and Genesis Energy have overcome earlier customer losses and show an overall net gain over the past two years. Energy Online has steadily gained customers over this time.

In addition to Bay of Plenty, OnGas and Energy Direct have also recorded net losses in ICP numbers over the past two years.





Note that all three of the ICP share charts above include data from ICPs on open-access distribution networks only; information about ICPs on bypass networks is not available in the Gas Registry.

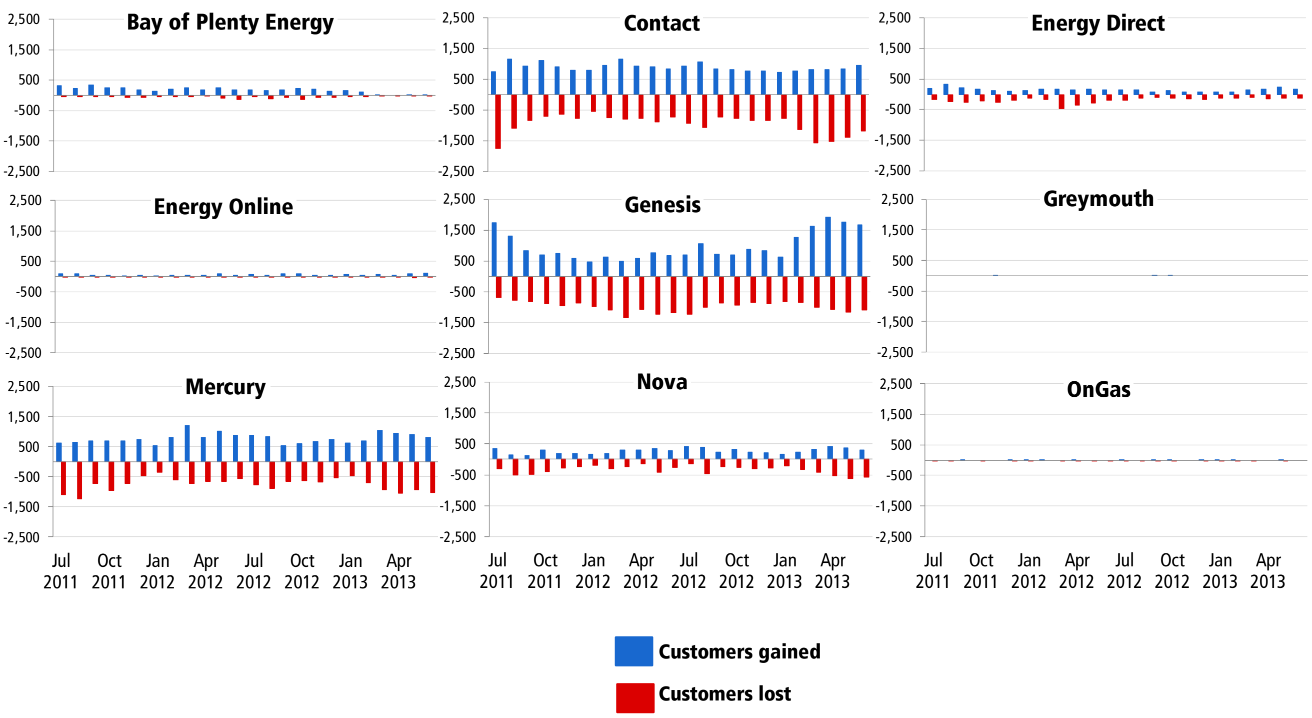
Switching activity by retailer

This chart shows the numbers of ICPs gained and lost by retailers over the past two years. The blue bars show the number of customers gained by the retailer each month, and the red bars show the numbers of customers lost.

As shown by these charts, although the net changes in number of customer ICPs may not change significantly from month to month for some retailers, there is a lot of underlying switching activity, particularly for the mass market retailers Contact, Genesis, and Mercury.

Note that the figures in the chart below do not include transfers of Auckland Gas and Bay of Plenty Energy customers to Nova.

Switching activity by retailer

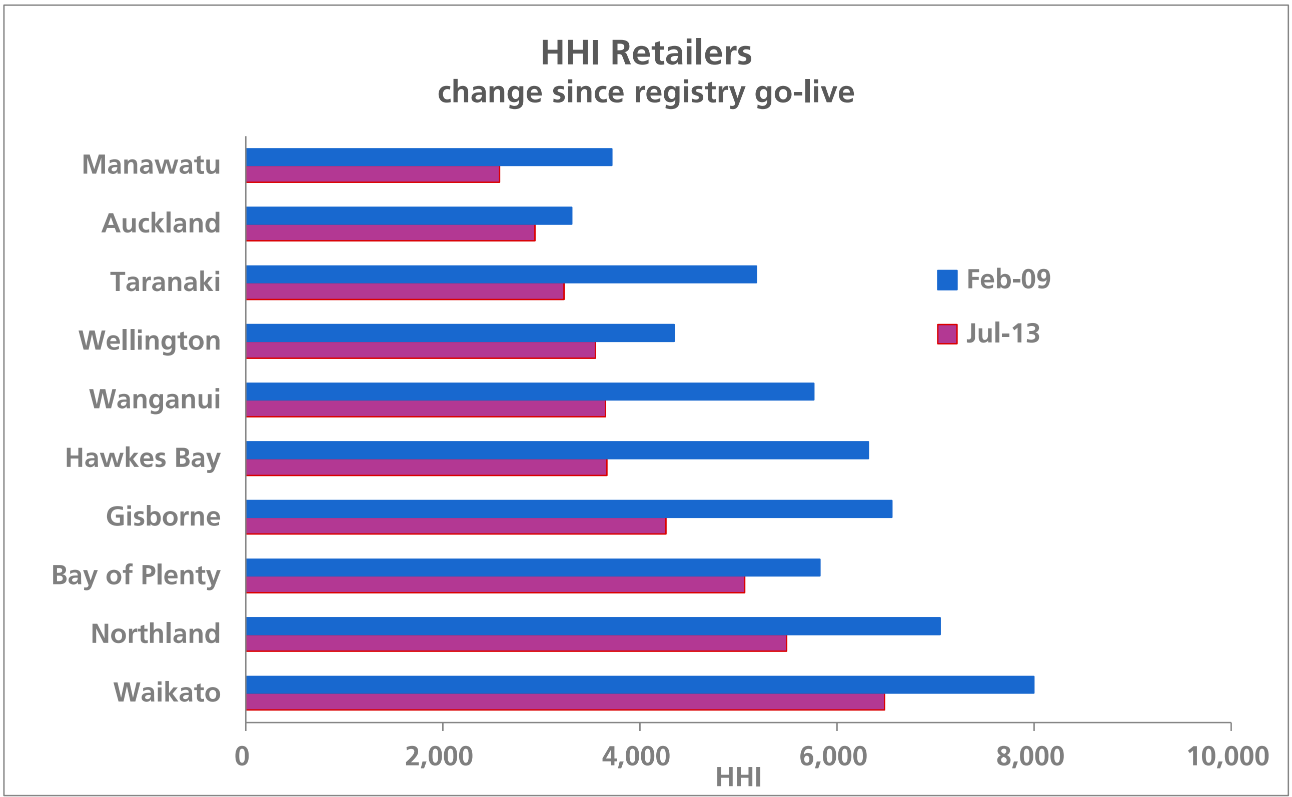


Herfindahl–Hirschman Index

The Herfindahl–Hirschman Index (HHI) is one way of measuring market concentration by using size and number of competing firms. The index ranges from 0 to 10,000. A low score indicates a low level of market concentration, which arises when there is a large number of small firms in the market, each with a small proportion of market share. Conversely, an HHI score of 10,000 represents a market with a single retailer. The measure is used because market concentration is often inversely related to market competition; that is, the more retailers there are, the greater is the competition for customers.

The chart below shows the HHI of the retail gas market as at the time the registry went live, in February 2009, and as of 1 July 2013. In all regions, the HHI has decreased, indicating that the retail gas markets in these regions have become less concentrated.

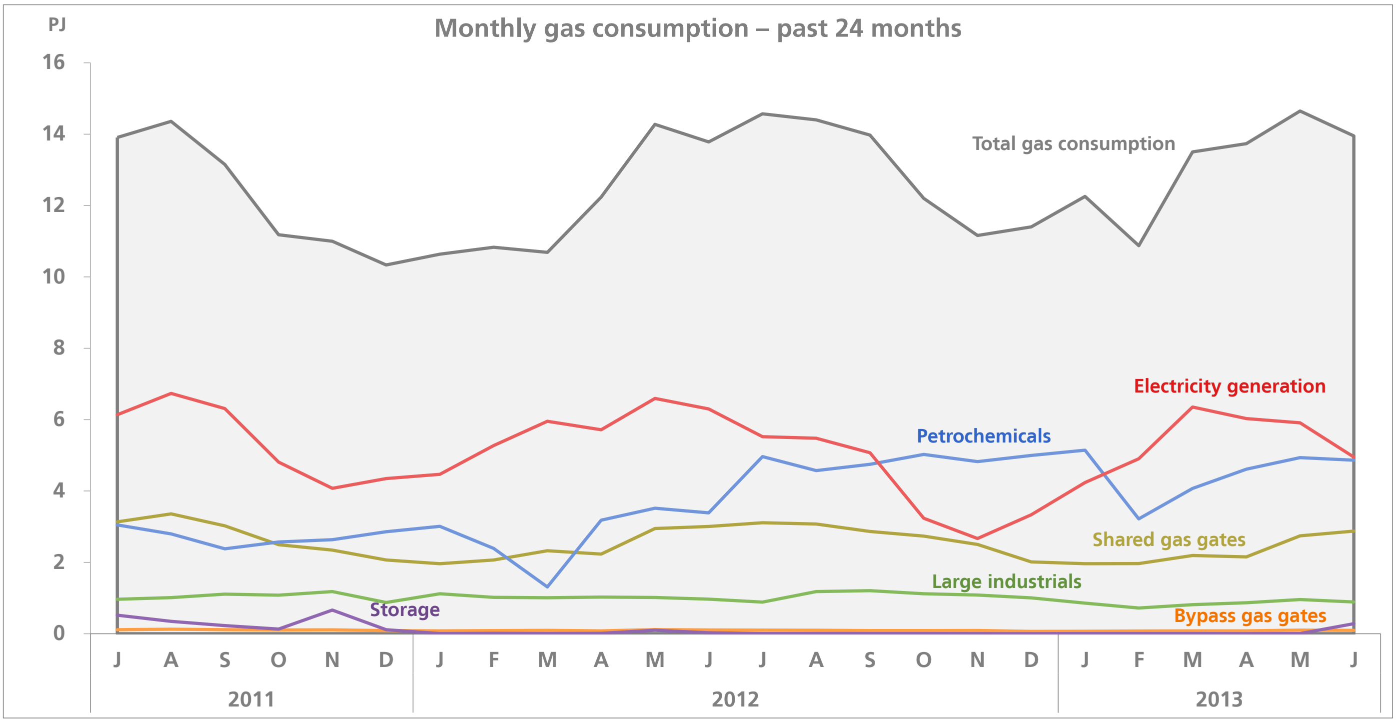
Until 1992, when the new Gas Act disestablished local exclusive franchise areas, gas retailing occurred through local vertically-integrated monopolies. With the consequent onset of retail competition, and as in the electricity sector, these former monopoly providers became 'incumbents', subject to competing retailers vying for customers in their areas. In most regions, there is still a dominant retailer, but the decrease in HHI shows that they have become less dominant in the past four years, as new retailers have entered the market and smaller retailers have increased their market share.



Total gas volumes

The chart below shows the total amount of gas consumed over the past two years by all gas users. The top grey line shows total consumption; the coloured lines provide a breakdown by type of use.

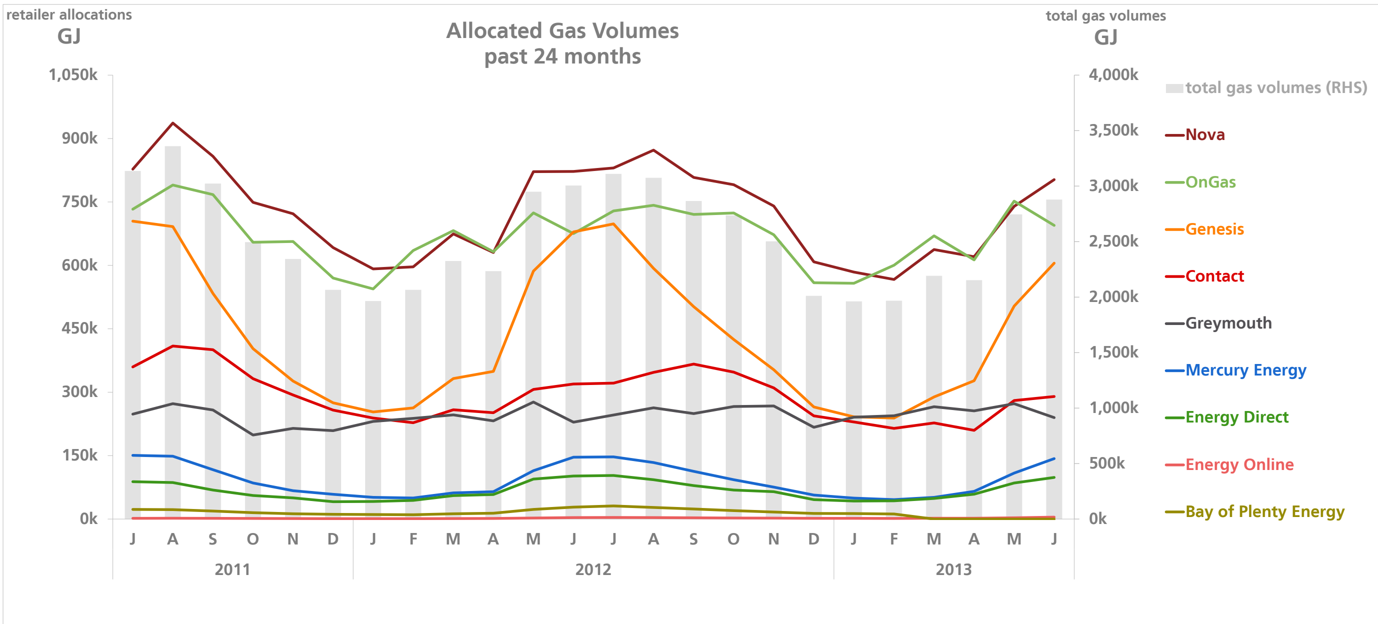
- The red line shows the seasonal peaks and troughs in gas used for thermal electricity generation.
- Consumption for petrochemicals is shown in blue.
- The tan line shows the amount of gas used by customers connected to shared gas gates. This represents the majority of commercial and residential customers. There is a seasonality trend to the consumption, higher in winter and lower in summer. These allocated gas volumes are broken down by retailer in the next section.
- The green line represents volumes of gas used by large industrials, including steel, wood products, dairy processing, and oil refining.
- The purple line shows the volumes of gas going to storage.
- The orange line represents gas used by consumers connected to the private pipelines owned by Nova.



Allocated gas volumes

This chart shows the gas volumes allocated to retailers at shared gas gates over the past two years. This includes gas consumed by industrial, commercial, and residential customers, but it excludes gas volumes from direct connect gas gates; that is, from gas gates that supply a single customer directly from the transmission system. For this reason, gas volumes supplied through direct connect gas gates to such industrial sites as thermal power stations, oil refinery, and paper and chemical factories are not included in the chart below.

The grey bars in the chart show total volumes of allocated gas (using the right-hand scale); company volumes are denoted by coloured lines and use the left-hand scale. The bars show the seasonality of gas consumption: higher in winter and lower in summer, and many of the retailers show similar patterns in their allocated volumes. Nova Energy is the largest retailer by allocated volumes, followed by OnGas. Genesis, the third largest retailer by volume, has a load profile that peaks in winter and troughs during the summer. Contact, Mercury, and Energy Direct all show similar – but less pronounced – winter peaking patterns. Greymouth's share of allocated gas, in contrast, is relatively steady throughout the year, reflecting its position as largely a supplier to industrial loads.

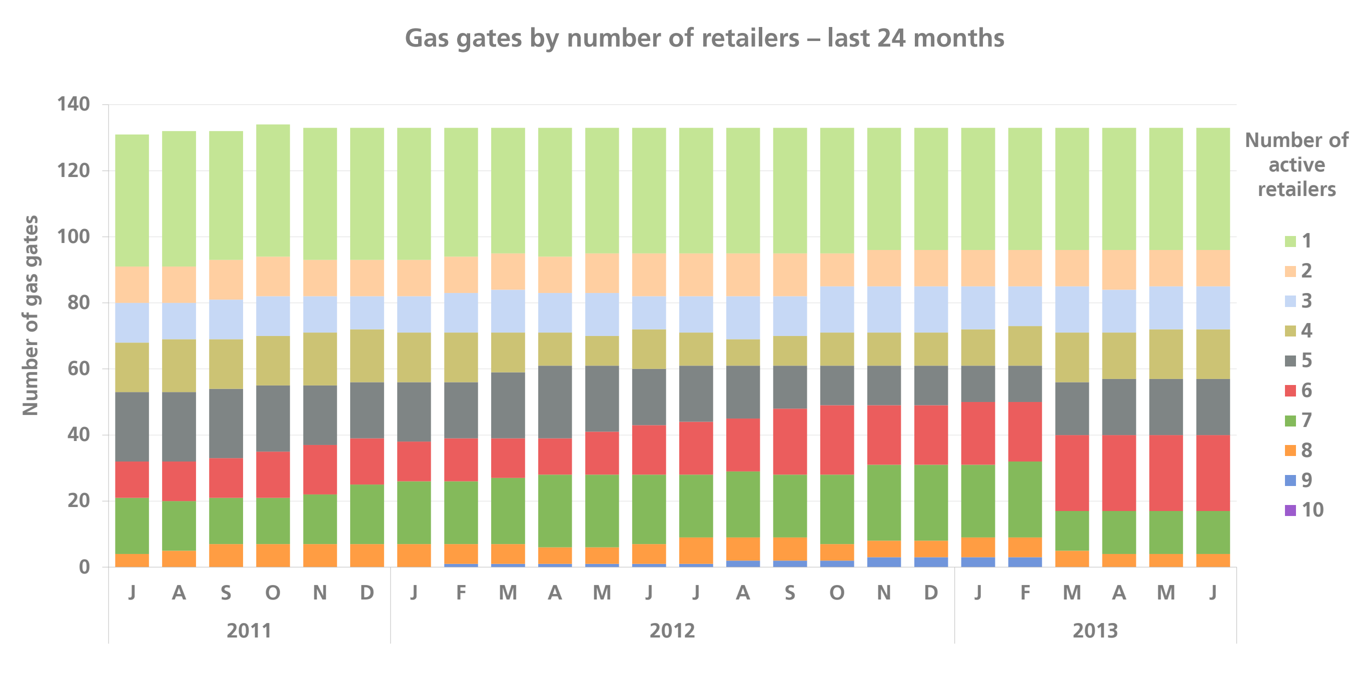


The data are from a mix of allocation stages: Final through June 2012; Interim for July 2012 through March 2013; and Initial for April 2013 through June 2013.

Gas gates by number of retailers

This chart shows, by month, numbers of gas gates by the number of active retailers. The greater the number of retailers that trade at a gas gate, the greater is the potential competition for customers.

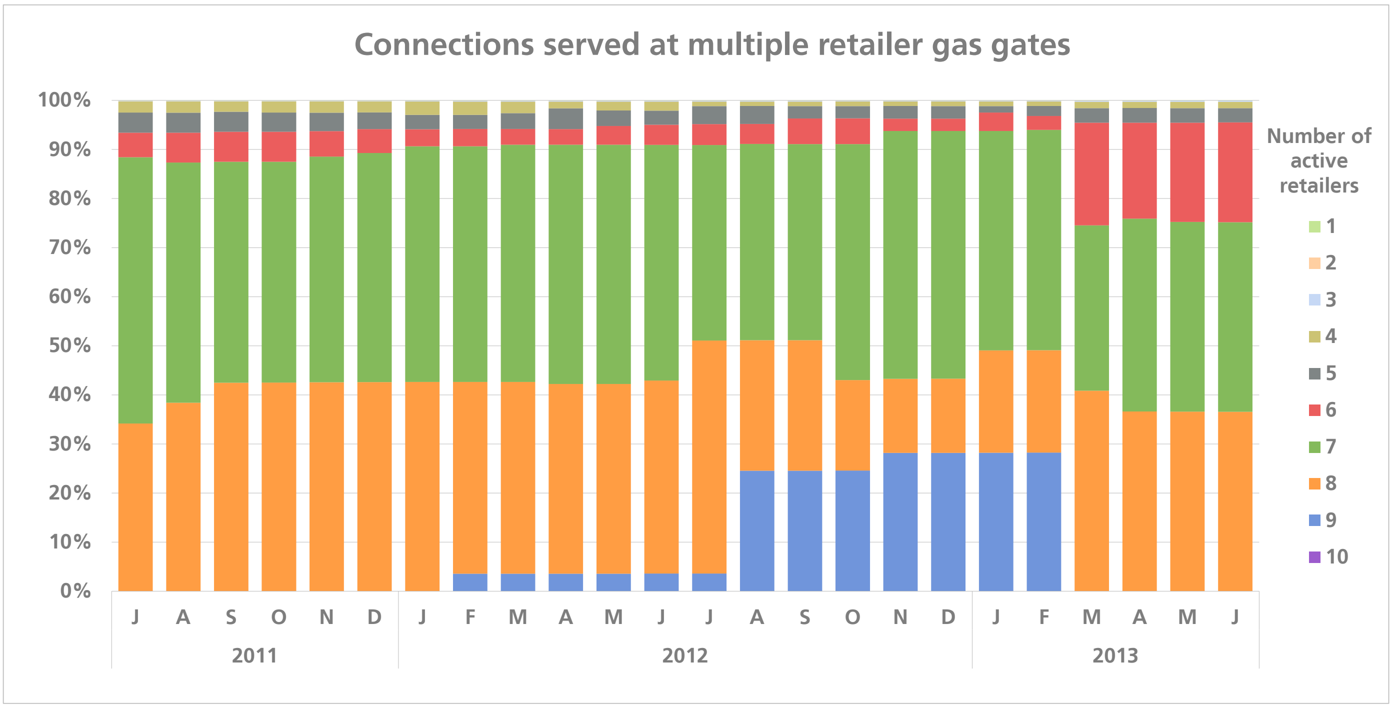
The largest number of retailers operating at a gas gate is now eight, following the amalgamation of Bay of Plenty Energy into the Nova Energy brand.



Connections served by multiple retailers

This chart plots the proportion of gas customers who are served from the gas gates in the chart above; that is, customers served at gas gates where multiple retailers trade.

This chart also shows the March 2013 step change caused by the amalgamation of Bay of Plenty Energy into Nova; interestingly, the introduction of nine retailers at a gate in February, August, and November 2012 all appear to be due to Bay of Plenty Energy gaining customers in areas it had not previously served. Over 95% of gas customers are connected to a gate where least six retailers trade.



Note that the above chart includes data from ICPs on open-access distribution networks only; information about ICPs on bypass networks is not available in the Gas Registry.

6 Critical Contingency Management performance measures

There were no critical contingencies in the previous quarter.

Strategic Progress: Quarterly Report 1 April – 30 June 2013

This report provides an update of progress towards Gas Industry Co's strategic goals. These reflect the Government's objectives and outcomes for the gas industry, as set out in the Gas Act 1992 and the April 2008 Government Policy Statement on Gas Governance, as implemented through the Company's FY2013-2015 Strategic Plan.

Project	Rationale	Activity	Status
Strategic Goal: Efficient Use of, and timely investment in infrastructure			
Transmission Pipeline Balancing	• Improved industry arrangements. Gas industry participants and new entrants are able to access transmission pipelines under reasonable terms and conditions.	• Assess balancing market developments. • Provide advice to Minister on balancing market developments as appropriate.	• Minister kept abreast of balancing market developments. Formal advice provided on 16 April 2013. • MPOC balancing changes deferred from scheduled 1 June 2013 while industry works through complementary VTC change request.
Interconnection	• Improved industry outcomes. Gas industry participants and new entrants are able to access transmission pipelines under reasonable terms and conditions.	• Monitor two new interconnection arrangements on each open access transmission pipeline (Vector, MDL). • Review transmission pipeline interconnections and consult on any issues by the end of 2013. • Investigate the extent, if any, of issues relating to access to private pipelines.	• Cheal and Sidewinder field (both TAG) interconnections reviewed; no issues identified. • Interconnections associated with wholesale gas market developments will be reviewed upon completion.
Access to Processing Facilities	• Statutory Role under Gas (Processing Facilities Information Disclosure) Rules 2008.	• Collect, monitor, and publish disclosed information. • Recommend to Minister by 27 June 2013 as to continuance, amendment, or expiry of these Rules.	• All disclosures received and published on Gas Industry Co website. • Recommendation to Minister on16 April 2013 that regulated access to gas processing facilities is not necessary.

Strategic Goal: Build efficient, competitive, and confident gas markets			
Rule Changes	• Improved industry governance through regular review of existing arrangements and recommending changes where appropriate.	• Maintain rule change registers. • Review industry feedback on options paper on Reconciliation Rules review. • Consult on Statement(s) of Proposal for changes to Reconciliation Rules. • Review effectiveness of the Gas Governance (Critical Contingency Management) Regulations 2008 following any events/exercises. • Consult on proposed changes to the Compliance Regulations.	• Amendments to the Reconciliation Rules Gazetted on 28 February 2013. Work continues on phase 2 changes dealing with allocation methodologies. • Recommendation to Minister on CCM Regulations changes submitted post quarter (July 2013). • Recommendation on proposed changes to the Compliance Regulations, submitted to Minister with CCM Regulations change recommendation.
Gas Quality	• Maintain an acceptable standard of gas quality. • Ensure costs of gas quality incident are met efficiently. • Achieve improved transparency on gas quality incidents.	• Ongoing review of industry arrangements for managing gas quality. • Consider options for improving gas quality arrangements.	• Survey of gas quality monitoring completed. • Retailers establishing information exchange protocol to demonstrate compliance with gas quality requirements.
Insolvent Retailer Arrangements	• Following recommendation to revoke 2010 temporary Insolvent Retailer Regulations, consider whether generic regulatory solution is required to address retailer insolvency.	• Prepare Issues and options paper for industry consultation.	• Recommendation to Minister on 16 April 2013 that permanent backstop regulations are not necessary.
Gas Distribution Principles	• Improved industry outcomes. Gas industry participants and new entrants are able to access distribution pipelines on reasonable terms and conditions. • Ensure consistency in distribution services arrangements.	• Monitor and report annually to Minister on status of distribution arrangements. • Develop and publish distribution contract Principles. • Encourage publication of network services agreements.	• First assessment of contracts conducted as at 1 February 2013.

Transmission Change Requests	• Contractual role pursuant to MoUs with MDL and Vector. • Ensure ongoing relevance and efficiency of multilateral terms of access to transmission pipelines.	• Process MPOC change requests and VTC change request appeals as they are received in accordance with respective Memorandum of Understanding (MoU).	• Currently assessing a VTC change appeal dated 6 May 2013) lodged by Contact Energy. Submissions on Draft Recommendation close 16 August; Final Recommendation scheduled 23 August. • GIC Final Recommendation VTC change request appeal (dated 27 November 2012) on balancing processes, peaking charges, and disputed invoices, held pending monitoring of Vector/non-code Shipper negotiations on supplementary agreement changes (Draft Recommendation in February 2013 supports the change appeal). • Final Recommendation on 10 June 2013 supports MPOC change request (dated 28 March 2013) seeking a number of minor and technical amendments. • VTC change appeal (dated 31 July 2012) relating to prudential security withdrawn by Vector. • GIC Final Recommendation on 28 February supports MPOC change request on nomination time.
Compliance	• Statutory role under the Compliance Regulations. • Improved industry operations through provision of a compliance and dispute resolution process for industry participants.	• Oversight of Gas Governance (Compliance) Regulations 2008.	• Gas Industry Co continues to fulfil its role as Market Administrator under the Compliance Regulations.
Customer Issues	• Enhanced consumer benefits through complaints process for small gas customers.	• Liaise with the Electricity & Gas Complaints Commission (the approved complaints scheme), and other relevant regulators to remain aware of consumer complaint issues.	• Regular liaison with Electricity & Gas Complaints Commission and other relevant regulators. Gas-related inquiries and complaints statistics included in Gas Industry Co Annual Report.

Retail Contracts	• Enhanced consumer outcomes by providing clarity around the respective roles and obligations of consumers and industry participants involved in the supply of gas to small users.	• Administer the Retail Gas Contracts Oversight Scheme. • Annual assessment of alignment of retail contracts with contract Benchmarks. • Report to Minister on the results of the 2012 assessment.	• Consultation Paper on review of the Retail Scheme issued on 13 June 2013 for industry feedback. Submissions closed 25 July. • Gas Industry Co has advised the Minister of an intention to defer the 2013 assessment pending the outcome of the review. • Third assessment (published in November 2012) increases retailers' overall rating from 'moderate' to 'substantial' alignment with the benchmarks.
Transmission Pipeline Capacity	• Improved consumer outcomes by addressing short and long-term competition issues arising from the North Pipeline capacity constraint. • Enhanced industry/consumer outcomes by improved level, and quality, of information on which to base business/energy use decisions.	• Address by regulatory and/or non-regulatory options any lessening of competition due to transmission constraints. • Implement the Gas Transmission Investment Programme (GTIP). • Improve the quality and availability of pipeline security standards and supply/demand information. • Promote changes to commercial and regulatory arrangements so the GTIP objectives can be met.	• PEA provided GIC with its Second Advice post quarter (July 2013). At the same time, GIC published a companion status update report on the wider GTIP. Industry stakeholder submissions on both documents are invited by 30 August. • Continued monitoring of information provided by signatories to the 'Bridge Commitments', designed to address short-term issues. • Continued monitoring of Gas Transmission Exchange (GTX) - one of the seven Bridge Commitments.

Project	Rationale	Activity	Status
Strategic Goal: Deliver effectively on accountabilities			
Downstream Reconciliation	• Statutory role under Reconciliation Rules. • Improved industry arrangements and consumer outcomes through the objective of fairly allocating, and reducing, unaccounted-for-gas (UFG) and its associated costs.	• Oversight of Gas (Downstream Reconciliation) Rules 2008.	• Gas reconciliations being performed each month. • Long-term UFG has flattened out at ~1%.
Switching and Registry	• Statutory Role under Switching Rules 2008. • Efficient retail market and improved consumer outcomes by facilitating market contestability through customer switching between retailers.	• Oversight of Gas (Switching Arrangements) Rules 2008.	• Customer switching facilitated through rules and registry processes. • Switching statistics report issued monthly.
Performance Measures	• Improved industry and consumer outcomes through the provision of public information on industry performance. • Monitor the effectiveness of governance arrangements.	• Determine and publish information on each gas governance arrangement that has been implemented.	• Performance measures computed and reported quarterly.

Policy Development and Information Gathering	• Ensure Gas Industry Co has all information required to properly analyse issues in arriving at conclusions. • Industry and consumer benefits from improved level, and quality, of information on which to make business and/or energy use decisions.	• Proposal initiated following the publication in June 2011 of the FY2012-2014 Strategic Plan - to develop a process enabling Gas Industry Co to request and, if necessary, require the supply of specific information from participants to assist the timely development of market solutions.	• Protocol for Information Gathering for Policy Development issued in June 2013.
Industry Facilitation	• Facilitate nexus between industry and Government. • Maintain informed industry participants and other stakeholders.	• Facilitate, influence and communicate with the industry and Government. • Liaise with other regulatory bodies, agencies and associations with responsibilities and interests encompassing the gas industry.	• NZ Gas Story completed and provided to Minister on 1 March 2013. Currently being updated, with view to re-issue in September 2013. • Regular liaison with MBIE, Electricity Authority, and other relevant regulators.
Critical Contingency Management	• Statutory role under Gas Governance (Critical Contingency Management) Regulations 2008. • Improved industry outcomes through increased market confidence in industry's ability to manage critical events.	• Manage Critical Contingency Operator (CCO) via service provider agreement. • Review effectiveness of the Regulations following any events/exercises. • Operate critical contingency pool following an event.	• CCO activities monitored and reviewed quarterly. • CC exercise 'Tawiri' conducted on 20 March.