

**FROM THE CHIEF EXECUTIVE**

2014 is a milestone year for Gas Industry Co. It marks the 10<sup>th</sup> anniversary of the changes to the Gas Act 1992 that established Gas Industry Co as the industry body and ushered in the co-regulatory governance model for New Zealand’s downstream gas sector.

As the table below demonstrates, much has changed in the gas industry in the past 10 years. Recent growth in the market has been driven by the return to full methanol production, partially offset by reduced gas use for baseload electricity generation, and flat to dropping demand in the consumer energy sector.

...in 2004	...today
Dominant Maui field in decline; 6.5 years’ p50 reserves	15 producing fields (including Maui); 13 years’ P50 reserves
Gas market demand 156PJ	Gas market demand 200PJ
238,000 gas consumers	263,500 gas consumers
Methanex cuts production to one methanol production train	Three-train methanol production reinstated
Gas meets baseload electricity generation (21% of generation)	Trend towards gas ‘peaking’ role in electricity generation (19% of generation).
Maui pipeline not open access	Two open access transmission systems
Regulation of transmission/distribution pricing emerging	Commerce Commission’s price/quality regime in place
Seven gas retailers	Nine gas retailers with prospect of new entrants
Consumer protection focus emerging	Consumer protection legislation
Downstream gas industry governance through voluntary codes	Formal regulation/rules for critical contingency management, downstream reconciliation and consumer switching

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<b>All reports, submissions and other documents referred to in this Quarterly Report are available on our website at <a href="http://www.gasindustry.co.nz">www.gasindustry.co.nz</a></b>	

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Over the past decade, many of the Government's formal policy objectives have been met through a suite of regulated and non-regulated governance arrangements, and outstanding issues are being addressed. Overall, the downstream gas industry is performing well; it continues to contribute to the economy and market arrangements assist in supporting the Government's focus on finding and developing New Zealand's oil and gas resources for the benefit of all New Zealanders.

As ever, neither the industry nor Gas Industry Co can afford to be complacent. Although the country's estimated gas reserves have increased, we are conscious of the lead times for finding, developing and delivering new resources, and ensuring that they have ready access to infrastructure and competitive markets.

Recently, Gas Industry Co took its 10<sup>th</sup> anniversary year as an opportunity to see how we measure up to stakeholders' expectations for, particularly, the quality and effectiveness of our communications and our stakeholder relationships.

My thanks to everyone who took the time to respond to the survey. Amongst other things, a large majority of respondents were satisfied or very satisfied with their direct engagement with Gas Industry Co staff and with their dealings with Gas Industry Co overall. The survey also helpfully pointed to areas where we can improve. In particular, we received useful feedback on our website and I am pleased to note that many of these suggestions had already been identified for inclusion in a revamped Gas Industry Co website that went live in early October.

We look forward next to engaging with stakeholders on our proposals for our FY2016 year (commencing 1 July 2015), starting with our annual Co-Regulatory Forum on 28 November. Stakeholders are otherwise invited to contact me at any time to discuss how Gas Industry Co can do things better as we enter our second decade.

Steve Bielby  
Chief Executive

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## Industry Performance Highlights

This Quarterly Report includes Gas Industry Co's regular *Industry Performance Report* (**page 10**). Highlights are:

- The annual rate of switching continues to be about 18 percent.
- Over 70 percent of switches are completed within seven business days.
- 50 percent of residential customer sites have switched retailer at least once in the past five years; 64 percent of small commercial and 73 percent of large commercial sites have switched at least once.
- Average annual unaccounted-for gas (UFG) over the past year stands at about 1.0 percent.
- In all regions, the gas retail market has become less concentrated in the past five years, as measured by the Herfindahl–Hirschman Index (HHI), due to new retailers entering the market and smaller retailers increasing their market shares.
- Genesis is the largest retailer by customer share; it is also the largest retailer in the residential and large industrial markets. Nova Energy has the largest share of commercial customers.
- Nova and OnGas are the largest retailers in terms of gas volumes, reflecting their focus on the industrial and commercial sectors of the gas market.
- With the entry of Trustpower late in 2013, there are now a number of gas gates where nine retailers actively trade. Nearly 99 percent of gas customers are connected to a gate where at least six retailers trade, demonstrating that gas retailers generally are competitive throughout the North Island.

## Transmission interconnection reports to Minister

Gas Industry Co has presented two further reports to the Minister of Energy and Resources on recent interconnections to the gas transmission pipelines. They are:

- [Report on gas trading market interconnections and related issues, August 2014](#) - which assesses 'virtual' interconnections relating to the establishment of the emsTradepoint wholesale market on the Vector transmission system, and the NZX Limited trading market on the Maui pipeline; and
- [Report on interconnections to Maui and Vector transmission pipelines, August 2014](#) – which assesses physical interconnections to the Maui and Vector pipelines.

Gas Industry Co [advised the Minister](#) it believes the pipeline owners have made significant efforts to improve interconnection arrangements and to facilitate the introduction of gas trading markets. Gas Industry Co will continue to work with the pipeline owners and other market participants to address the few remaining concerns.

In relation to the gas market interconnections, Gas Industry Co describes the introduction of the industry-initiated gas market as a significant step towards achieving the Government's policy objective

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of efficient arrangements for the short-term trading of gas. Gas Industry Co found no issues with these interconnections that require intervention, but notes concerns by the Maui pipeline owner that market trading may cause pipeline balancing issues.

While acknowledging these concerns, Gas Industry Co considers that risks arising from the market are manageable, and will monitor balancing to identify any emerging issues.

The reports on the physical interconnections concludes that recent interconnections have been effective and that both pipeline owners have comprehensive interconnection policies, procedures and documentation that align closely with the [Interconnection Guidelines](#) published by Gas Industry Co in 2009.

Transmission interconnection assessments are being undertaken in accordance with a Ministerial request in 2010 for Gas Industry Co to formally review interconnection arrangements in respect of the next two interconnections to each of the Maui and Vector pipelines. In addition to the recent 'virtual' interconnections to each of the pipeline systems, there have been two physical interconnections to Vector's pipelines and one to the Maui line.

## GTIP – Gas Supply/Demand Scenarios Update

An updated gas supply/demand study – refreshing an initial report in 2012 – is now available.

[Long-Term Gas Supply and Demand Scenarios](#), commissioned by Gas Industry Co from Concept Consulting (also authors of the initial study), analyses the main drivers for historical price and demand outcomes and investigates factors that will likely influence future outcomes. It updates three supply scenarios – tight, moderate and plentiful – and considers the price and demand-side outcomes that these scenarios might produce.

Although New Zealand's gas reserves are at their highest level in over 15 years, risks associated with achieving future upstream success could lead to a range of longer-term gas supply positions.

The scenarios therefore address a range of outcomes. A common factor among the scenarios is a view that market forces will tend to bring the supply/demand position into equilibrium – in times of plenty, gas consumption will tend to increase; in times of scarcity, it will tend to contract. Another central factor is the role to be played by the two largest consumer groups – petrochemical producers and electricity generators.

The independent study involved detailed interviews with industry participants, including end-users and other stakeholders. It also incorporates stakeholder feedback on a draft issued during the quarter.

Gas Industry Co intends the scenario-based approach to be a useful planning tool for gas industry participants and potential participants, including upstream explorers and producers, gas transporters, and consumers. The study was released with a companion Excel-based model that allows users to input their own assumptions and to explore the range of resulting outcomes.

The report and model add to the library of resources that Gas Industry Co continues to develop about the gas industry in New Zealand. Other reports have included *The New Zealand Gas Story – The State and Performance of the New Zealand Gas Industry*, *Consumer Energy Options – An Evaluation of the Different Fuels and Technologies for providing Water, Space and Process Heat*, and *Commercialisation Issues: Opportunities and Challenges in the Event of Substantive Gas-Rich Exploration Success in New Zealand*.

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## **Bridge Commitments update**

The [Bridge Commitments](#) are a series of commitments made by the majority of shippers and aimed at addressing concerns about competition on the North Pipeline in the shorter-term, while longer-term solutions are developed. They have been in place since August 2011. There were no capacity offers on the Gas Transmission Exchange (GTX) during the quarter, and Gas Industry Co has received no reports of capacity availability constraining retailers' ability to respond to competitive tenders. Together, these factors continue to suggest there is no current shortage of capacity on the North Pipeline and that capacity issues are not impeding customer switching and competition. We are accordingly consulting with stakeholders on whether to discontinue the GTX.

## **Gas Quality Information Protocol**

The development of a [Gas Quality Information Protocol](#) made further progress during the quarter, with the release of a draft for stakeholder comment. Five submissions were received.

Gas Industry Co is working with a Gas Retailer Industry Group in the development of the Protocol, which aims to assist stakeholders' understanding of gas quality-related legislation, how gas quality is managed from production stations to consumer installations, and the availability of gas quality-related information.

The Protocol originated from the work of gas retailers wishing to ensure they comply with their gas quality obligations under the Gas (Safety and Measurement) Regulations 2010 (Safety Regulations). Gas Industry Co subsequently undertook to coordinate its development when it became clear that such a Protocol had broader relevance as a resource for all participants and required input from everyone in the gas supply chain.

Gas quality is central to the safe operation and reputation of the gas industry. It is an aspect of gas supply where parties in the supply chain rely on each other to perform their legal obligations and to follow good industry practice. The principles of good industry practice are set out in the Protocol as:

- no secrecy around gas quality incidents and exceptions that occur.
- where gas quality is, or expected to be, outside agreed limits, parties will notify each other promptly and work together to minimise risks to people and property.
- service providers will make available all gas quality information that the wholesalers and retailers reasonably need to demonstrate they are complying with their obligations under the Safety Regulations.

Gas Industry Co will be responsible for keeping the Protocol up to date by managing the processes that allow stakeholders to propose changes, and consulting on such proposals.

## **Proposed changes to Switching Rules and Gas Registry**

Gas gate and retailer audits, combined with operational experience over the past five years, have led to proposed changes to the Gas (Switching Arrangements) Rules 2008 (Switching Rules) and the Gas Registry.

A [Statement of Proposal: Gas Registry Amendments](#), issued by Gas Industry Co on 12 August 2014, details the proposed changes which are aimed at:

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- increasing the accuracy and efficiency of retailers' conversion of metered volumes to energy by adding additional metering fields to the Registry.
  - increasing oversight of the quality and maintenance of ICP information in the Registry by requiring the Registry participants to undergo performance audits.
  - aligning switching timeframes for dual fuel customers by reducing the maximum timeframe for gas switches from 23 to 10 business days.
  - making minor amendments to the switch process and the ICP life cycle to better reflect the reality of commercial arrangements in the gas market.
  - enhancing the mechanisms and interfaces for secure exchange of information between Registry participants.

An industry working group has provided extensive input into the development of the proposal.

The proposed changes are in response to recommendations from several gas gate and retailer performance audits conducted between 2009 and 2011 under the Gas (Downstream Reconciliation) Rules 2008, which had implications for the Switching Rules.

Errors in the application of billing factors such as meter pressure, multipliers, temperature correction and altitude correction were found to be contributing to significant amounts of unaccounted-for gas (UFG) at audited gas gates and across audited retailers.

Recommendations from the audit reports included that:

- meter owners be required to undergo performance audits.
- the Switching Rules be amended to include meter pressure, meter multiplier and meter dials as registry fields that are maintained by meter owners.
- the Switching Rules be amended to include an accuracy requirement for altitude information populated by distributors.

These recommendations provide an initial basis for changes to the Switching Rules and Gas Registry, and the project scope was expanded to include further potential improvements identified from the five years' experience with the Switching Rules and Gas Registry since they went live in 2009.

The Statement of Proposal drew six submissions. Following consultation on the Statement of Proposal, and taking account of the submissions, Gas Industry Co will take a formal recommendation to the Minister of Energy and Resources in December, once the consultation has concluded on the Insolvent Retailers Draft Decision Paper. The recommendation will include changes to the Switching (and Reconciliation) Rules proposed through the Insolvent Retailers work stream.

## Reconciliation Rules – Rule 37 determination consultation

During the quarter, Gas Industry Co completed its annual consultation on the determination of Rule 37 accuracy thresholds under the Reconciliation Rules. A [Consultation Document](#) inviting submissions on the accuracy threshold to apply for the 12 months from 1 October 2014 was issued on 15 September 2014. Three submissions were received by the 26 September due date.

Rule 37 requires the accuracy of consumption provided at the initial allocation stage to be within a specified tolerance level of the consumption information provide at the final stage. In accordance with the Consultation Document proposal, the threshold will be maintained at  $\pm 10$  percent for a fifth consecutive year.

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## Submissions sought: Draft Decision Paper on insolvent retailer arrangements

Gas Industry Co has issued a [Draft Decision Paper](#) on the proposed framework for insolvent retailer arrangements. Submissions are due by 5.00 pm on 28 November 2014. After considering submissions, Gas Industry Co will publish a Final Decision Paper.

The proposed framework has three elements:

- minor amendments to the Switching Rules.
- drafting instructions for backstop regulations.
- minor amendments to the Reconciliation Rules.

Amendments to the Switching Rules and Reconciliation Rules would be implemented following a Final Decision Paper, while the drafting instructions would be utilised, on recommendation to the Minister of Energy and Resources by Gas Industry Co, only if, and when, a gas retailer insolvency occurs.

Consultation on the Draft Decision Paper is the latest step in a process that followed the repeal of the Gas Governance (Insolvent Retailers) Regulations 2010 that addressed the failure of gas retailer E-Gas. Gas Industry Co embarked on a policy development process to identify the market failure(s) created by retailer insolvency, evaluate possible options in response, and determine a preferred approach.

Previous work identified that the preferred approach for managing instances of retailer default is to be prepared but flexible. Gas Industry Co recommended that standing regulatory arrangements could be unsuitable for managing a retailer insolvency, but that drafting instructions should be prepared for regulations that could be tailored and implemented under urgency in the rare circumstances they were needed. The Minister of Energy and Resources endorsed this approach in September 2013.

The proposals in the Draft Decision Paper have been developed by Gas Industry Co with input from the Insolvent Retailers Working Group (IRWG).

## Expert shares insight into US/European approach to pipeline regulation

Gas industry stakeholders in New Zealand have been given an expert's insight into pipeline regulation in other parts of the world with a presentation from Graham Shuttleworth, of global consultancy NERA Economic Consulting.

Gas Industry Co took advantage of London-based Mr Shuttleworth's presence in New Zealand for another engagement to invite him talk to gas industry stakeholders about various approaches to pipeline regulations in other jurisdictions. His presentation, *Foundation for Regulating Pipelines*, focused on the different regulatory worlds of Europe and the United States, examining what he calls the 'gulf' between them, and what that means for their respective markets.

In particular, he looked at the social and political consequences of 'ineffective' pipeline regulation in Europe, as well as the institutional foundations for effective pipeline regulation. He acknowledged inputs to his presentation from fellow consultant, Jeff Makhholm, of NERA Economic Consulting, Boston.



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Effective governance arrangements for gas pipelines and facilitating future investment are important issues for the New Zealand gas market and have been a focus for Gas Industry Co's work in recent years. Gas Industry Co invited Mr Shuttleworth to speak to industry stakeholders as a contribution to current discussions on important issues surrounding gas pipeline governance arrangements in New Zealand.

Mr Shuttleworth is an international expert in the economics of the electricity and gas sectors. He headed the London office of NERA Economic Consulting for many years and has worked in many other countries. He has special knowledge of the economics of network regulation, market rules, and contract design in the electricity and gas sectors, as well as transmission pricing, network access rules and competition in energy markets.

His [slides and a video of his presentation](#) are available on Gas Industry Co's website.

## Gas Industry Co 2014 Annual Report



Gas Industry Co has published its [2014 Annual Report](#). It records good progress with the Company's work programme during a busy year ended 30 June 2014, aimed at delivering on the objectives and outcomes of the Gas Act and the Government Policy Statement on Gas Governance 2008.

It also reports that the industry itself remains robust and continues to make a solid contribution to New Zealand's energy supply and economic wellbeing.

The momentum continues into the current financial year, and Gas Industry Co is now developing its strategies and related work programmes for FY2016, to be presented for stakeholder discussion and feedback at the annual Co-Regulatory Forum in November.

## Hitting the road with the New Zealand gas story

Gas Industry Co has been taking the New Zealand gas story on the road, making a series of presentations to industry stakeholder groups in Wellington and Auckland.

The [presentation](#) condenses the comprehensive [The New Zealand Gas Story](#) publication into a 2-3 hour seminar that summarises the gas story from wellhead to burner tip. It is directed specifically at people within stakeholder organisations whose work touches on the gas sector, but whose knowledge of it may not be extensive, or may not extend beyond their own organisation's activities.

It is part of Gas Industry Co's strategy to implement the industry's request for it to tell the gas story, while also contributing to the Company's statutory obligation to ensure good information is publicly available on the performance and present state of the gas sector.

The presentations are led by Gas Industry Co's Chief Executive Steve Bielby, and the Industry & Communications Adviser, Keith FitzPatrick. Eight presentations have so far been made to a mix of stakeholder groups.

Stakeholder organisations interested in staging this presentation for their staff are invited to contact [keith.fitzpatrick@gasindustry.co.nz](mailto:keith.fitzpatrick@gasindustry.co.nz) in the first instance.



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## Other presentations

Chief Executive Steve Bielby spoke recently at the Asia Pacific Energy Regulatory (APER) Forum. Steve's address – [\*Regulatory framework for the downstream natural gas sector in New Zealand\*](#) – discussed the key features of the gas sector in New Zealand, the regulatory and policy framework and the co-regulatory governance model.

Steve also presented to Business NZ's Business Energy Council on [\*NZ Gas Story and Regulation Update\*](#), covering Gas Industry Co's role in gas sector governance, where the New Zealand gas story is now, and where it may be headed.

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# Performance Measures Quarterly Report for the period ending 30 September 2014

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## 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.

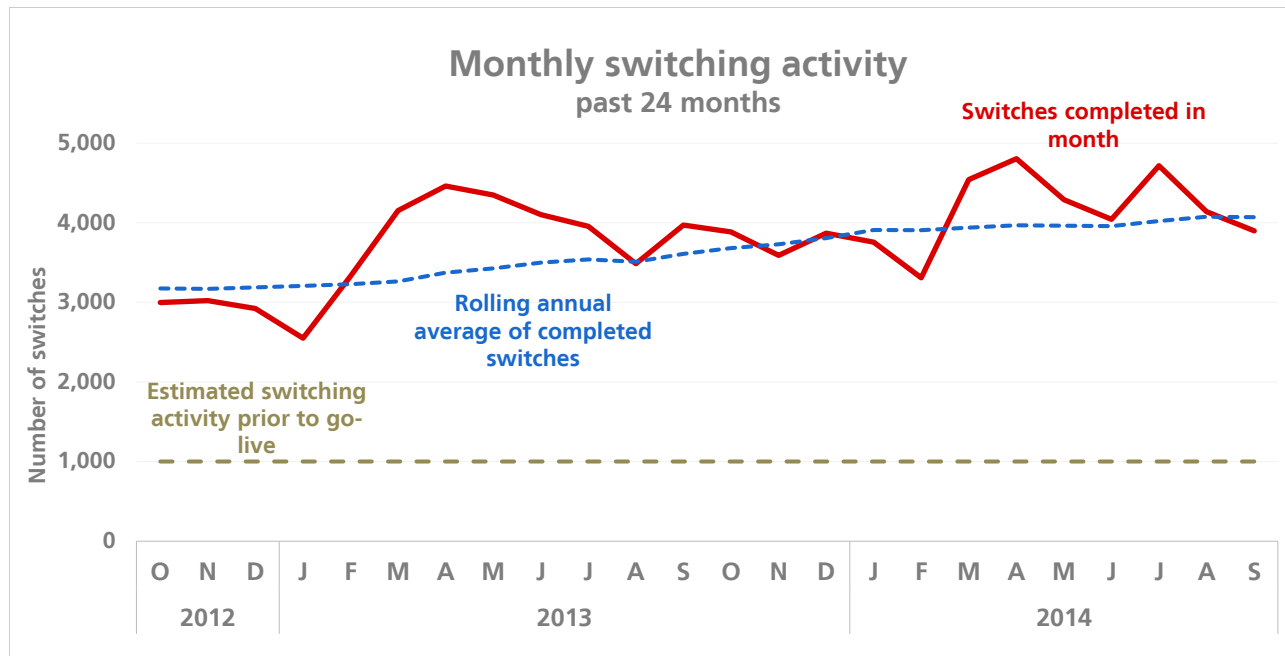
Explanatory details about the charts can be found in the Appendix to this report (**Page 30**).

Highlights of the Report:

- The annual rate of switching is about 18%.
- Over 70% of switches are completed within seven business days.
- 50% of residential customer sites have switched retailer at least once in the past five years; 64% of small commercial and 73% of large commercial sites have switched at least once.
- Average annual unaccounted-for gas (UFG) over the past year stands at about 1.0%.
- Genesis is the largest retailer by customer share; it is also the largest retailer in the residential and large industrial markets. Nova Energy has the largest share of commercial customers.
- In all regions, the gas retail market has become less concentrated in the past five years, as measured by the Herfindahl–Hirschman Index (HHI), due to new retailers entering the market and smaller retailers increasing their market shares.
- In terms of market share by gas volumes, Nova, Genesis, and OnGas are the largest retailers, reflecting their focus on the industrial and commercial sectors of the gas market.
- Due to the entry of Trustpower late in 2013, there are now a number of gas gates where nine retailers actively trade. Nearly 99% of gas customers are connected to a gate where least six retailers trade, demonstrating that gas retailers generally are competitive throughout the North Island.

## 2 Switching performance measures

Chart 1: Monthly switching activity



- The churn rate for the 12 months to September 2014 is 18.4%.

Chart 2: Regional switching activity

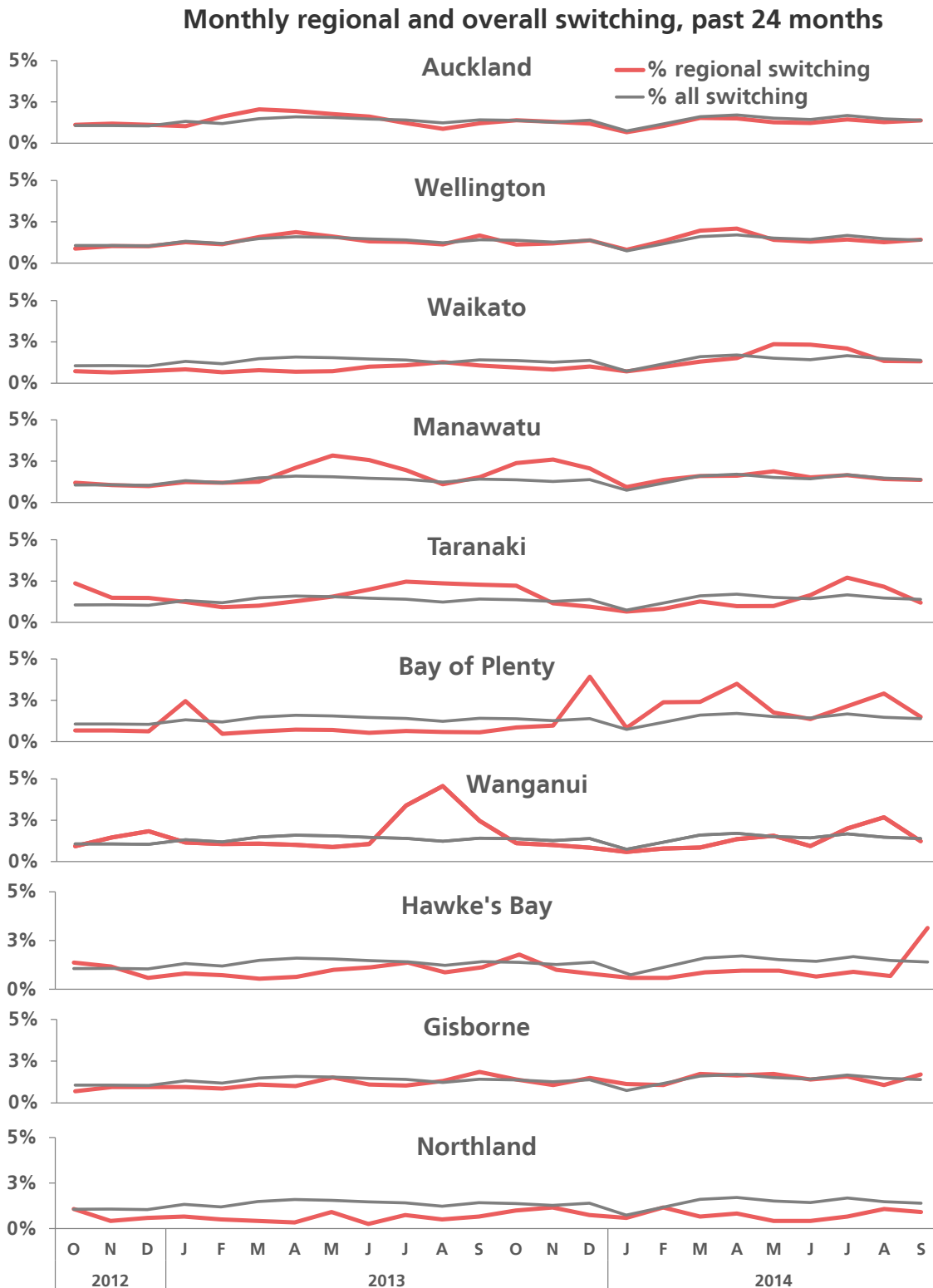
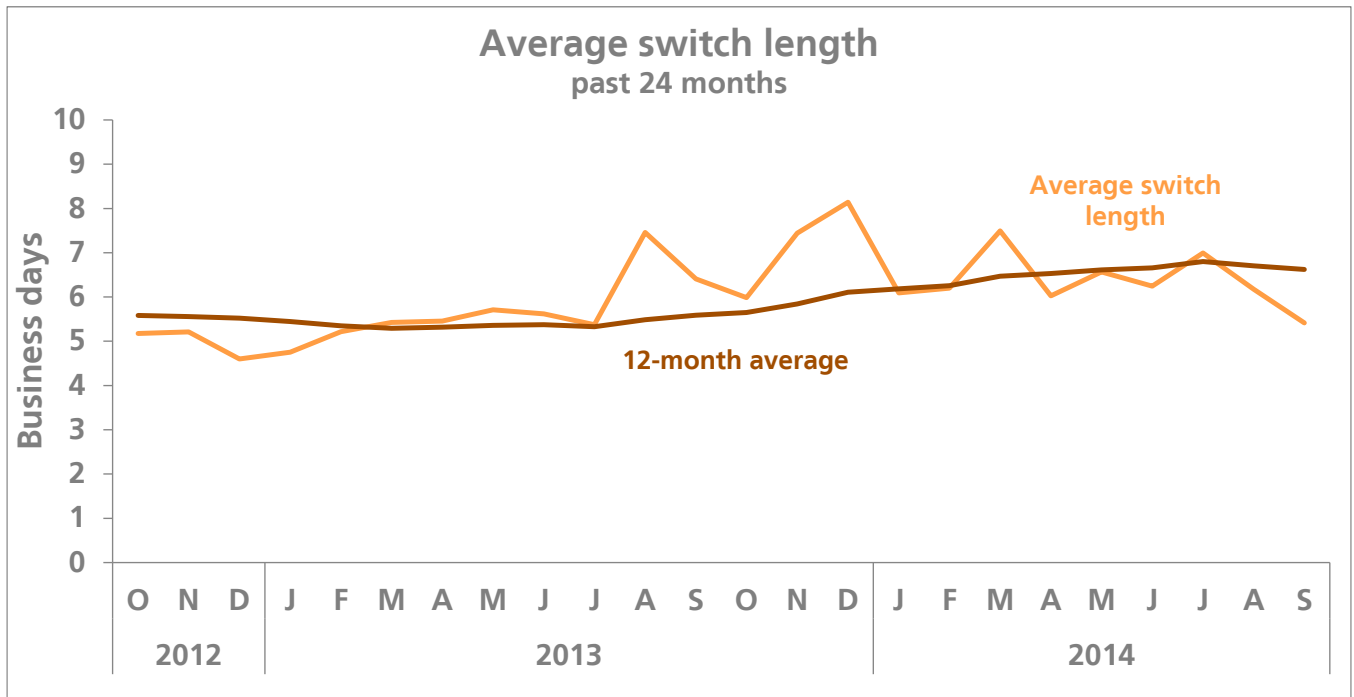


Chart 3: Time to process switches

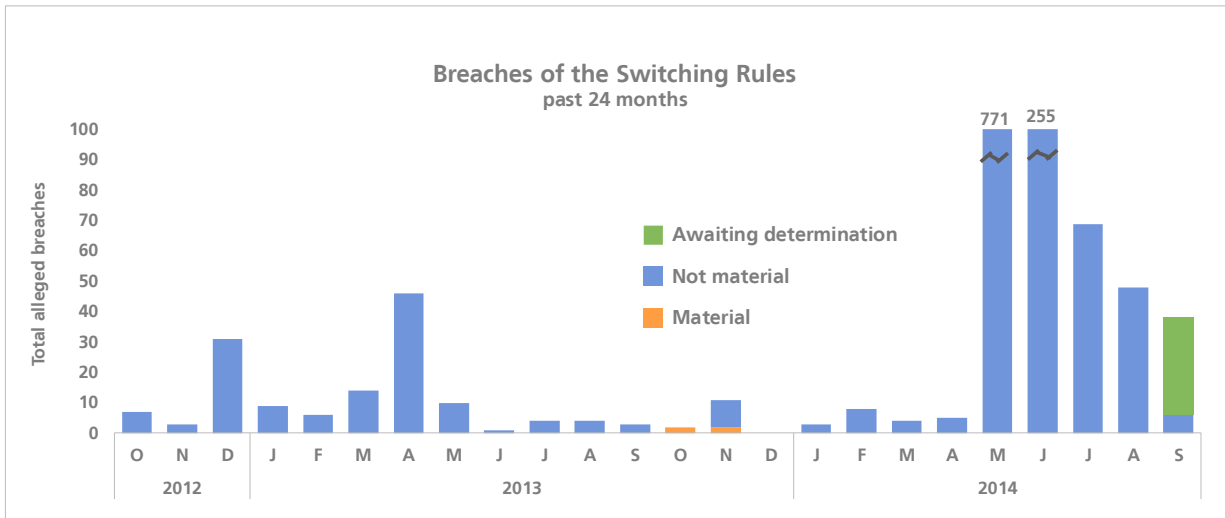


- Average switching time stands at about 6.6 days.
- The spikes in switching time in the second half of 2013 may be related to changes in the electricity registry and electricity retailers' systems, which could have had a follow-on effect on gas switching for dual-fuel retailers.

**Chart 4: Distribution of switching length**



**Chart 5: Number and severity of breaches of the Switching Rules**

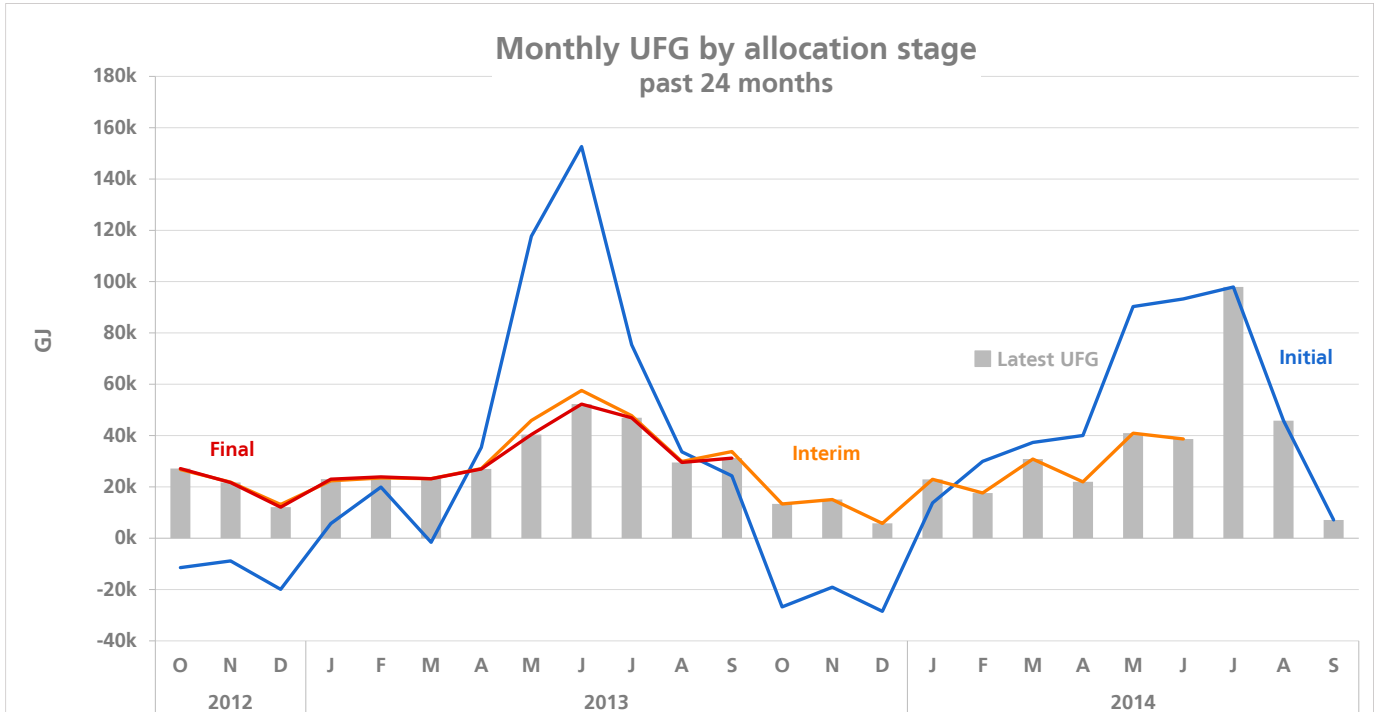


- Most of the breaches in May and June of this year relate to delays in responding to switching notices by Contact Energy, when it was in the midst of its IT upgrade.



### 3 Allocation and reconciliation performance measures

Chart 6: Volumes of unaccounted-for gas (UFG)



- UFG stayed below 100,000 GJ per month this winter, in contrast to last year.

Chart 7: Percentage of UFG

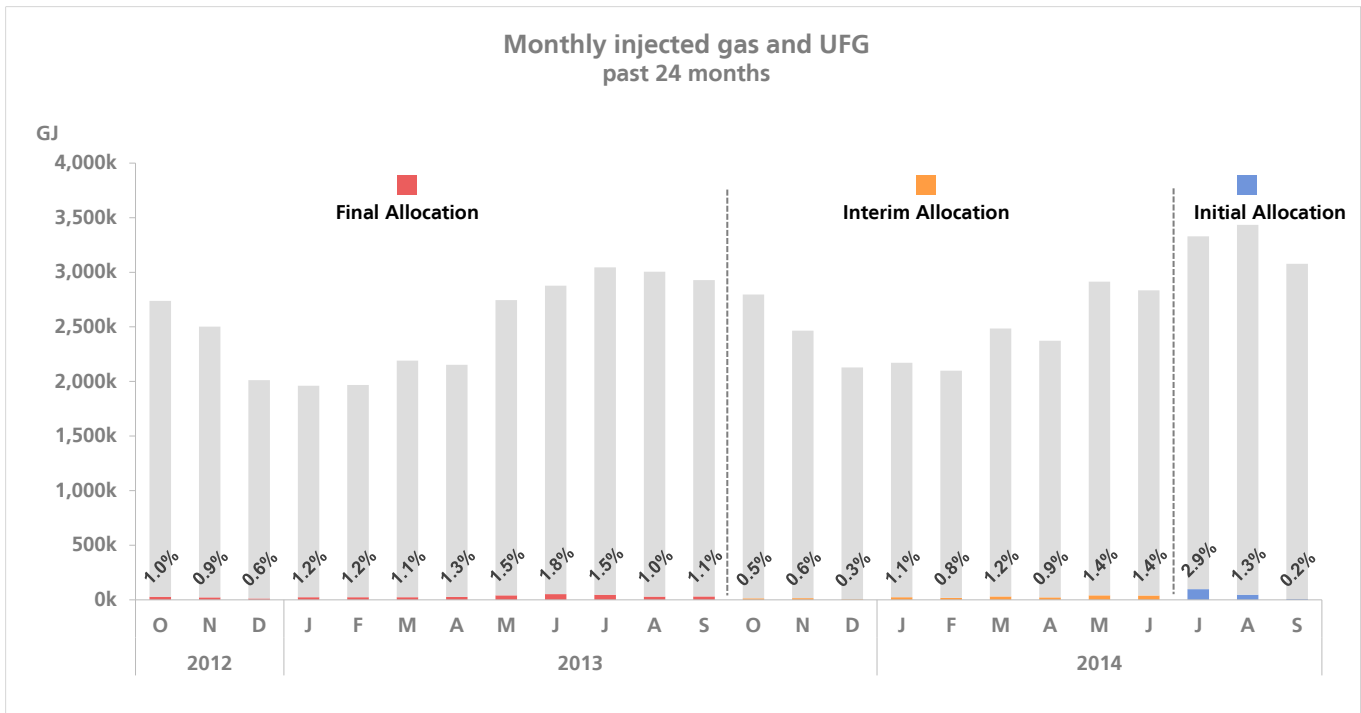
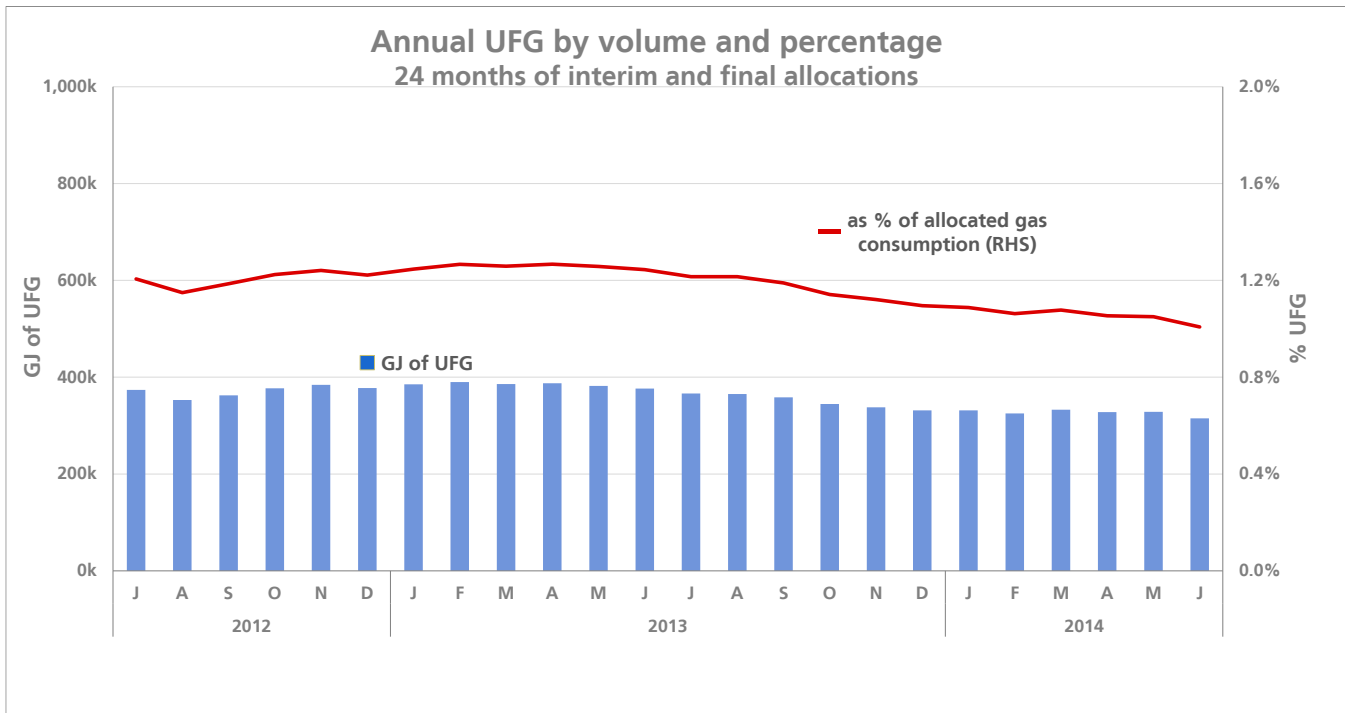
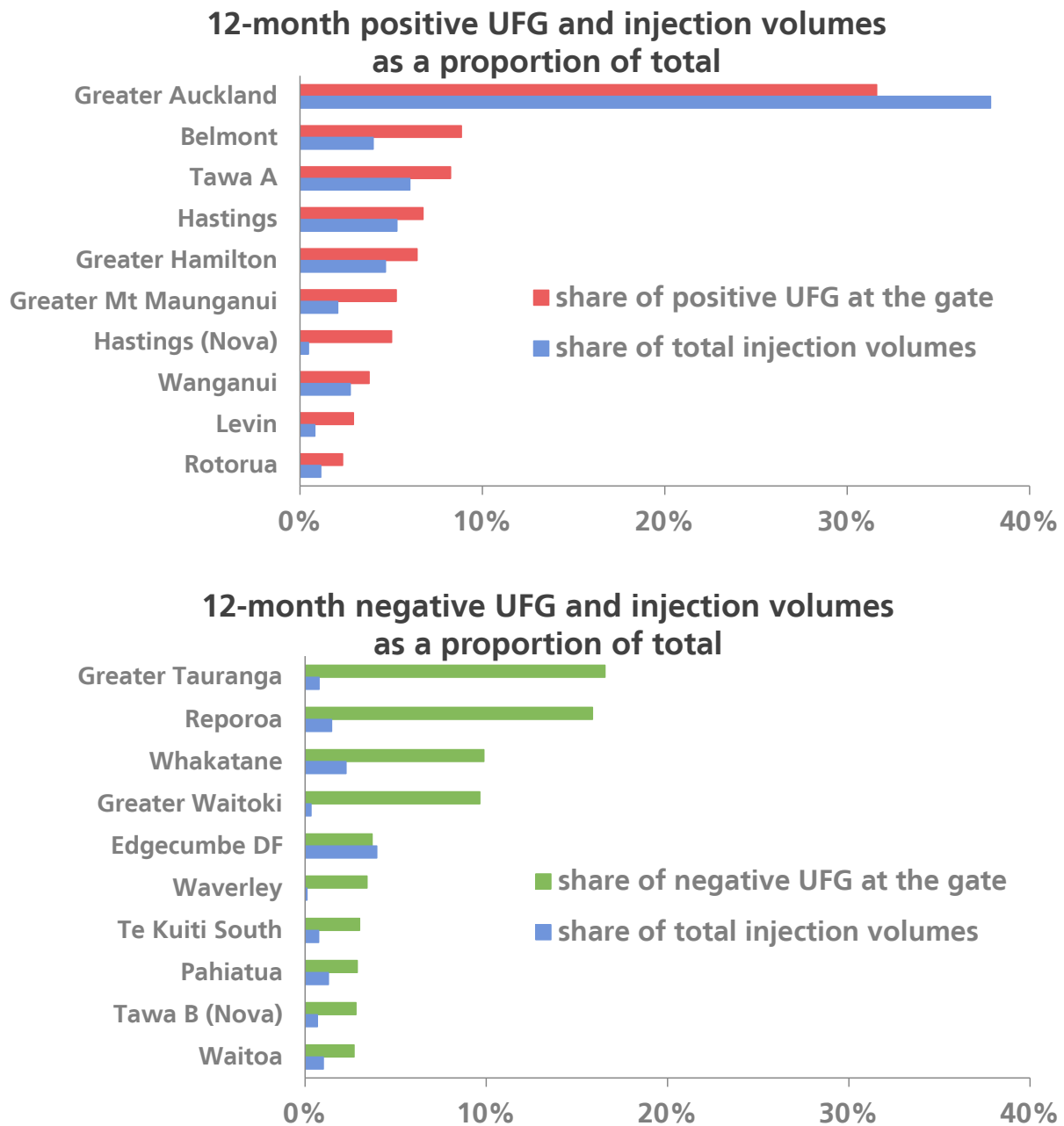


Chart 8: Rolling 12-month UFG



- Annual UFG stands at about 1.0%, using interim and final allocation data.

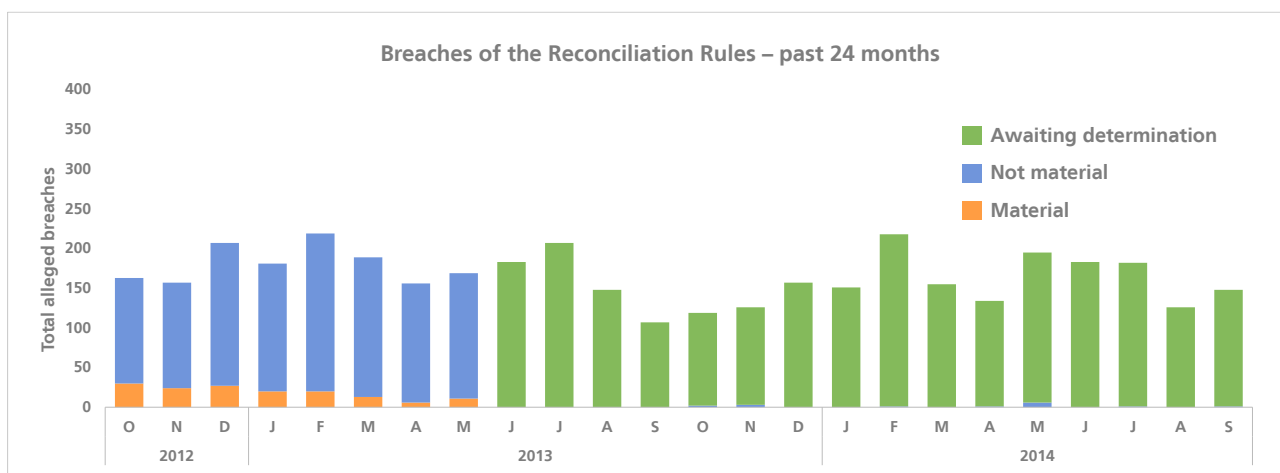
Chart 9: Gas gates where UFG is the highest



- These charts show the gates that experience the largest share of total UFG, compared to their share of total gas gate deliveries at shared gas gates. These charts use 12 months of the most recent interim and final allocation data available: in this case, July 2013 to June 2014.
- The 10 gates shown in the top chart account for 81% – about 338,000 GJ – of the positive UFG experienced over the past 12 months.

- The 10 gates shown in the bottom chart account for about 70% (about 71,000 GJ) of the negative UFG experienced in the past 12 months. Seven of the gas gates shown – Reporoa, Whakatane, Edgecumbe DF, Waverley, Te Kuiti South, Pahiatua, and Waitoa – have been determined to be global one-month gates, since, among other things, they have a high proportion of industrial load. The global one-month methodology assigns a share of the actual UFG experienced in a month to industrial consumers, in contrast to the usual calculation method, which assigns industrial load an annual average amount of UFG.

**Chart 10: Number and severity of breaches of the Reconciliation Rules**



- About 98% of alleged breaches of the Reconciliation Rules in the past year have occurred in relation to rule 37 – the rule that requires initial consumption information submitted by retailers to be within a percentage of accuracy of the consumption information submitted for the final allocation.

## Audits commissioned

### Event audits

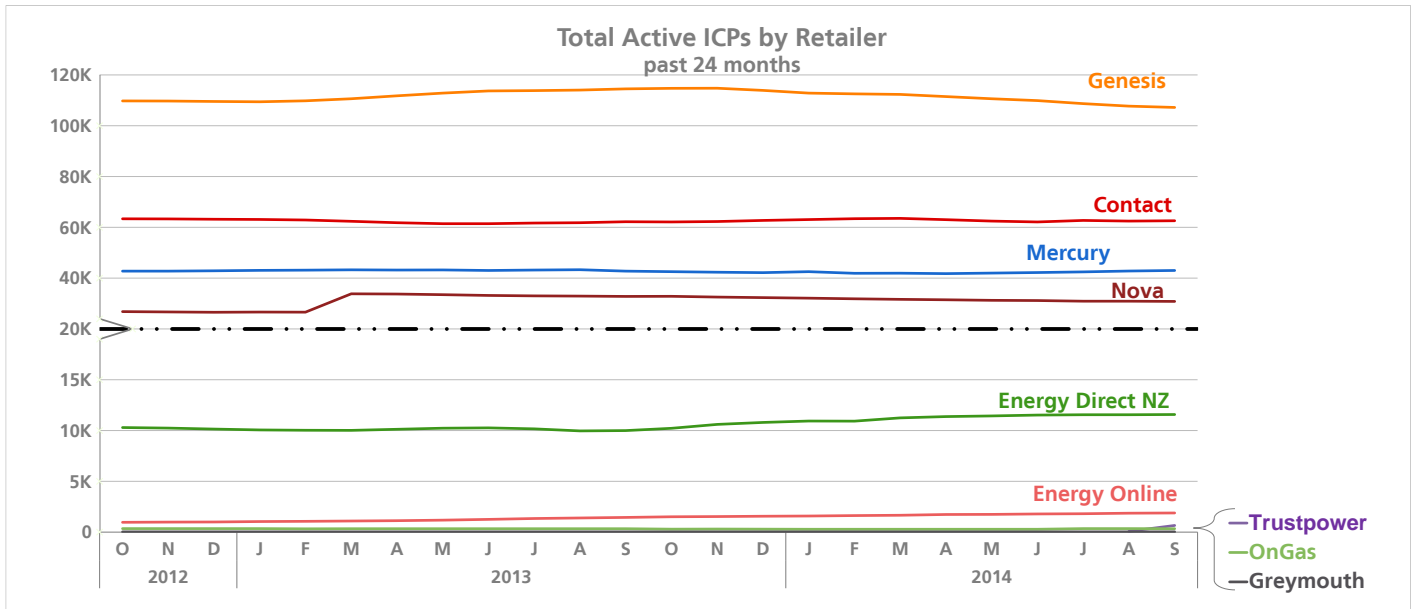
There have been no incidents requiring that event audits be commissioned in the past quarter.

### Performance audits

A second round of retailer performance audits has been commissioned under the Reconciliation Rules. To date, the performance audits of Greymouth Gas, Mighty River Power, OnGas, and Trustpower have been completed and published on the Gas Industry Co website. The audit report for Contact Energy’s system change has also been completed and published.

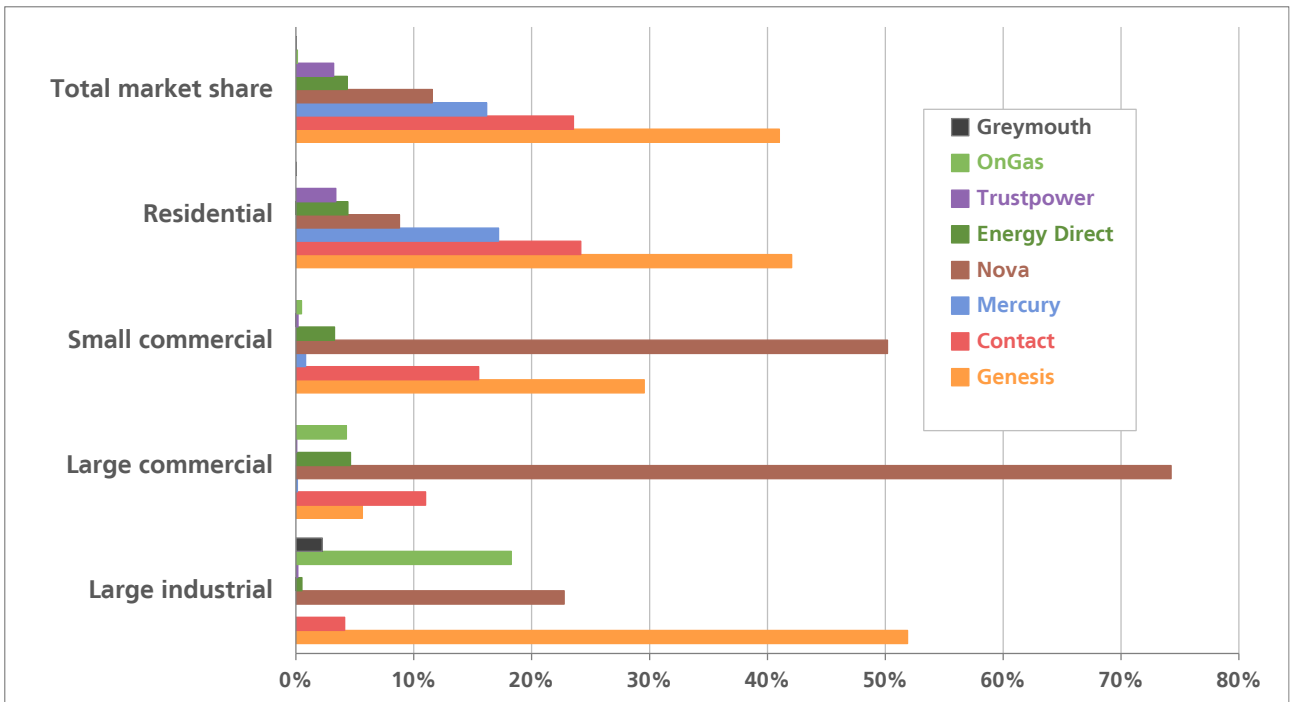
## 4 Market competition performance measures

Chart 11: Market share of ICPs by retailer



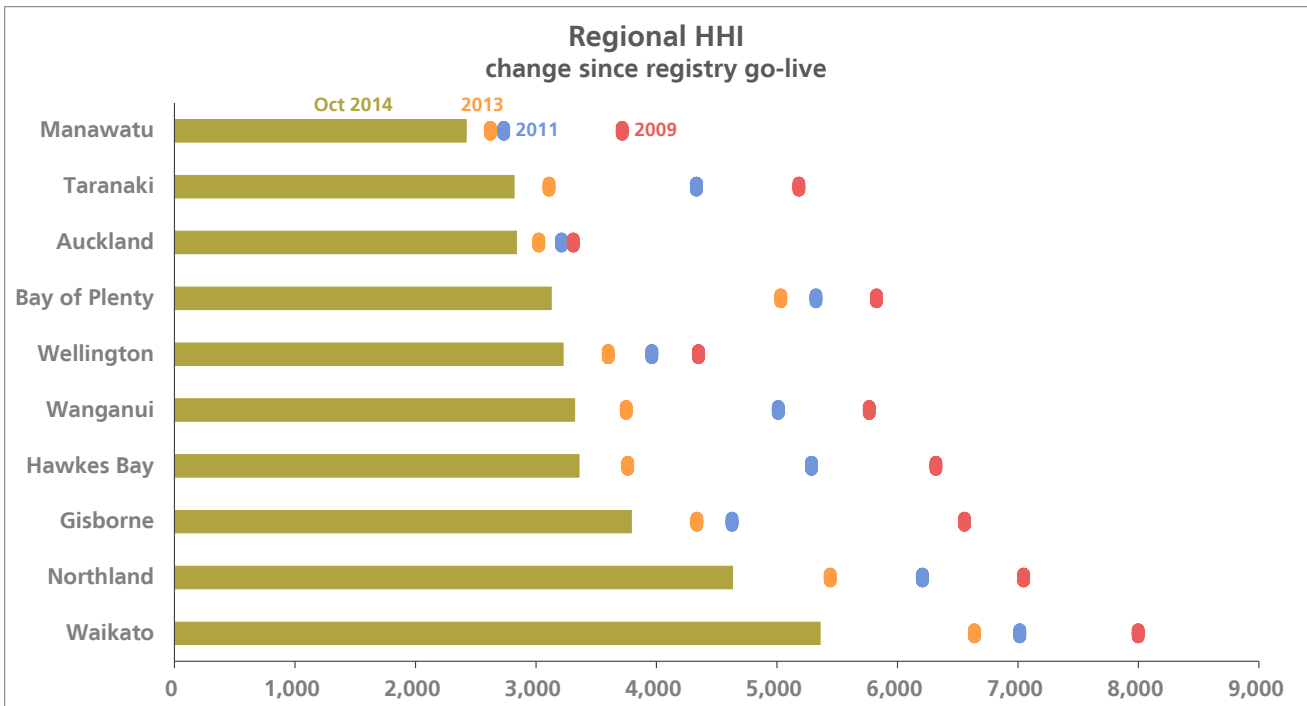
- In November 2013, Trustpower entered the retail gas market under its own brand, following the company's acquisition of Energy Direct in July 2013.
- There are nine distinct retail brands, owned by eight different retail companies (Energy Online is owned by Genesis Energy).

Chart 12: Market share by customer segment



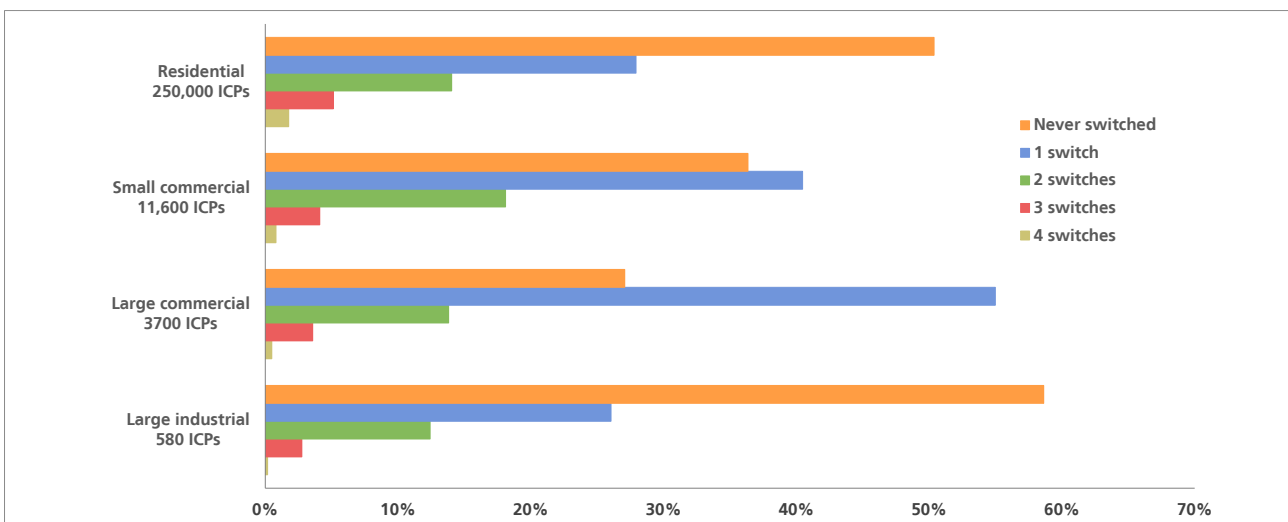
- In this chart, customer segment is determined by the load shedding category listed on the gas registry for each customer site. (Energy Online is included in the total for Genesis in this chart.)

**Chart 13: Herfindahl–Hirschman Index (HHI)**



- The HHI has decreased in all regions since 2009, indicating that the retail market is becoming less concentrated across the North Island.

**Chart 14: Switching by customer sites since 2008**



As with **Chart 12**, customer sites in this chart and **Chart 15** are categorised based on the load shedding category recorded in the gas registry.

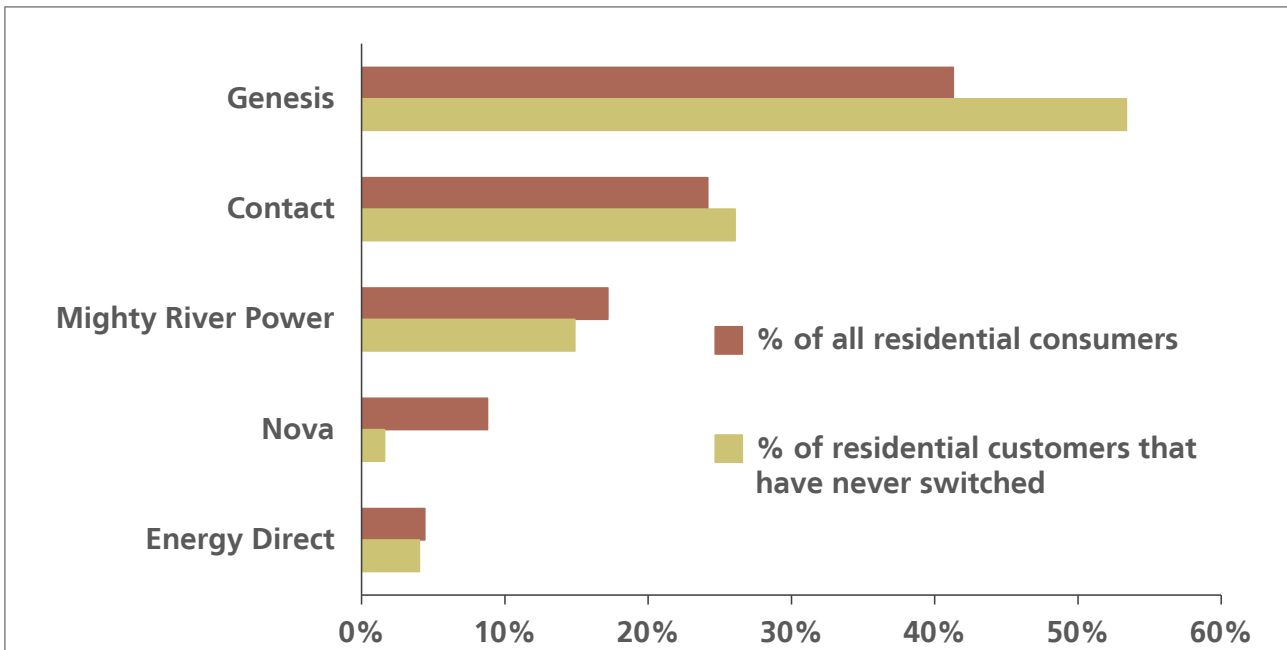
- 50% of residential customer sites
- 64% of small commercial sites



- 73% of large commercial sites; and
- 41% of large industrial sites

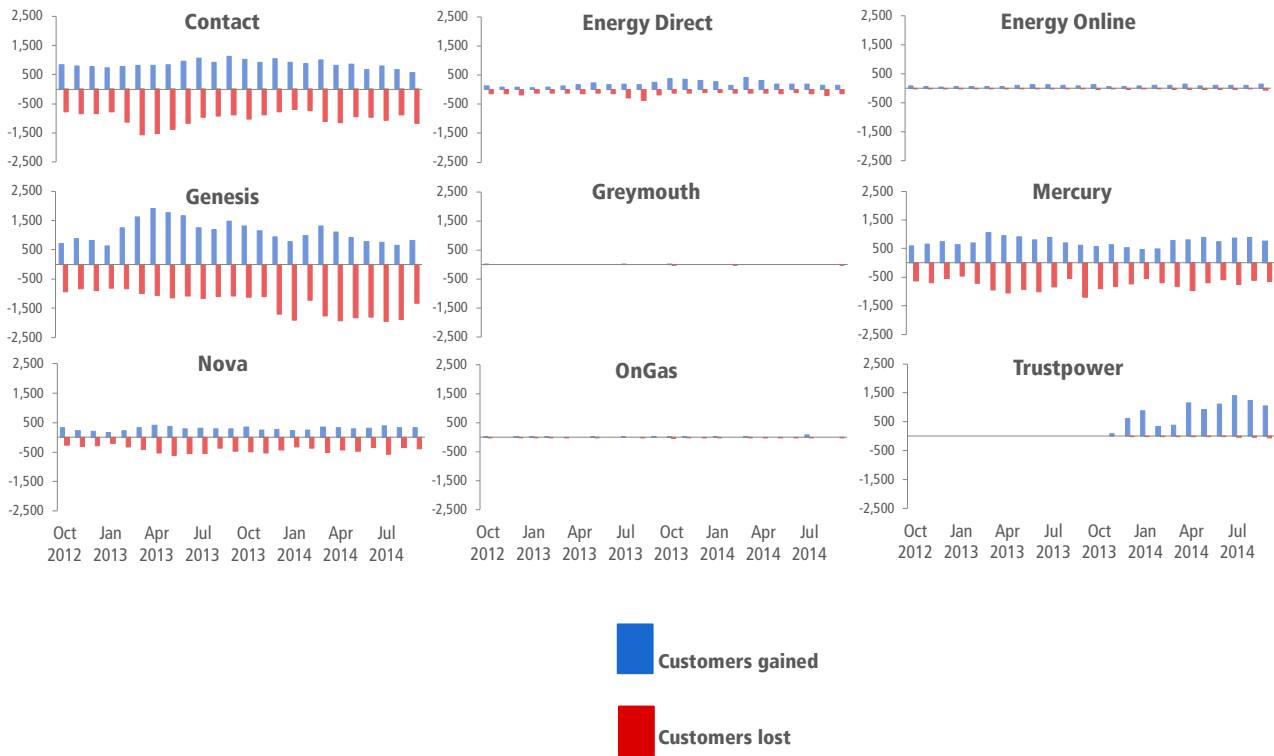
have switched retailer at least once since the start of the gas registry (March 2009).

**Chart 15: Residential customer sites that have never switched**

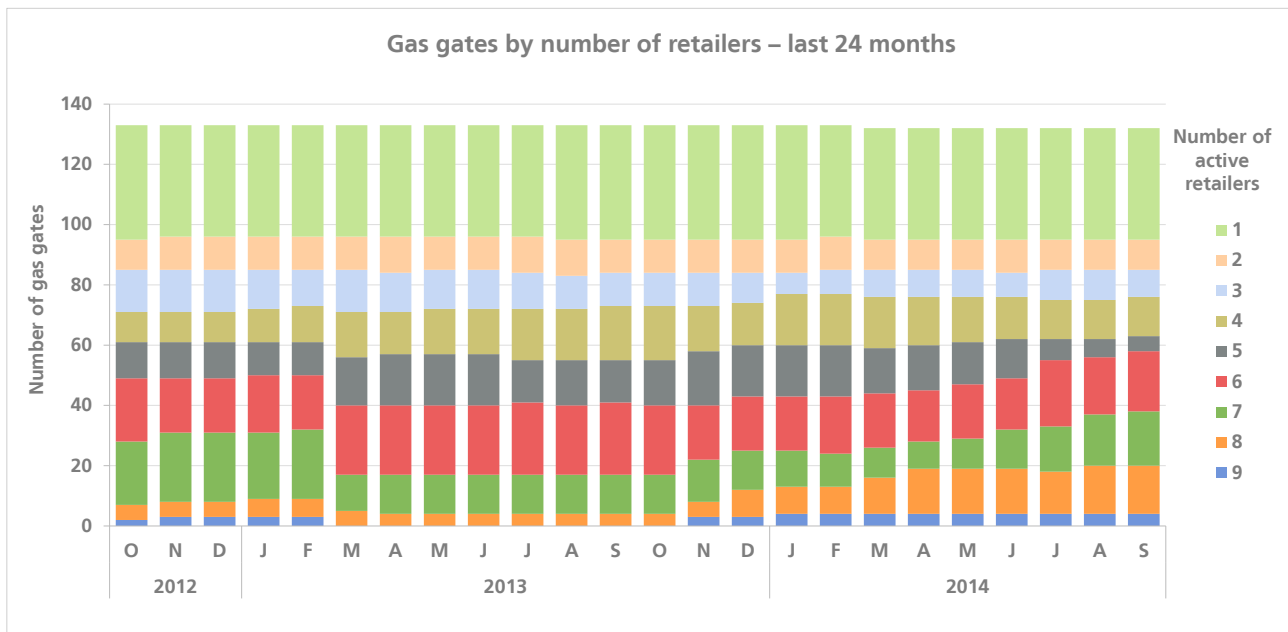


- Of the 50% of residential consumer sites that have not switched retailer since March 2008, over half are Genesis customers – a proportion larger than Genesis’s market share of residential customers.

**Chart 16: Switching activity by retailer**

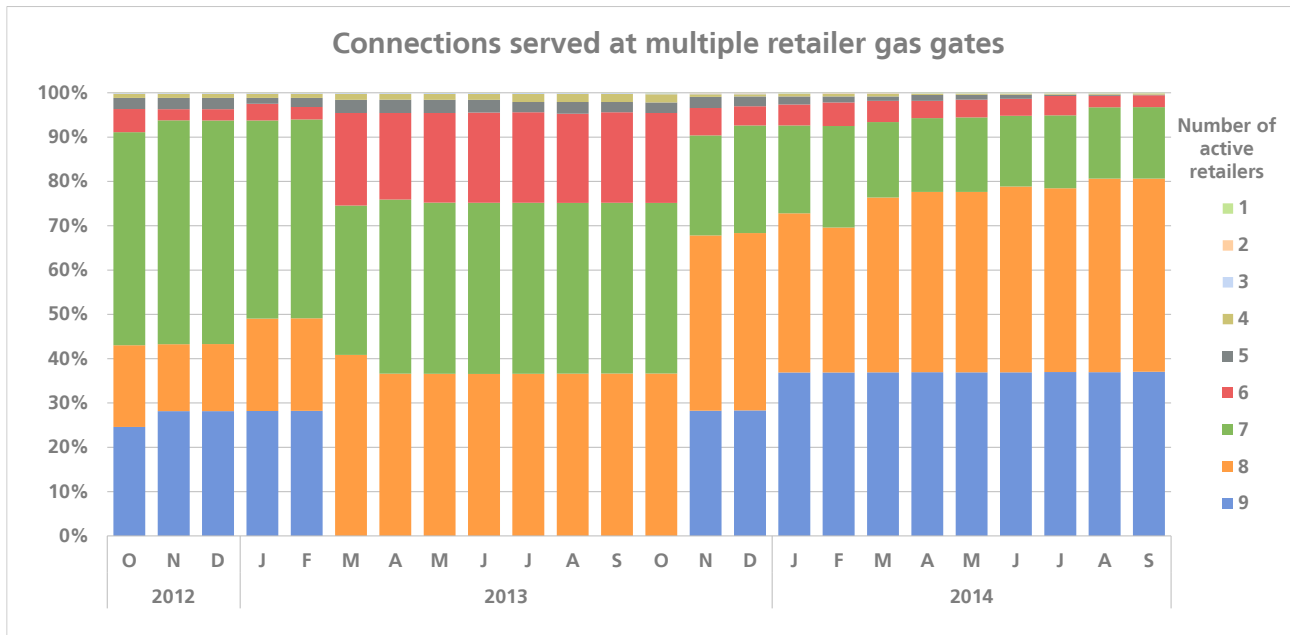


**Chart 17: Gas gates by number of retailers**



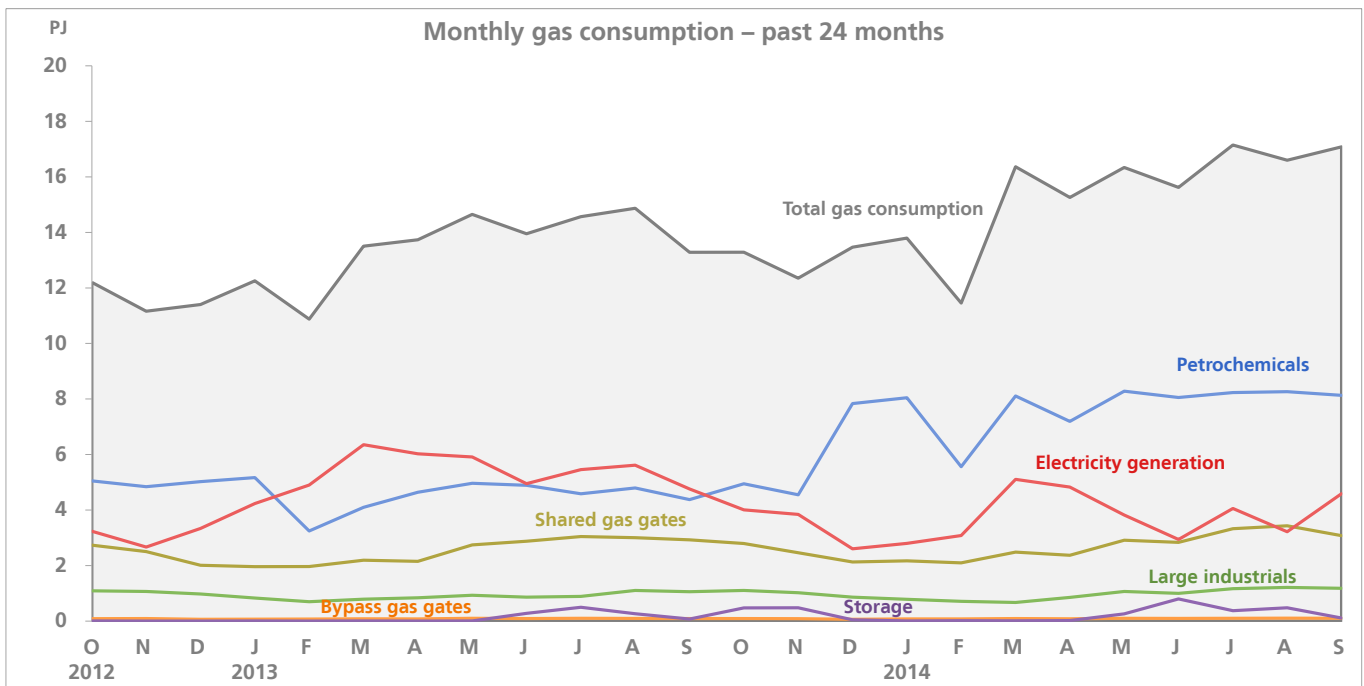
- Trustpower's entry into the retail gas market in November 2013 means that there are now nine retailers active at some gas gates.

**Chart 18: Connections served by multiple retailers**



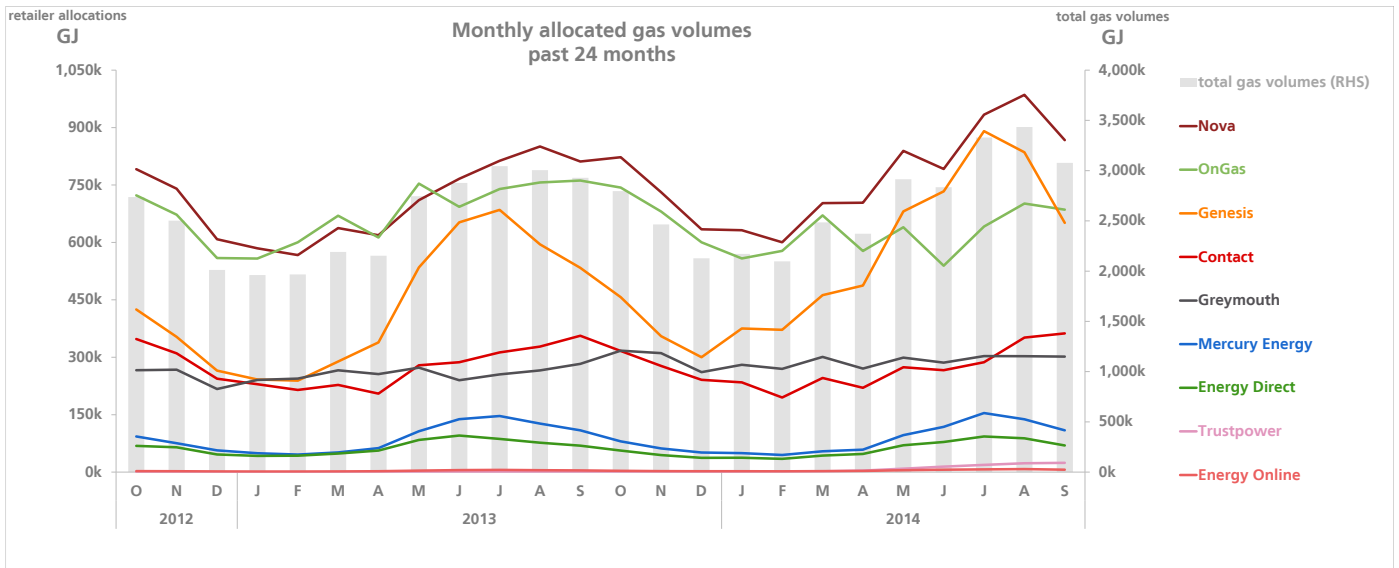
- Over 99% of gas customers are connected to a gate where least six retailers trade.

**Chart 19: Total gas volumes**



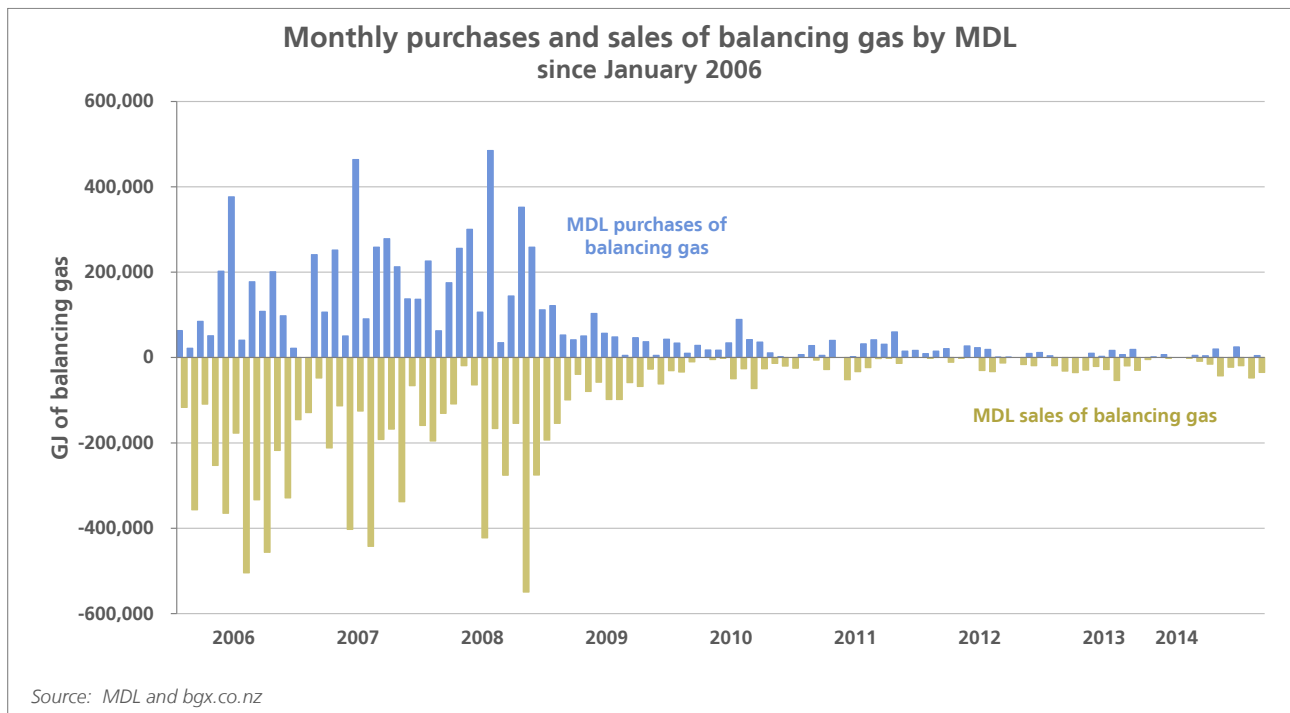
- Gas used for petrochemicals has increased since the end of last year due to the restart of Methanex’s Waitara Valley plant and increased capacity at its Motunui site.

**Chart 20: Allocated gas volumes**



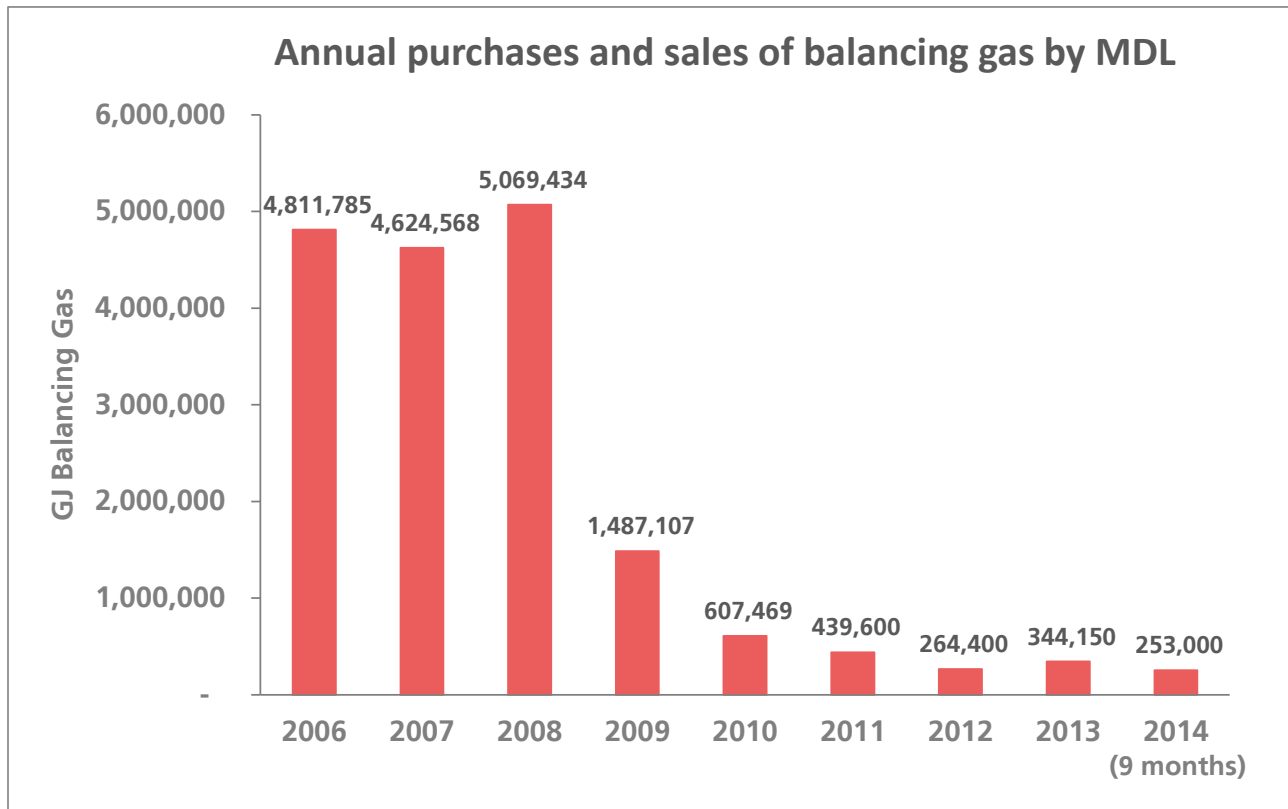
- As of June 2014, Nova had the largest share of allocated gas volumes, followed by OnGas and Genesis.
- The data are from a mix of allocation stages: Final through September 2013; Interim for October 2013 through June 2014; and Initial for July 2014 through September 2014.

**Chart 21: Balancing gas volumes**



Source: MDL and bgx.co.nz

Chart 22: Annual volumes of balancing gas



- On average, balancing gas volumes purchased by MDL have decreased over 90% from pre-2009 levels.

## 5 Critical Contingency Management performance measures

There were no critical contingencies in the previous quarter.

# Glossary

Critical contingency	A state of emergency on the transmission system characterised by falling or extremely low gas pressures. In such situations, the critical contingency operator has the authority to require consumers to stop using gas in order to balance the system, as set out in the Gas Governance (Critical Contingency Management) Regulations 2008.
Direct connect consumers	Large industrial consumers who are supplied gas directly from the transmission system via a dedicated gas gate.
Distribution system	System of lower pressure pipelines conveying gas from the transmission system to customer sites.
Gas gate	A place where gas leaves the transmission system. Gas gates can (most commonly) lead to distribution systems, which supply a number of different customers. Some gas gates are direct connects, meaning that they supply a single large industrial customer. A few gas gates supply private gas networks, which supply the customers of a single retailer.
Herfindahl–Hirschman Index (HHI)	Measure of market concentration. Generally, markets in which the HHI is between 1,500 and 2,500 are considered moderately concentrated. Markets with an HHI of greater than 2,500 are considered highly concentrated. For more information, see the Appendix.
ICP	Installation Control Point: the point where a customer installation is connected to the distribution system. Used to describe a customer site.
Move switch	A switch where the retailer supplying gas to a consumer site is changed to another retailer at the request of an incoming tenant or homeowner.
Reconciliation	The processes by which the volume of gas leaving the transmission system is allocated on a gate-by-gate basis to retailers with customers at those gates; governed by the Gas (Downstream Reconciliation) Rules 2008. Reconciliation is done on a monthly basis, and each consumption month is calculated three times: in the month immediately after consumption month ( <i>initial allocation</i> ); four months after consumption month ( <i>interim allocation</i> ); and 13 months after consumption month ( <i>final allocation</i> ).

Registry	Database of information on customer sites, including metering information, associated gas gate, and responsible retailer. Used to facilitate efficient and accurate switching.
Standard switch	A switch where a gas customer decides to switch the retailer that supplies their existing location.
Switching	The processes by which the retailer supplying a customer site is changed to another retailer, governed by the Gas (Switching Arrangements) Rules 2008.
Transmission system	System of high pressure pipelines that convey gas from gas processing facilities to a distribution system or to a direct connect customer.
Unaccounted-for gas (UFG)	The difference between the amount of gas leaving the transmission system and retailers' estimates of their consumers' consumption. It is made up of technical losses on the system, metering inaccuracies, and retailer estimation errors. For more information, see the Appendix.



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# Appendix – Explanatory notes

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## 1 Introduction

This appendix provides context and additional information about the industry performance measures contained in the body of the report. Section numbering is consistent with the main report.

## 2 Switching performance measures

All of the switching charts include only switches that occurred on open-access distribution networks; switches from open-access to bypass networks (or vice versa) would not be recorded as a switch in the gas registry. The charts also exclude bulk transfers of customers associated with events such as retailer amalgamation or the purchase of a retail customer base. Specifically, the charts exclude the transfer of E-Gas customers to Nova Energy in November 2010 and the amalgamation of Auckland Gas (June 2011) and Bay of Plenty Energy (March 2013) with Nova Energy.

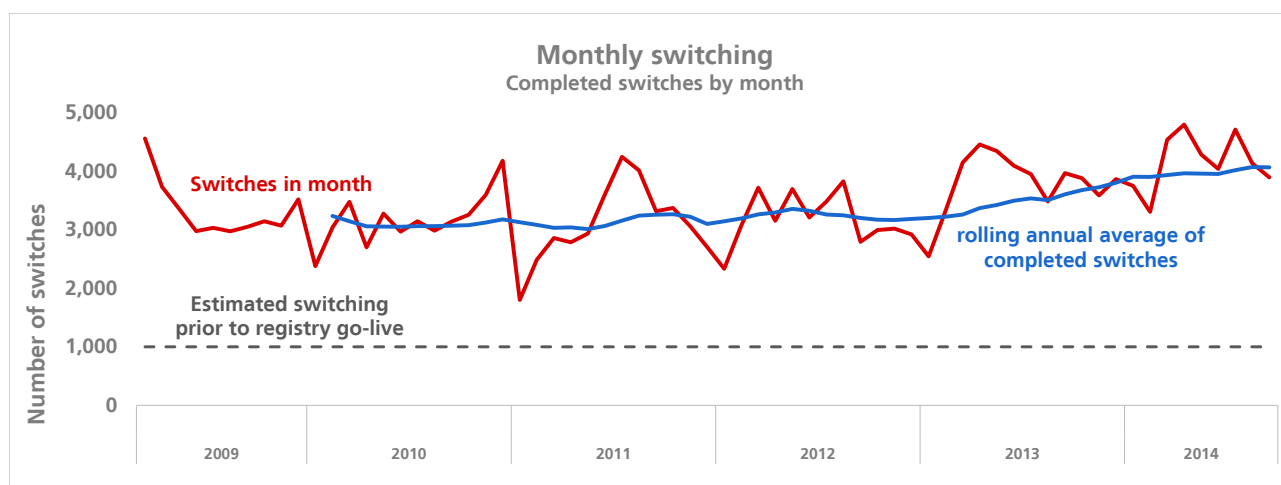
### Chart 1: Monthly switching activity

Prior to the gas registry going live in March 2009, there were approximately 1,000 switches per month, and the annual churn rate was approximately 4.8%.

Since registry go-live, switching rates have more than tripled to an average of between 3,000 and 4,000 per month. The churn rate (defined as the number of switches in 12 months divided by the total number of gas consumers) has varied in that time from 14% to about 18%. By comparison, electricity switching rates vary from about 16% to about 20%.

For context, the chart below shows customer switching trends since March 2009, when the registry went live.

**Chart A- 1: Monthly switching since March 2009**



**Chart 2: Regional switching activity**

These charts compare regional switching rates with total switching rates. The grey line is the same in all the charts and shows the number of switches in a month as a percentage of active customer sites (that is, customer sites that either have a contract with a retailer or that recently had a contracted consumer but is temporarily vacant) across all North Island gas consumers. The data include both move switches (where a property is switched at the request of an incoming tenant or homeowner) and standard switches (where a gas customer decides to switch the retailer that supplies their existing location). As that grey line shows, monthly switching generally involves between about 0.7% and 1.6% of total North Island gas customers in a month.

The red line in each chart shows the number of switches in that region as a percentage of ICPs in that region. Auckland and Wellington switching rates tend to be similar to the North Island rates, since a large proportion of gas customers are located in those regions. Differences emerge in the smaller regions.

**Chart 3: Time to process switches**

The time to process switches has fallen markedly since the commencement of the Switching Rules and the associated inception of the gas registry. Prior to those events, switching could take weeks or months to complete. Once the registry went live, switching times dropped to about 10 days, and since then, switching times have dropped further, to an average of about five or six business days.

**Chart 4: Distribution of switching length**

These charts show the distribution of switching length since the start of the gas registry by calendar year. Since the start of the registry, switches have tended more and more to occur either in zero or one day; or in seven days. Switches taking zero to two business days generally are move switches (where a property is switched at the request of an incoming tenant or homeowner), while the majority of switches taking seven business days are standard switches (where a gas customer simply decides to

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switch the retailer that supplies their existing location). The Switching Rules stipulate that, for a standard switch, the new retailer can request a switch date that is not less than seven business days after the inception of the switch, and in most cases this request must be honoured by the existing retailer. This provision may explain the large proportion of switches being completed in seven business days.

#### **Chart 523: Number and severity of breaches of the Switching Rules**

Most breaches of the Switching Rules are alleged by the registry operator, though a number of recent breaches have been alleged by the auditor conducting performance audits.

### **3 Allocation and reconciliation performance measures**

#### **Chart 6: Volumes of unaccounted-for gas (UFG)**

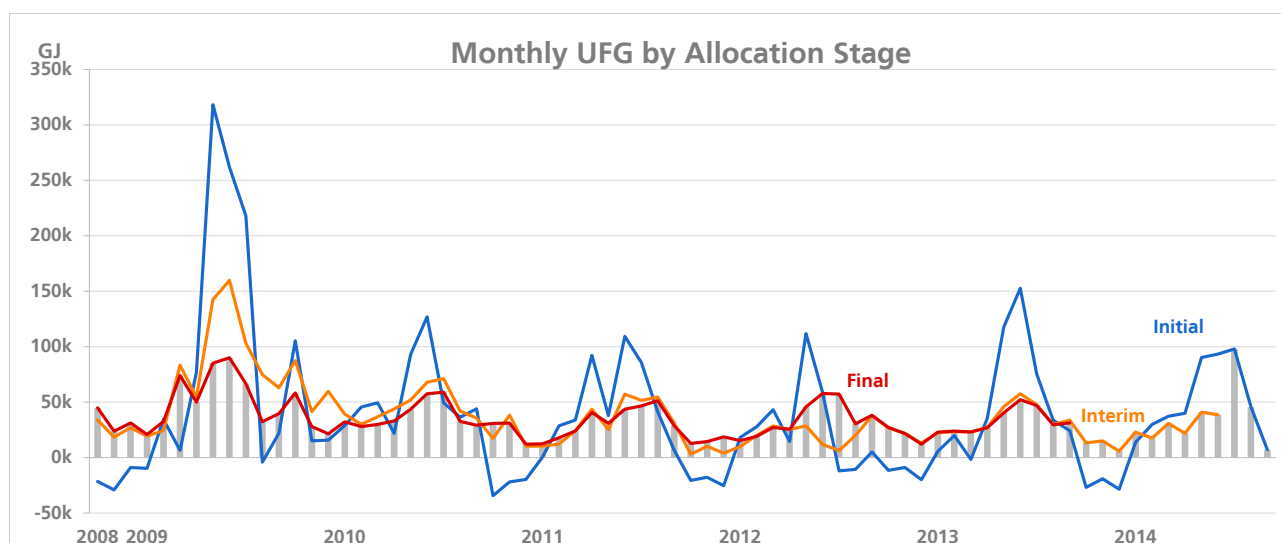
Under the Reconciliation Rules, the amounts of gas that retailers estimate their customers have used are subtracted from the amounts of gas leaving the transmission system. The difference is UFG, which arises from technical losses on the system, metering inaccuracies, and retailer estimation errors. 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 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.

For context, the chart below shows UFG trends since October 2008, when the Reconciliation Rules went into effect.

**Chart A- 2: UFG since October 2008**



**Chart 7: Percentage of UFG**

This chart shows the amount of UFG in comparison with 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.

**Chart 8: Rolling 12-month UFG**

Another way to think about UFG is the amount recorded over a 12-month period. This chart shows rolling 12-month UFG figures, both as a GJ total and as a percentage of gas consumed. That is, each data point shows the amount of UFG recorded for that month and the preceding 11 months. 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.

For the first year after the Reconciliation Rules came into effect, annual UFG was about 2%. Average UFG now varies from about 1.0% to 1.3%.

**Chart 9: Gas gates where UFG is the highest**

These charts show the gates with the largest volumes of positive and negative UFG over 12 months, according to the most recent final and interim data.

The first chart shows the 10 gas gates that had the highest volume of UFG, in terms of the percentage of total positive UFG experienced over the same time period. As a comparison, the chart also includes the percentage of total gate injections each gate represents; that is, the proportion of total gas consumption that is drawn from those gates.

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The second chart shows negative UFG compared with gate injections.

#### **Chart 10: Number and severity of breaches of the Reconciliation Rules**

Most breaches of the Reconciliation Rules are alleged by the allocation agent. Over 98% of alleged breaches of the Reconciliation Rules in the past year relate to rule 37 – the rule that requires initial consumption information submitted by retailers to be within a percentage of accuracy of the consumption information submitted for the final allocation. It has proven efficient for the market investigator to attempt to reach settlements in yearly batches of rule 37 breaches.

## **4 Market competition performance measures**

#### **Chart 11: Market share of ICPs by retailer**

This chart shows the number of active contracted customer sites associated with each retailer over the past two years, as recorded by the gas registry.

#### **Chart 12: Market share by customer segment**

This chart shows market share by customer type, as shown in the gas registry. Note that, because of the small size of its customer base, Energy Online's customer share is combined with its parent company, Genesis.

#### **Chart 13: 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 are 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, and the more that market share is spread among them, the greater the competition for customers is thought to be.

As a point of reference, the United States Department of Justice considers markets in which the HHI is between 1,500 and 2,500 to be moderately concentrated. Markets with an HHI of greater than 2,500 are considered highly concentrated.<sup>1</sup>

The bars in the chart shows the HHI of the retail gas market as at October 2014; for comparison, the HHI for 2009, 2011, and 2013 are also shown. In all regions, the HHI has decreased, indicating that the retail gas markets in these regions have become less concentrated.

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<sup>1</sup> <http://www.justice.gov/atr/public/guidelines/hhi.html> accessed 1 May 2014.

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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, these former monopoly providers became 'incumbents', subject to competing retailers vying for customers in their areas. (A similar change occurred in the electricity sector). 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. With the introduction of the Switching Rules, new retailers have entered the market and smaller retailers have increased their market share.

**Chart 14: Switching by customer sites since 2008**

This chart shows the proportion of active contracted customer sites by the number of times they have switched in the past five years, broken down by customer type as shown in the registry.

**Chart 15: Residential customer sites that have never switched**

This chart shows, for the residential customer sites that have not switched retailer in the past year, the proportion served by each retailer, compared to that retailer's market share of residential customers.

**Chart 16: 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.

**Chart 17: Gas gates by number of retailers**

This chart shows, by month, numbers of gas gates by the number of active retailers. In this case, an active retailer means a retailer that has at least one active contracted ICP at that gas gate. About 32 gas gates are direct connect gates, meaning that they serve only one customer, generally a large industrial customer, and can have only one retailer active at that gate.

The majority of gas gates – 100 at last count – serve multiple customers. The greater the number of retailers that trade at a gas gate, the greater is the potential competition for customers.

**Chart 18: 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 shows, for example, that while all nine retailers are active at only a handful of gas gates, those gates tend to be the largest ones, since about 37% of all gas customers are connected at these gates.

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This chart shows the March 2013 step change caused by the amalgamation of Bay of Plenty with Nova and the entry into the gas retail market by Trustpower in November 2013.

### **Chart 19: Total gas volumes**

This chart 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.
- 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.

Gas used by consumers connected to distribution pipelines is allocated by retailer and shown in the next chart.

### **Chart 20: Allocated gas volumes**

This chart shows the gas volumes allocated to retailers at shared gas gates over the past two years, i.e. gas gates connected to a network that supplies multiple customers. 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, the oil refinery, and paper and chemical factories are not included in the chart.

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. Genesis 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

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allocated gas, in contrast, is relatively steady throughout the year, reflecting its position as largely a supplier to industrial loads.

## 5 Balancing gas

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*. Maui Development Limited (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 the costs associated with secondary balancing are generally recovered from pipeline users. 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.

The outcome is the significantly reduced volumes of gas needed to be purchased or sold by MDL to balance the Maui pipeline since 2009.

### **Chart 21: Balancing gas volumes**

This chart shows the purchases and sales of balancing gas by MDL by month since January 2006.

### **Chart 22: Annual volumes of balancing gas**

This chart uses the same data as chart 21, but the data are shown as annual volumes of total purchases and sales.



# Strategic Progress: Quarterly Report 1 July – 30 September 2014

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 FY2014-2016 Statement of Intent.

Project	Rationale	Activity	Status
<b>Strategic Goal: Efficient Use of, and timely investment in infrastructure</b>			
<b>Transmission Pipeline Balancing</b>	<ul style="list-style-type: none"> <li>Improved industry arrangements. Gas industry participants and new entrants are able to access transmission pipelines under reasonable terms and conditions.</li> </ul>	<ul style="list-style-type: none"> <li>Assess balancing market developments.</li> <li>Provide advice to Minister on balancing market developments as appropriate. Formal balancing update provided to Minister on 16 April 2013</li> </ul>	<ul style="list-style-type: none"> <li>Indications are that MDL will not be giving its consent to implement back-to-back balancing. Shortly after quarter-end Gas Industry Co received the Market Based Balancing MPOC change request.</li> </ul>
<b>Interconnection</b>	<ul style="list-style-type: none"> <li>Improved industry outcomes. Gas industry participants and new entrants are able to access transmission pipelines under reasonable terms and conditions.</li> </ul>	<ul style="list-style-type: none"> <li>Monitor two new interconnection arrangements on each open access transmission pipeline (Vector, MDL).</li> <li>Review transmission pipeline interconnections and consult on any issues by the end of 2013.</li> <li>Investigate the extent, if any, of issues relating to access to private pipelines.</li> </ul>	<ul style="list-style-type: none"> <li>An update report has been provided to the Minister in respect of 'virtual' interconnections relating to the wholesale trading platforms, and physical interconnections.</li> </ul>
<b>Access to Processing Facilities</b>	<ul style="list-style-type: none"> <li>Statutory Role under Gas (Processing Facilities Information Disclosure) Rules 2008.</li> </ul>	<ul style="list-style-type: none"> <li>Collect, monitor, and publish disclosed information.</li> <li>Recommend to Minister by 27 June 2013 as to continuance, amendment, or expiry of these Rules.</li> </ul>	<ul style="list-style-type: none"> <li>All disclosures received and published on Gas Industry Co website.</li> <li>The Gas (Processing Facilities Information Disclosure) Rules 2008 expired in June 2014 following acceptance by the Minister of GIC's recommendation that regulated access to gas processing facilities is not necessary.</li> </ul>

Project	Rationale	Activity	Status
<b>Strategic Goal: Build efficient, competitive, and confident gas markets</b>			
<b>Rule Changes</b>	<ul style="list-style-type: none"> <li>Improved industry governance through regular review of existing arrangements and recommending changes where appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain rule change registers.</li> <li>Review industry feedback on options paper on Reconciliation Rules review.</li> <li>Review the effectiveness of the CCM Regulations following any events/exercises.</li> </ul>	<ul style="list-style-type: none"> <li>Work continues on Phase 2 changes to the Reconciliation Rules dealing with allocation methodologies Phase 1 amendments took effect on 1 June 2013.</li> <li>Statement of Proposal for proposed changes to the Switching Rules issued 12 August; submissions closed 22 September 2014.</li> <li>Consultation paper on proposed changes to switching and reconciliation thresholds under the Compliance Regulations will be issued shortly.</li> </ul>
<b>Gas Quality</b>	<ul style="list-style-type: none"> <li>Maintain an acceptable standard of gas quality.</li> <li>Ensure costs of gas quality incident are met efficiently.</li> <li>Achieve improved transparency on gas quality incidents.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing review of industry arrangements for managing gas quality.</li> <li>Consider options for improving gas quality arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>Gas Quality Protocol developed by GIC in liaison with industry working group issued in August 2014; Submissions closed 29 August. The Protocol aims to give stakeholders an understanding of how gas quality is managed and of the availability of information about gas quality.</li> </ul>
<b>Insolvent Retailer Arrangements</b>	<ul style="list-style-type: none"> <li>Following recommendation to revoke 2010 temporary Insolvent Retailer Regulations, consider whether generic regulatory solution is required to address retailer insolvency.</li> </ul>	<ul style="list-style-type: none"> <li>Prepare Issues and options paper for industry consultation.</li> </ul>	<ul style="list-style-type: none"> <li>Minister has accepted GIC's recommendation that permanent backstop regulations are not necessary.</li> <li>Draft Decision Paper on drafting instructions for backup regulations and minor changes to each of the Switching and Reconciliation Rules issued October 2014.</li> </ul>

Project	Rationale	Activity	Status
<b>Gas Distribution Principles</b>	<ul style="list-style-type: none"> <li>Improved industry outcomes. Gas industry participants and new entrants are able to access distribution pipelines on reasonable terms and conditions.</li> <li>Ensure consistency in distribution services arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>Monitor and report annually to Minister on status of distribution arrangements.</li> <li>Develop and publish distribution contract Principles.</li> <li>Encourage publication of network services agreements.</li> <li>First assessment of contracts conducted as at 1 February 2013. Arrangements not progressed as well as expected, but positive indication from industry as to completion.</li> </ul>	<ul style="list-style-type: none"> <li>Report on second assessment of distribution contracts issued in May 2014. Overall alignment improves from 'Moderate' to 'Substantial'.</li> </ul>
<b>Transmission Change Requests</b>	<ul style="list-style-type: none"> <li>Contractual role pursuant to MoUs with MDL and Vector.</li> <li>Ensure ongoing relevance and efficiency of multilateral terms of access to transmission pipelines.</li> </ul>	<ul style="list-style-type: none"> <li>Process MPOC change requests and VTC change request appeals as they are received in accordance with respective Memorandum of Understanding (MoU).</li> </ul>	<ul style="list-style-type: none"> <li>GIC's May 2014 Final Recommendation on the 14 February 2014 MPOC Change Request supported the proposed balancing-related amendments. Market Based Balancing Change Request received in October.</li> </ul>
<b>Compliance</b>	<ul style="list-style-type: none"> <li>Statutory role under the Compliance Regulations.</li> <li>Improved industry operations through provision of a compliance and dispute resolution process for industry participants.</li> </ul>	<ul style="list-style-type: none"> <li>Oversight of Gas Governance (Compliance) Regulations 2008.</li> </ul>	<ul style="list-style-type: none"> <li>Gas Industry Co continues to fulfil its role as Market Administrator under the Compliance Regulations.</li> <li>Breach activity has been low; a positive indicator of industry compliance.</li> </ul>
<b>Customer Issues</b>	<ul style="list-style-type: none"> <li>Enhanced consumer benefits through complaints process for small gas customers.</li> </ul>	<ul style="list-style-type: none"> <li>Liaise with the Electricity &amp; Gas Complaints Commission (the approved complaints scheme), and other relevant regulators to remain aware of consumer complaint issues.</li> </ul>	<ul style="list-style-type: none"> <li>Regular liaison with Electricity &amp; Gas Complaints Commission and other relevant regulators. Gas-related inquiries and complaints statistics included in Gas Industry Co Annual Report.</li> </ul>

Project	Rationale	Activity	Status
<b>Retail Contracts</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Administer the Retail Gas Contracts Oversight Scheme.</li> <li>Annual assessment of alignment of retail contracts with contract Benchmarks.</li> <li>Report to Minister on the results of the 2012 assessment.</li> </ul>	<ul style="list-style-type: none"> <li>Third assessment (published in November 2012) increased retailers' overall rating from 'Moderate' to 'Substantial' alignment with the benchmarks.</li> <li>Changes to the Scheme are being implemented following a review of its first three years of operation, an associated consultation process and final advice to the Minister.</li> </ul>

Project	Rationale	Activity	Status
<b>Transmission Pipeline Capacity</b>	<ul style="list-style-type: none"> <li>• Improved consumer outcomes by addressing short and long-term competition issues arising from the North Pipeline capacity constraint.</li> <li>• Enhanced industry/consumer outcomes by improved level, and quality, of information on which to base business/energy use decisions.</li> </ul>	<ul style="list-style-type: none"> <li>• Address by regulatory and/or non-regulatory options any lessening of competition due to transmission constraints.</li> <li>• Implement the Gas Transmission Investment Programme (GTIP).</li> <li>• Improve the quality and availability of pipeline security standards and supply/demand information.</li> <li>• Promote changes to commercial and regulatory arrangements so the GTIP objectives can be met.</li> </ul>	<ul style="list-style-type: none"> <li>• Submissions analysis on PEA's Second Advice and GIC's companion GTIP status update report acknowledged good GTIP progress, but divided on what direction the project should now take. On GIC's invitation Transmission System Owners are leading industry initiatives in accordance with PEA's future path proposals. In parallel, GIC is continuing with policy development which, depending on industry progress, may lead to Statement of Proposal.</li> <li>• Analysis of submissions on GIC's counterfactual transmission access Options Paper issued May 2014.</li> <li>• Continued monitoring of information provided by signatories to the 'Bridge Commitments', designed to address short-term issues.</li> <li>• Continued monitoring of Gas Transmission Exchange (GTX) - one of the seven Bridge Commitments.</li> <li>• Release of the updated Gas Supply and Demand Study October 2014.</li> </ul>

Project	Rationale	Activity	Status
<b>Strategic Goal: Deliver effectively on accountabilities</b>			
<b>Downstream Reconciliation</b>	<ul style="list-style-type: none"> <li>• Statutory role under Reconciliation Rules.</li> <li>• Improved industry arrangements and consumer outcomes through the objective of fairly allocating, and reducing, unaccounted-for-gas (UFG) and its associated costs.</li> </ul>	<ul style="list-style-type: none"> <li>• Oversight of Gas (Downstream Reconciliation) Rules 2008.</li> </ul>	<ul style="list-style-type: none"> <li>• Gas reconciliation performed each month.</li> <li>• Long-term UFG has flattened out at approximately 1%.</li> </ul>
<b>Switching and Registry</b>	<ul style="list-style-type: none"> <li>• Statutory Role under Switching Rules 2008.</li> <li>• Efficient retail market and improved consumer outcomes by facilitating market contestability through customer switching between retailers.</li> </ul>	<ul style="list-style-type: none"> <li>• Oversight of Gas (Switching Arrangements) Rules 2008.</li> </ul>	<ul style="list-style-type: none"> <li>• Customer switching facilitated through Rules and Gas Registry processes.</li> <li>• Switching statistics report issued monthly.</li> </ul>
<b>Performance Measures</b>	<ul style="list-style-type: none"> <li>• Improved industry and consumer outcomes through the provision of public information on industry performance.</li> <li>• Monitor the effectiveness of governance arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>• Determine and publish information on each gas governance arrangement that has been implemented.</li> </ul>	<ul style="list-style-type: none"> <li>• Performance measures computed and reported quarterly.</li> </ul>

<b>Industry Facilitation</b>	<ul style="list-style-type: none"> <li>• Facilitate nexus between industry and Government.</li> <li>• Maintain informed industry participants and other stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitate, influence and communicate with the industry and Government.</li> <li>• Liaise with other regulatory bodies, agencies and associations with responsibilities and interests encompassing the gas industry.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>NZ Gas Story</i> fully updated and issued April 2014.</li> <li>• Programme of Gas Story 'roadshow' presentations to stakeholder groups implemented.</li> <li>• Regular liaison with MBIE, Electricity Authority, and other relevant regulators.</li> </ul>
<b>Critical Contingency Management</b>	<ul style="list-style-type: none"> <li>• Statutory role under Gas Governance (Critical Contingency Management) Regulations 2008.</li> <li>• Improved industry outcomes through increased market confidence in industry's ability to manage critical events.</li> </ul>	<ul style="list-style-type: none"> <li>• Manage Critical Contingency Operator (CCO) via service provider agreement.</li> <li>• Review effectiveness of the Regulations following any events/exercises.</li> <li>• Operate critical contingency pool following an event.</li> </ul>	<ul style="list-style-type: none"> <li>• CCO activities monitored and reviewed quarterly.</li> <li>• Critical contingency management exercise, 'Exercise Evolution', conducted on 25 June 2014.</li> </ul>