



**FROM THE CHIEF EXECUTIVE**

A feature of governance development work in the gas sector is the contribution of industry groups that work directly with Gas Industry Co to bring targeted expertise and skills to a particular issue. This has been particularly evident in the last quarter, including working groups led by both Gas Industry Co and industry itself.

These working groups come with some entertaining acronyms – RAPT<sup>1</sup> and its offspring RAIG<sup>2</sup>, DRAG<sup>3</sup> which more recently transmuted into DAWG<sup>4</sup>, IRWG<sup>5</sup>, and PEA<sup>6</sup> to name a few – but they serve a serious purpose in helping Gas Industry Co to navigate operational and technical complexities associated with some of our key work streams.

Often, they can help refine governance options during a review process and by doing so can contribute to a central requirement of the co-regulatory regime, which is for Gas Industry Co to consider all reasonably practical options – non-regulated and regulated – that achieve a regulatory objective.

This collaborative approach and shared expertise has proved to be both cost-efficient and effective. We can look to a number of successes in recent times, including recently in the areas of retailer insolvency, downstream reconciliation, consumer switching and gas quality.

We are conscious that an invitation by Gas Industry Co to an industry stakeholder to participate on a working group requires that participant to commit time and people resources. This is appreciated, and it is encouraging that the value of the approach is also recognised from the stakeholders' perspective, as evidenced, for example, by feedback on the Gas Registry Amendments proposals and the Downstream Reconciliation review. Submitters in those cases have noted that the working/advisory group approach is an efficient way of addressing operational issues, can reduce the need for consultations, results in more balanced consultation documents that focus on key issues, and enables Gas Industry Co to efficiently progress a number of effective rule changes.

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<sup>1</sup> Registry Amendments Project Team (Downstream Regulation)  
<sup>2</sup> Registry Amendments Implementation Group  
<sup>3</sup> Downstream Reconciliation Advisory Group  
<sup>4</sup> Daily Allocation Advisory Group  
<sup>5</sup> Insolvent Retailers Working Group  
<sup>6</sup> Panel of Expert of Advisers, part of the Gas transmission Investment Programme (GTIP)

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In addition to direct involvement in Gas Industry Co's governance development work, there are also examples of the industry itself leading efforts towards voluntary solutions to governance issues in the downstream gas sector. Current examples of this approach are seen in two significant pieces of work – transmission balancing and transmission access.

The industry-led balancing work arose from a formal industry request to Gas Industry Co some six years ago to defer development of regulation and allow the industry an opportunity to find a solution itself. The industry's recent deliberations on transmission pricing and access – through the Gas Industry Transmission Access Working Group (GITAWG) - flowed from the recommendations of the Panel of Expert Advisers as part of our Gas Transmission Investment Programme, and the industry again formally requesting opportunity to develop solutions.

These two industry-led initiatives have met with considerable debate and mixed success.

New market-based balancing arrangements under the Maui Pipeline Operating Code (MPOC), were supported by Gas Industry Co as an improvement on current arrangements and are expected to be implemented later this year after successive and hotly debated code change processes.

And, although the GITAWG made inroads in areas of information transparency, VTC code change processes and congestion management, there was little progress with the core issues of capacity access and pricing.

Both of these industry-led projects highlighted the often conflicting commercial imperatives of participants, and the potential limitations of the transmission code change process in bringing about desired changes.

Gas Industry Co will be monitoring the performance of the new balancing regime and is (with a substantial measure of industry support) resuming a more central role in the next phase of harmonising the Maui and Vector transmission codes.

Our experiences over the last quarter accordingly demonstrate that the best process for developing industry governance arrangements differs in individual cases and that they may need to change over time. There is a challenge in identifying where Gas Industry Co should take centre stage and where the industry should have the latitude to progress matters itself. We continue to welcome that challenge and to work closely with the industry in developing effective governance arrangements.

Steve Bielby  
Chief Executive

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## Industry Performance Highlights

This Quarterly Report includes Gas Industry Co's regular Quarterly Industry Performance report (Page 9). Highlights are:

- The annual rate of switching for the past 12 months is 18.6 percent, up from 17.3 percent in calendar 2013.
- In the first six months of 2015, 80 percent of switches were completed in seven days or less, compared with a rate of 50 percent in 2009.
- 54 percent of residential consumer sites have switched retailer at least once in the past five years; 65 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%, compared with about 2% in 2009.
- Genesis is the largest retailer by customer share; it is also the largest retailer in the residential and large industrial markets. Nova Energy is the largest retailer by volume and has the largest share of commercial customers.
- Trustpower has grown to be the fifth largest retailer by number of customers, with over 13,000.
- The gas retail market has become less concentrated in all regions over 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.
- Pulse Energy entered the retail gas market in October 2014, increasing the number of retail gas brands to ten. Over 99 percent of gas consumers are connected to a gate where least seven retailers trade, demonstrating that gas retailers generally are competitive throughout the North Island.

## OP2 – the next step in the Gas Transmission Investment Programme

Gas Industry Co initiated the next step in the Gas Transmission Investment Programme (GTIP) with the release of a second Options Paper, *Transmission Access; Options for Improvement #2* – or 'OP2'. It builds on both an [initial Options Paper](#) produced by Gas Industry Co in December 2013, and the work of the [Gas Industry Transmission Access Working Group](#) (GITAWG).

OP2 has two objectives – to assess progress on the three previously-identified areas where improvements can be made in the short-term to existing pipeline codes, and to consider a co-ordinated industry approach to developing a fully designed vision that would provide direction in the next steps towards converged transmission access arrangements between the Maui and Vector pipelines systems.

OP2 proposes the formation of a new, more broadly represented group of stakeholders to focus on developing that vision and suggests this could be achieved through expanding the GITAWG or creating a dedicated new group.

The paper reflects Gas Industry Co's view that the GITAWG has made progress in a number of areas, but not with the core issue of transmission access.

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The GITAWG has itself indicated a desire to discuss the path forward, including seeking greater Gas Industry Co involvement. It is therefore timely for Gas Industry Co to review progress against the PEA's recommendation for evolutionary convergence and to consider how that can best be addressed.

OP2 supports the PEA's recommendation for convergence of the codes, but questions whether the gradual 'evolutionary' approach recommended by the PEA remains realistic in the context of the remaining issues, and whether it should be effected in a more rapid, single step.

Of the three short-term areas for improvement, two – information transparency and the development of [Maui Authorised Quantity arrangements](#) – are being progressed. OP2 proposes a way forward for the third element, interruptible services on the Vector transmission system.

Submissions on OP2 closed on 22 June 2015. An [Analysis of Submissions](#) was published on 28 July, which confirms a general view that now is a good time to consider a vision for transmission access, and that this would help to inform the best way of achieving improvements.

## DAWG gets underway

A Daily Allocation Working Group (DAWG) of industry participant representatives has been established to assist Gas Industry Co's work on daily allocation and reconciliation processes. It held its first meeting on 1 June 2015.

DAWG's role is to develop and enable processes that will produce the information shippers need to manage their downstream reconciliation positions. It covers the end-to-end process, from the collection of daily data, to producing allocations of day-after (D+1) gas-flow. The scope of the DAWG's work also encompasses matters under the VTC and gas transfer arrangements: calculating daily receipts; Balancing and Peaking Pool (BPP) positions; and revisiting the methodology for wash-ups between parties.

D+1 was always part of Gas Industry Co's review of the Gas (Downstream Reconciliation) Rules 2008 (Reconciliation Rules) and is looking specifically at options to either improve the accuracy of the initial allocation or replacing it with a more timely alternative.

Information about DAWG's membership and meetings can be found [here](#)

## Transmission code changes:

### *New process proposed for MPOC change requests*

A Maui Pipeline Operating Code (MPOC) change request received on 5 May 2015 proposes changes to the way change requests are themselves processed.

The [MPOC Amendment Process Change Request \(APCR\)](#), submitted by Mighty River Power (MRP), is intended to promote 'an inclusive and collaborative change process as opposed to the current arrangement which can become adversarial'. Broadly, MRP's proposal aims to align the MPOC code change processes with the process introduced into the Vector Transmission code (VTC) on 1 April 2015.

With the amendment of the VTC code change process, Gas Industry Co ceased to have a role as the independent appellate body, but can now participate in the development of VTC changes through the submissions process.

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MRP's change request proposes the cessation of Gas Industry Co's current role under the MPOC, which is to consult on MPOC change requests as appropriate, and to make a recommendation supporting or not supporting a request.

As the APCR requires Gas Industry Co to deliberate on its own role under the MPOC - giving rise to a potential conflict of interest - the Company is supplementing its normal process by appointing an Independent Expert to review and report on its recommendations. This will be conducted by the former High Court Judge, Sir John Hansen, who also performs the role (by Ministerial appointment) of the Rulings Panel under the Gas Governance (Compliance) Regulations 2008.

Gas Industry Co remains responsible for administering the APCR process, including consultation, and preparing the draft and final recommendations. These documents will be reviewed by Sir John and the draft and final recommendations and independent reports will be published together. The final recommendation 'supporting' or 'not supporting' the APCR will remain with Gas Industry Co through its Independent Directors Committee.

Submissions on the APCR closed on 14 July 2015. Gas Industry Co is now preparing its Draft Recommendation, which will be published with a call for further submissions.

### *Vector Congestion Management Change Request*

Gas Industry Co has made its first two submissions under the revised VTC change request process (on a change request notification and on the draft change request that followed).

Vector had proposed changes to congestion management arrangements under the VTC arising from work undertaken by the GITAWG. The proposed amendments included provision of a new type of supplementary agreement, a Load Curtailment Agreement (LCA)

Following submissions, however, Vector has announced its intention to withdraw the change request by not issuing a final change request within the prescribed time period so that it can take more time to engage on matters raised by Gas Industry Co in its submissions.

Details of Vector's proposals and submissions can be found on [Vector's information site on the OATIS platform](#).

### *Market-based balancing*

Following Gas Industry Co's Final Recommendation in April, which supported the 10 October 2014 MPOC Market-based Balancing Change Request (MBBCR) proposed by Maui Development Ltd (MDL), Gas Industry Co has hosted two forums for industry participants. The sessions provided opportunities for the principal parties involved in MBB to further explain the workings of the new balancing regime to be introduced on 1 October 2015.

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## Gas Quality paper finalised

Following the release of a draft for stakeholder feedback in February this year, Gas Industry Co has now published the [Gas Quality Requirements and Procedures](#) document (Gas Quality R&P) setting out the legal requirements and industry procedures for managing gas quality.

The document is maintained by Gas Industry Co and is updated from time to time as changes occur and/or new information comes to hand.

In addition, MDL is leading other work aimed at improving gas quality arrangements. MDL's document, [MDL - Possible Opportunities for Improvements in Gas Quality](#), describes the facets of its work under the categories of control, reporting, and monitoring.

Gas Industry Co has previously investigated and consulted on gas quality issues, culminating with [Gas Governance Issues in Quality: Investigation Update August 2012](#). Since then there have been several industry-led gas quality initiatives, including initial work on 'Gas Information Exchange Protocol' by a group of wholesalers and retailers. It was aimed at giving them added confidence that service providers in the physical supply chain are meeting their obligations.

It was evident, however, that the proposed Protocol had broader relevance and required input from all participants in the gas supply chain. Gas Industry Co worked with industry stakeholders to develop the draft Protocol, which subsequently evolved into the [Gas Quality R&P](#) document.

Gas Industry Co will reassess whether its regulatory objective has been met once the outcome of the MDL initiative is known.

Gas users require a safe, reliable, fit-for-purpose product. There a number of legislative and contractual arrangements regarding gas quality, and a range of agencies with regulatory powers relating to it. Gas Industry Co has a responsibility when recommending gas governance arrangements under the Gas Act 1992 to ensure that those arrangements provide for gas quality in a manner that facilitates the safe, efficient, and reliable delivery of gas.

## Gas retailer insolvency management framework completed

Gas Industry Co has completed the policy development process for its insolvent retailer workstream with the publication of the [Final Decision Paper - Framework for Gas Retailer Insolvency Arrangements](#) (Final Decision Paper).

This sets out the process Gas Industry Co will follow in the event of a future retailer insolvency, including measures enabled by the Gas (Switching Arrangements) Rules 2008 (Switching Rules) and the Gas (Downstream Reconciliation) Rules 2008 (Reconciliation Rules) amendments approved by the Minister earlier this year.

Accompanying the Final Decision Paper are the Insolvent Retailers Drafting Instructions (Drafting Instructions) which support that process, and can be tailored to the circumstances of a specific retailer insolvency.

The Final Decision Paper and associated Drafting Instructions take account of submissions received by Gas Industry Co on its Draft Decision Paper (that included Drafting Instructions).

Gas Industry Co expects any further policy work will be limited to periodic reviews of the retailer insolvency framework to ensure it remains current.

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This work programme originated at the request of the Minister following the voluntary liquidation of a gas retailer, E-Gas, in 2010 and the subsequent creation of the Gas Governance (Insolvent Retailers) Regulations 2010 using the urgent regulation-making provisions of the Gas Act 1992.

Following consultation, the Minister accepted Gas Industry Co's recommendation that those Regulations be allowed to lapse and consideration given to whether a generic regulatory solution was required to address retailer insolvency.

Consultation was initiated with an Issues Paper, prepared by Castalia Strategic Advisors, which looked particularly at whether there were any identifiable market failures arising from a retailer insolvency that would warrant regulatory intervention. It found the main consequence would be if an insolvency resulted in 'orphaned customers' who could continue to consume gas while having no retailer to bill them for its use.

## 4<sup>th</sup> retail contracts assessment

The [fourth independent assessment](#) under the Retail Gas Contracts Oversight Scheme (Retail Scheme) is underway.

Retail contract arrangements with small users are being assessed by Palairt Law, which has been appointed by Gas Industry Co to succeed Elwood Law as the Independent Assessor.

The assessment is of retailers' published standard contracts with small consumers as at 1 July 2015, and will evaluate the contract terms and conditions against the Retail Scheme's contract benchmarks and set of Reasonable Consumer Expectations (RCEs). The results are expected to be published in October 2015.

The non-regulatory Retail Scheme was introduced in 2010 to help meet the Government policy objective for contractual arrangements between gas retailers and small consumers to adequately protect the long-term interests of those consumers. The three assessments conducted since then – a baseline assessment in 2010, a transitional assessment in 2011, and a full assessment in 2012 – has seen the alignment of retailers' contracts with the benchmarks improve from 'Moderate' to 'Substantial'.

In the light of this improvement, substantial design changes were introduced following a review of the Retail Scheme after the third assessment. The changes included a move from annual to three-yearly assessments, and the inclusion of the RCEs. Retailers provide Gas Industry Co with annual confirmation as to whether they have amended their standard published contracts.

## Gas Industry Co Statement of Intent

Gas Industry Co has published its [Statement of Intent](#) (SOI) for the financial years (ended 30 June) 2016-2018. The SOI presents a strategy and work programme developed in close consultation with industry stakeholders and reflects the objectives of the Gas Act 1992, the objectives and outcomes of the Government Policy Statement on Gas Governance 2008 (GPS), and Gas Industry Co's broader strategic aspirations.

The SOI focuses in particular on the elements of Gas Industry Co's work programme for the 2016 financial year, and indicatively for the following two financial years.

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The work programme is designed to fulfil Gas Industry Co's statutory role through the efficient administration of governance arrangements currently in place, progressing new or ongoing project commitments and facilitating forward-looking discussion by the industry on future strategic issues.

Gas Industry Co will commence consultation on its proposed FY2017 work programme at the annual Gas Industry Co-regulatory Forum in November.

## Critical contingency exercise

The Critical Contingency Operator (CCO), held a critical contingency exercise on 24 June. It simulated third party damage to the transmission pipeline supplying the Bay of Plenty region, and tested transmission system owners' (TSOs') Critical Contingency Management Plans and consumer curtailment responses under the Gas Governance (Critical Contingency Management Regulations) 2008 (CCM Regulations).

The CCO is required to conduct an exercise annually, in the absence of an actual critical contingency event. The CCO, Core Group, received feedback from the TSOs which was incorporated in the [CCO's post-exercise report](#) to Gas Industry Co published on the CCO website on 23 July.

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# Performance Measures Quarterly Report for the period ending 30 June 2015

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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 2008 (the Reconciliation Rules), and the Gas Governance (Critical Contingency Management) Regulations 2008 (CCM Regulations), both in terms of activity related to these governance arrangements 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.

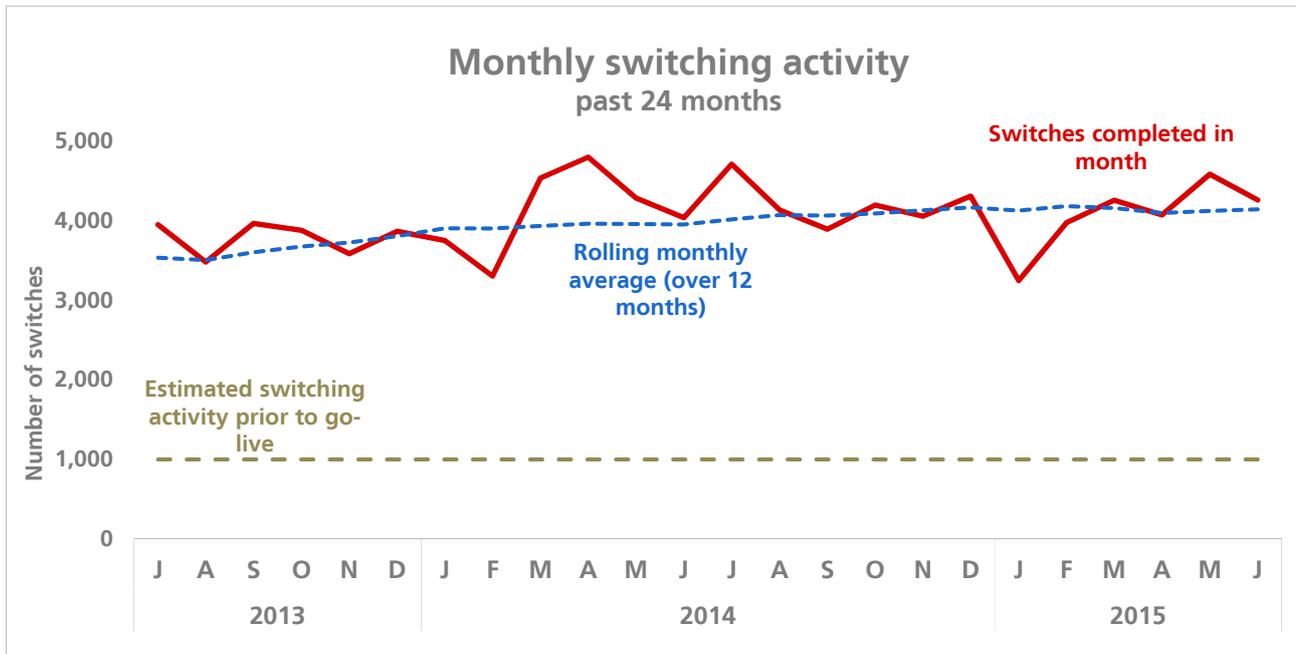
Highlights of the Report:

- The annual rate of switching for the past 12 months is 18.6%, up from the 17.3% switching rate experienced in calendar 2013.
- In the first six months of 2015, 80% of switches were completed in seven days or less, compared with a rate of 50% in 2009.
- 54% of residential consumer sites have switched retailer at least once in the past five years; 65% 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% (compared with about 2% in 2009).
- Genesis is the largest retailer by customer share; it is also the largest retailer in the residential and large industrial markets. Nova Energy is the largest retailer by volume market share and has the largest share of commercial customers.
- Trustpower has grown to be the fifth largest retailer by number of customers. It now has over 13,000 gas 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.
- Pulse Energy entered the retail gas market in October 2014, increasing the number of retail gas brands to 10. Over 99% of gas consumers are connected to a gate where least seven

retailers trade, demonstrating that gas retailers generally are competitive throughout the North Island.

## 2 Switching performance measures

Chart 1: Monthly switching activity



- Over 4,000 consumers switch gas supplier per month on average.
- The churn rate for the 12 months to March 2015 is 18.6%.

Chart 2: Regional switching activity

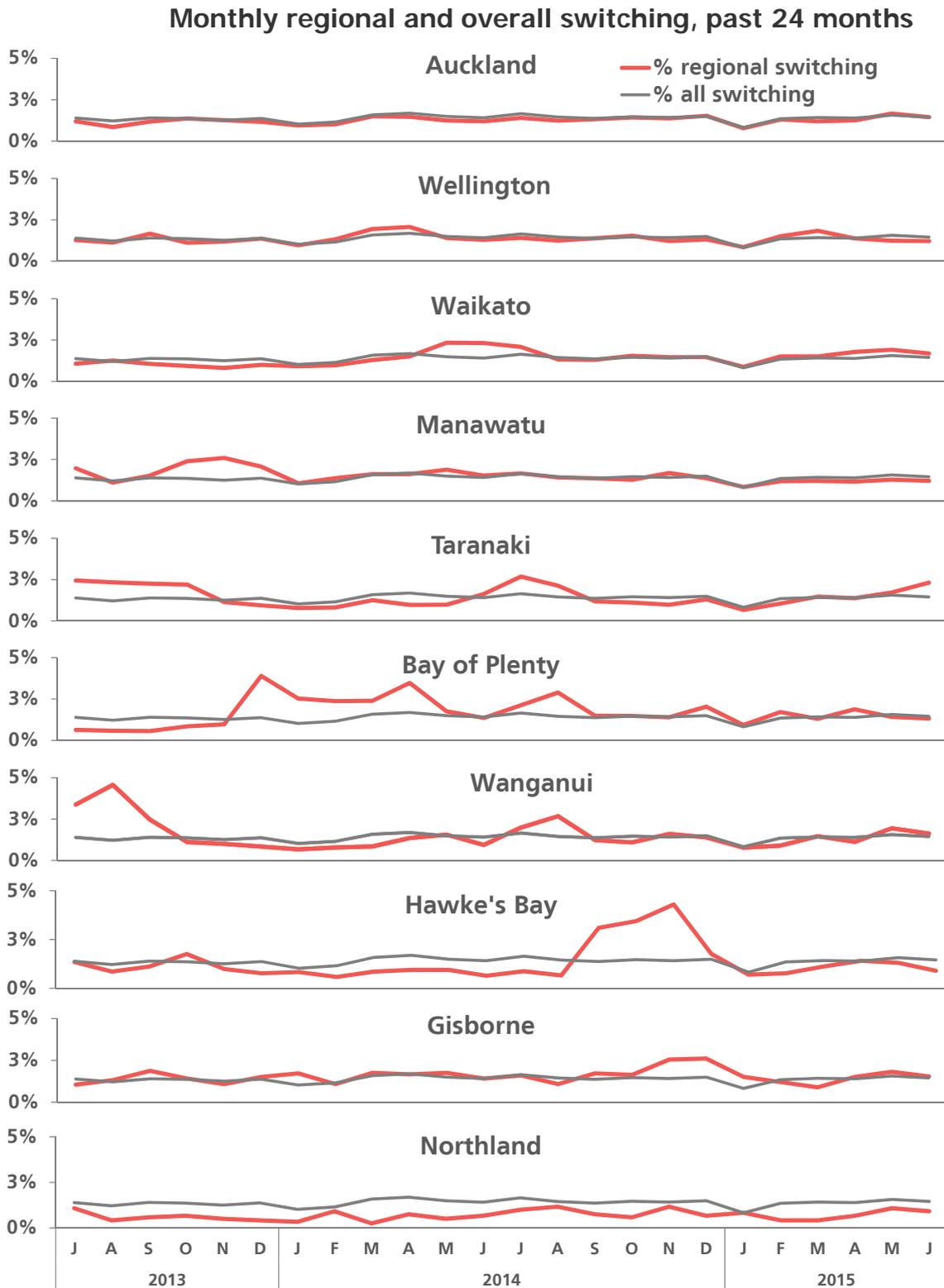
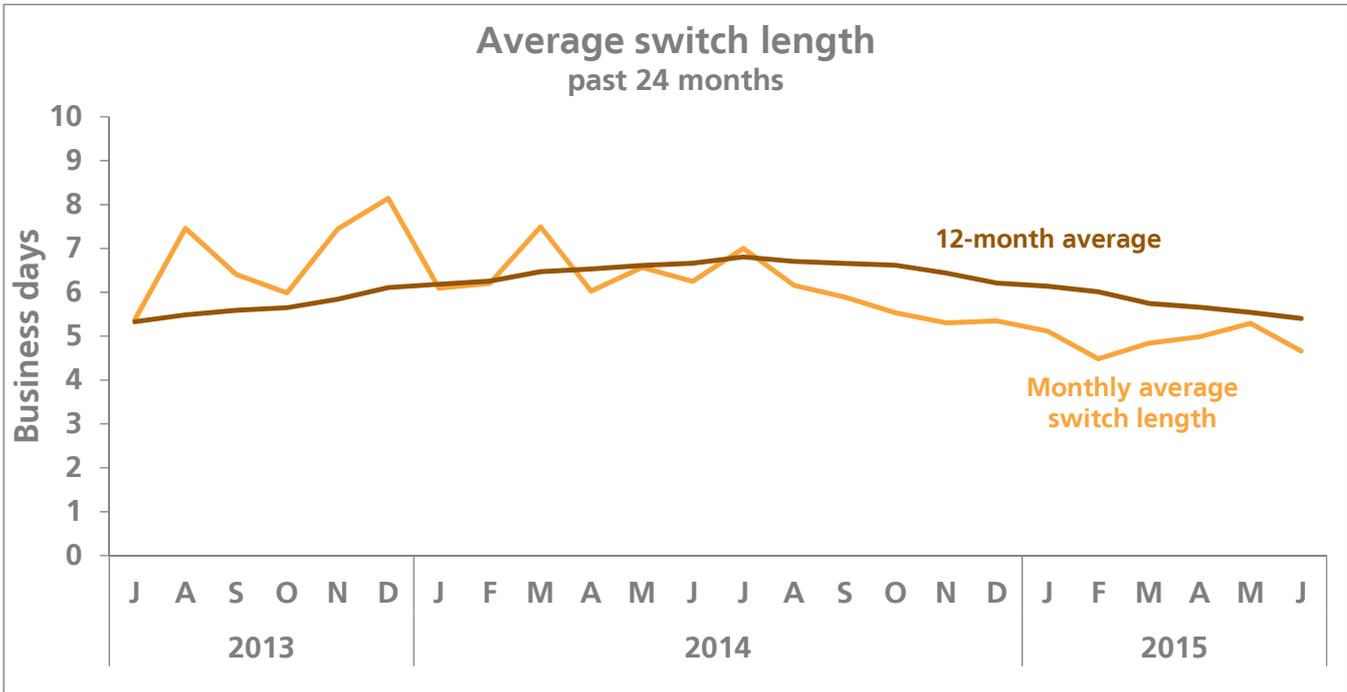
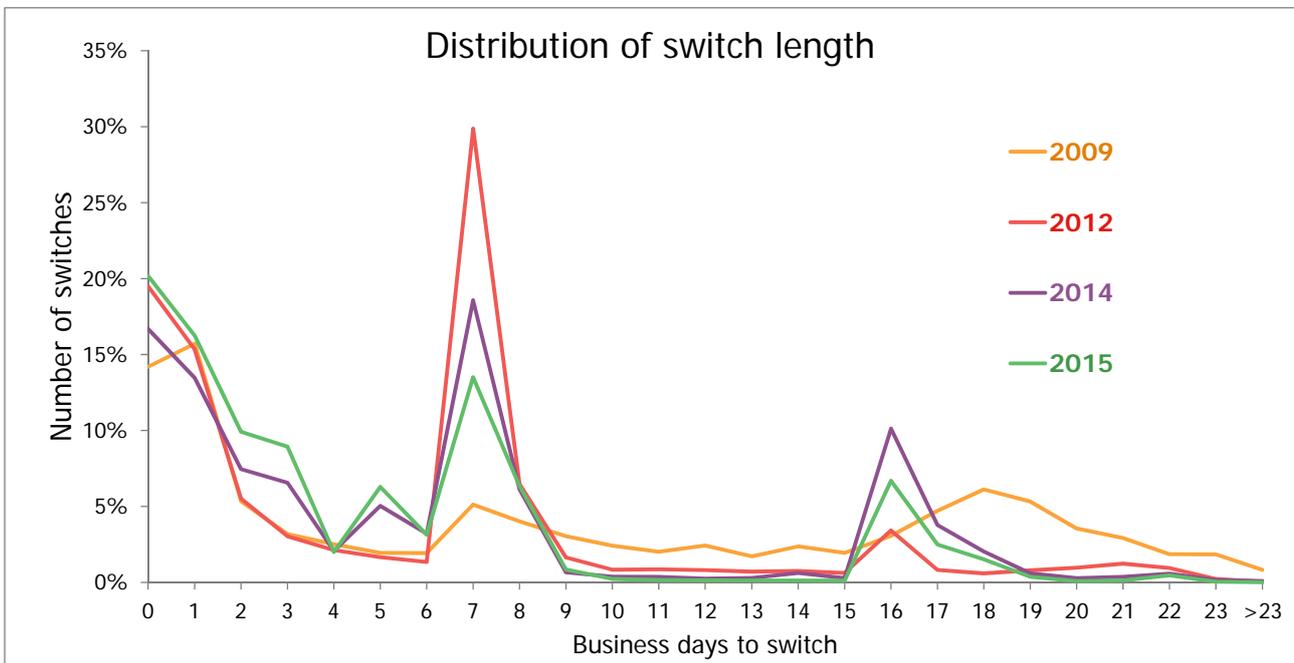


Chart 3: Time to process switches



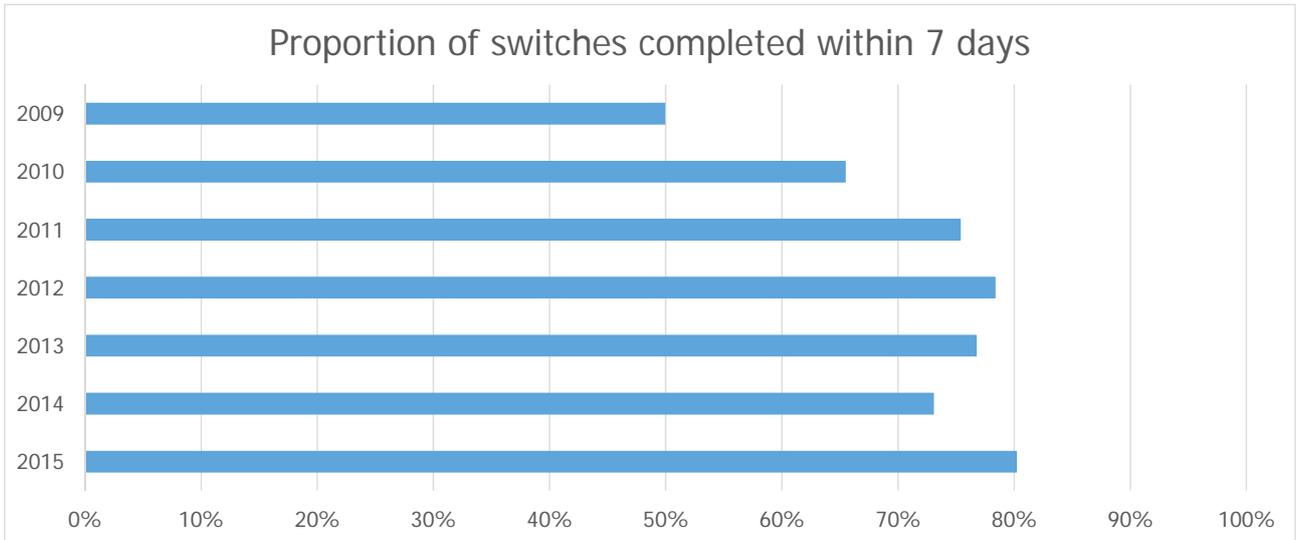
- The 12-month average switching time has decreased to about 5.5 business days.

Chart 4: Distribution of switching length



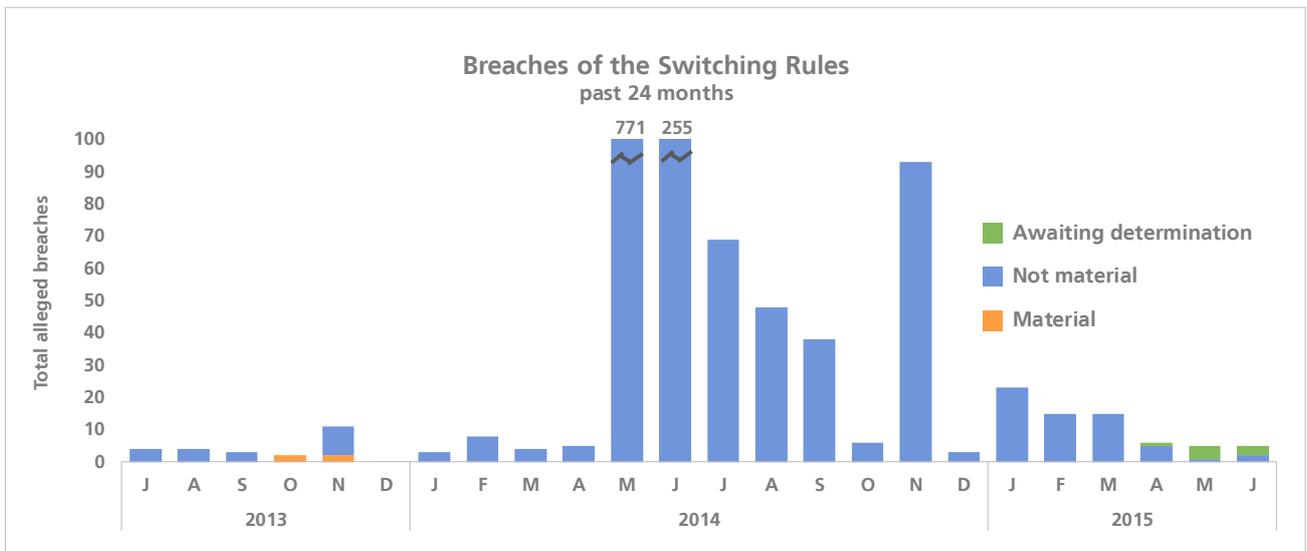
This chart shows the distribution of switching times for the calendar years of 2009, 2012, 2014, and the first six months of 2015. More and more switches are being completed within three days.

**Chart 4a: Proportion of switches completed within seven days**



This chart shows that the proportion of switches completed within seven days has increased – from about 50% of switches in 2009 to 80% in 2015.

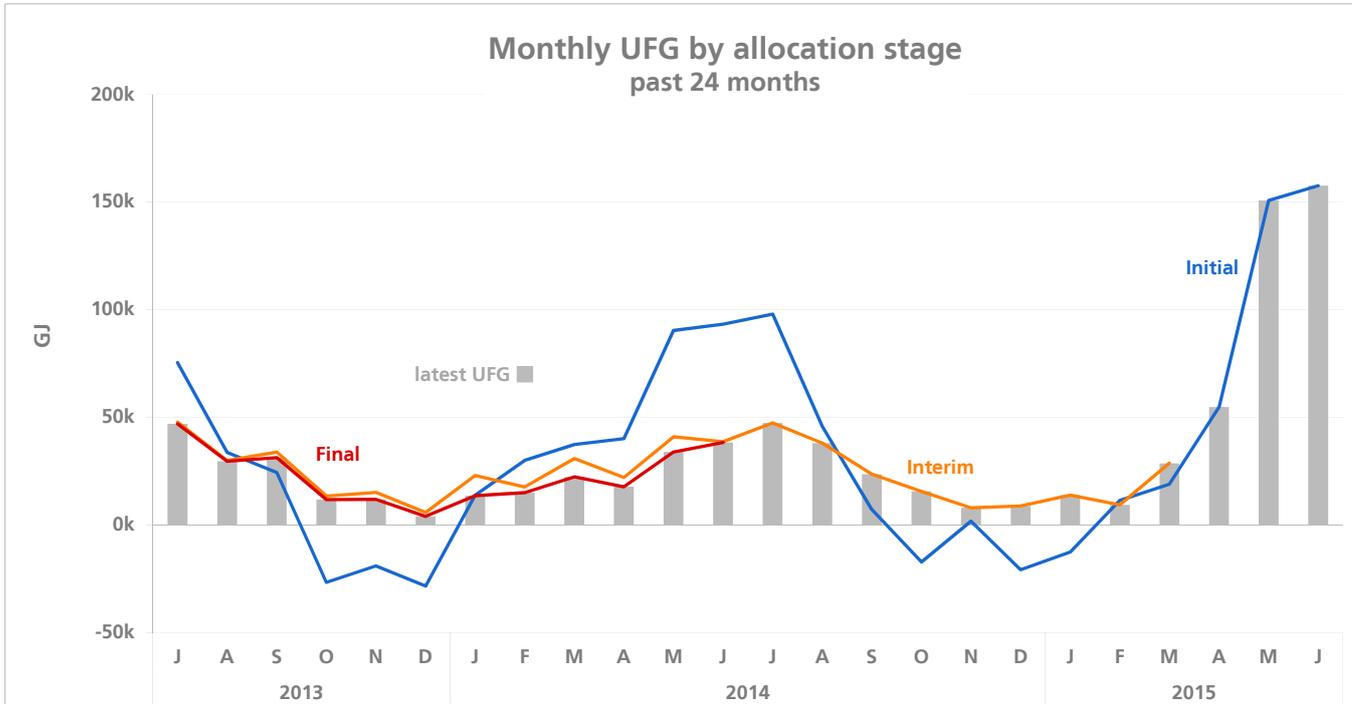
**Chart 5: Number and severity of breaches of the Switching Rules**



- Most of the breaches in May and June 2014 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)



The amount of UFG this winter is greater than that experienced in 2014 but in line with UFG in 2013 (see Chart A-2 in the appendix for a chart of UFG since the start of the Reconciliation Rules).

Chart 7: Percentage of UFG

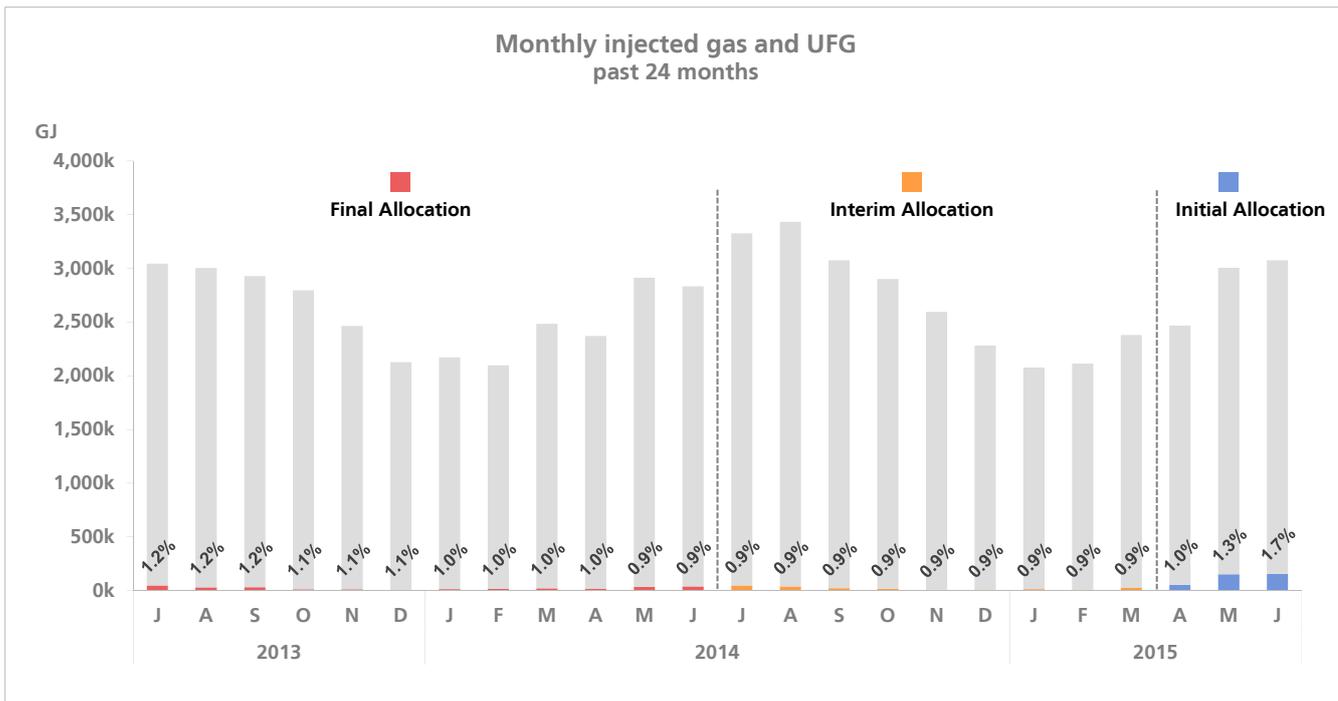
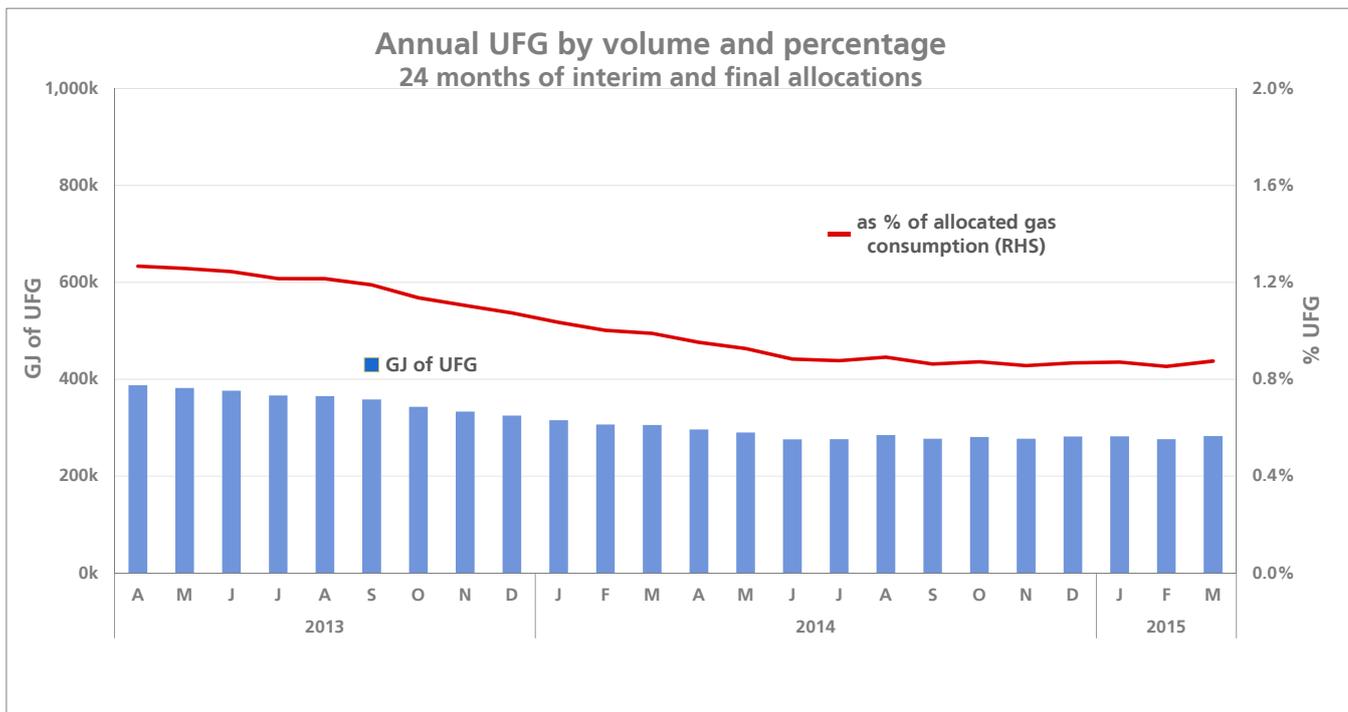
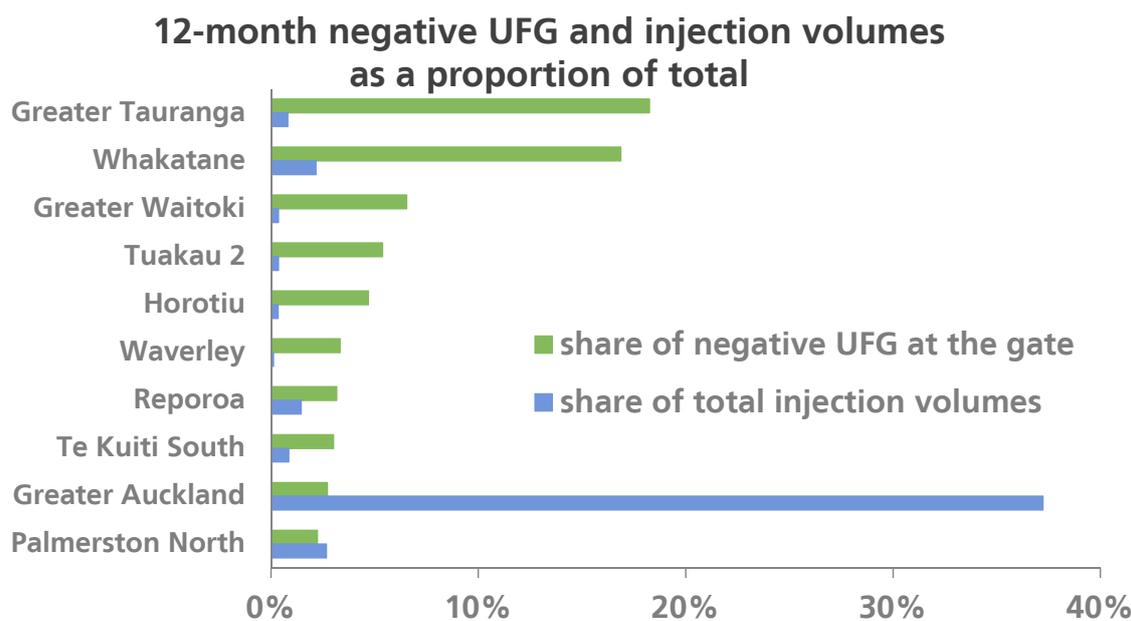
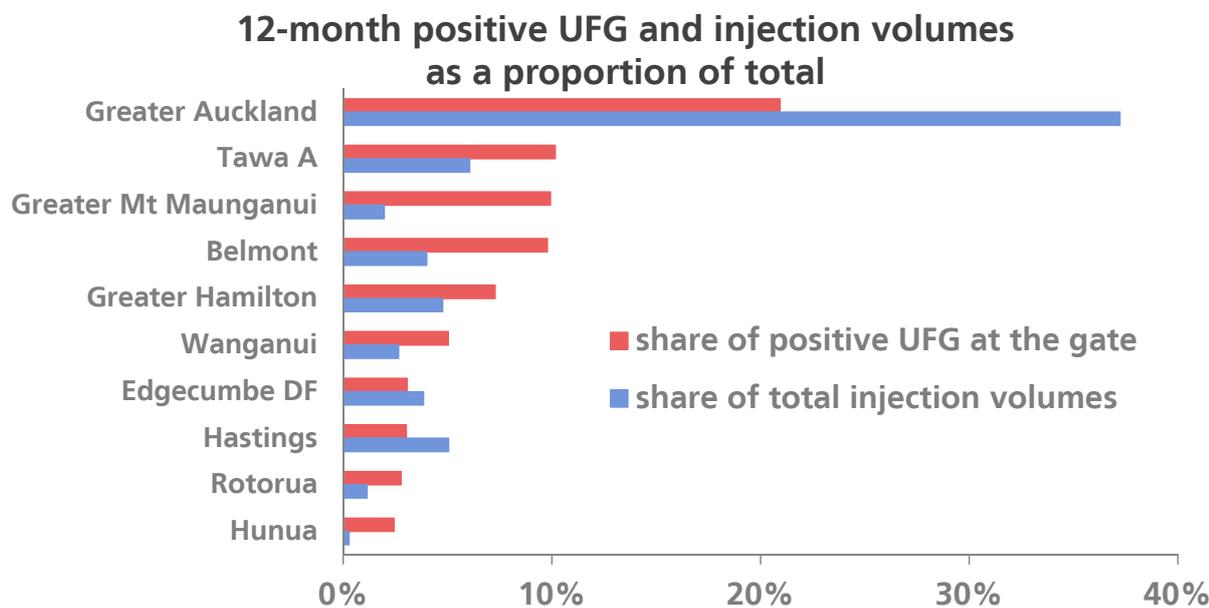


Chart 8: Rolling 12-month UFG



- In volume terms, annual UFG has halved since 2009, decreasing from about 600,000GJ per year to about 300,000 GJ. As a percentage of allocated gas, annual UFG has also halved, decreasing from about 2% per year to just under 1%.

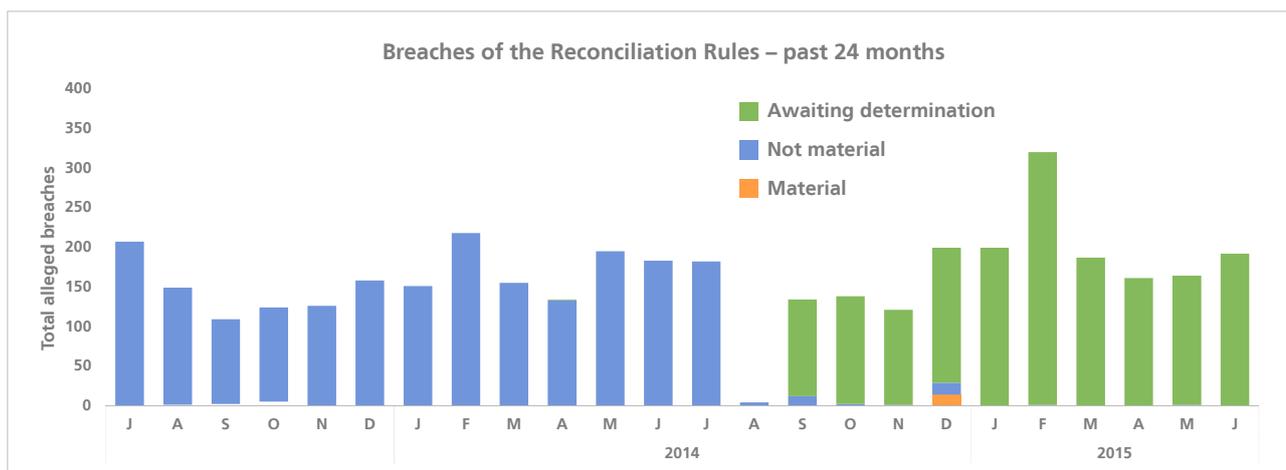
Chart 9: Gas gates where UFG is the highest



- 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, April 2014 through March 2015.
- The 10 gates shown in the top chart account for 74% – about 283,000 GJ – of the positive UFG experienced over the past 12 months.

- The 10 gates shown in the bottom chart account for about 66% (about 65,000 GJ) of the negative UFG experienced in the past 12 months. Six of the gas gates shown – Whakatane, Tuakau 2, Horotiu, Waverley, Reporoa, and Te Kuiti South – 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**



- The very low level of alleged breaches in August 2014 can be attributed to the Allocation Agent omitting rule 37 breaches in its reporting that month. The Allocation Agent alleged the outstanding breaches in February 2015.
- About 97% 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.
- It has proven efficient for the Market Investigator to attempt to reach a settlement on 12-month batches of rule 37 breaches, which is why there are a large number of breaches awaiting determination.

## Audits commissioned

### Event audits

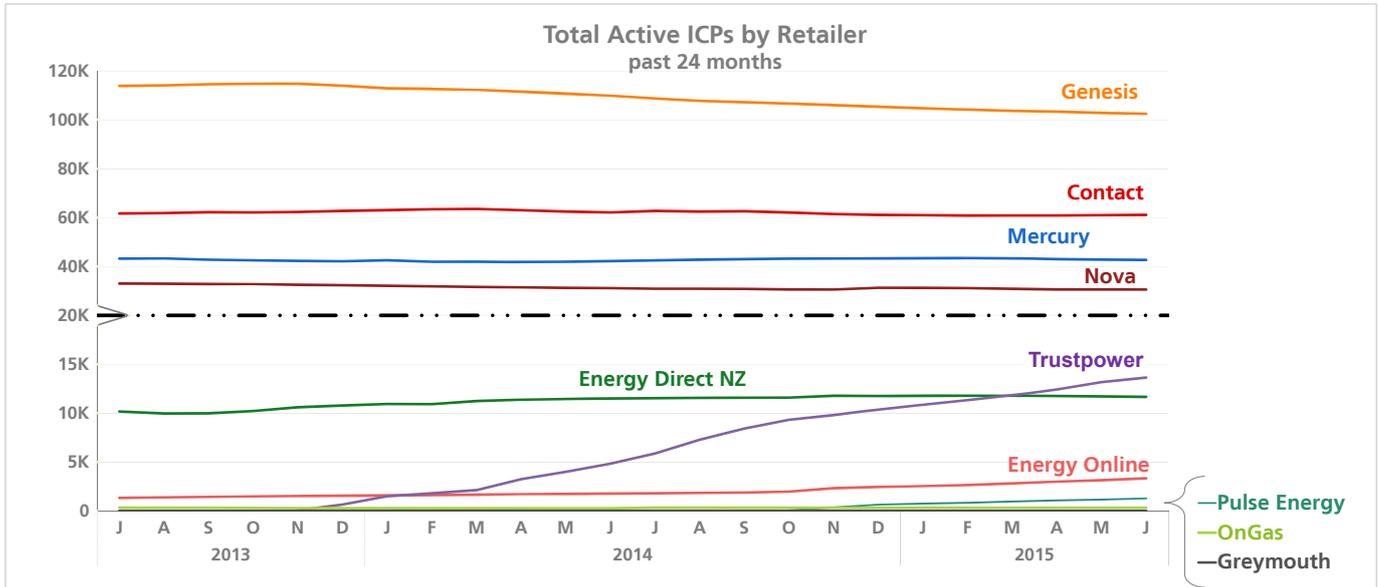
No event audits have been commissioned in the past quarter.

### Performance audits

The second round of retailer performance audits is complete and audit reports are available on the Gas Industry Co website.

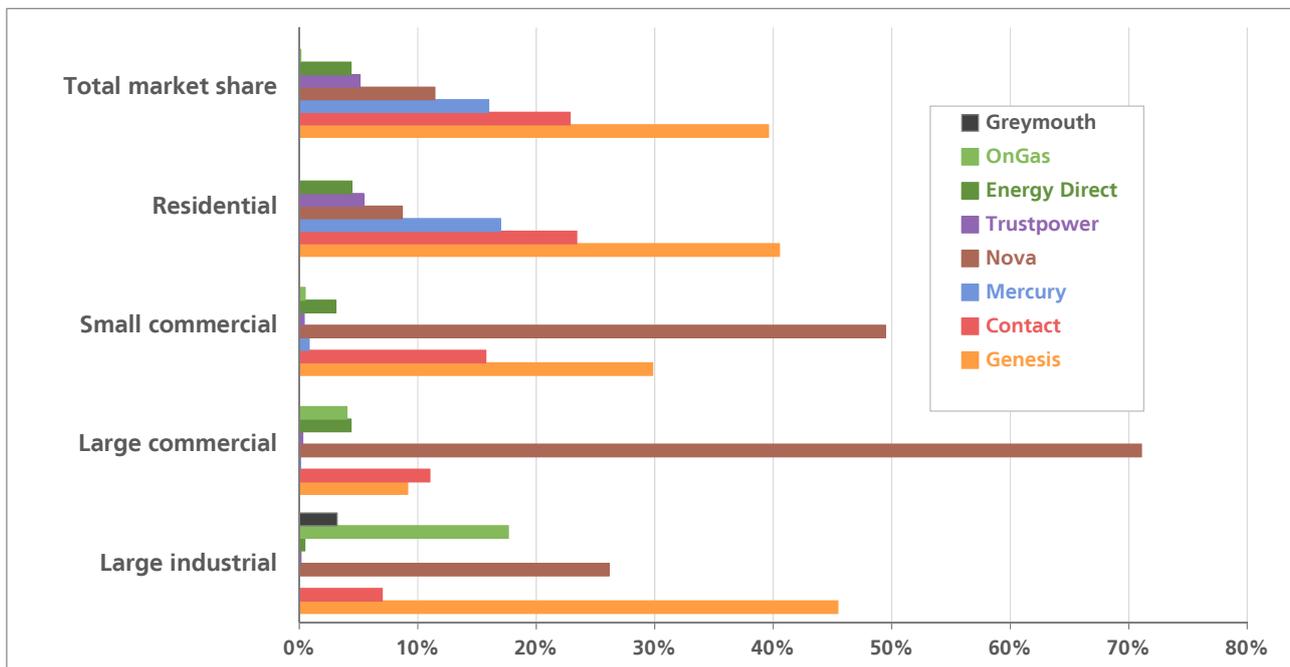
## 4 Market competition performance measures

Chart 11: Market share of ICPs by retailer



- Pulse Energy entered the retail gas market in October 2014.
- 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 ten distinct retail brands, owned by eight different retail companies (Energy Online is owned by Genesis Energy).

Chart 12: Customer market share by consumer segment



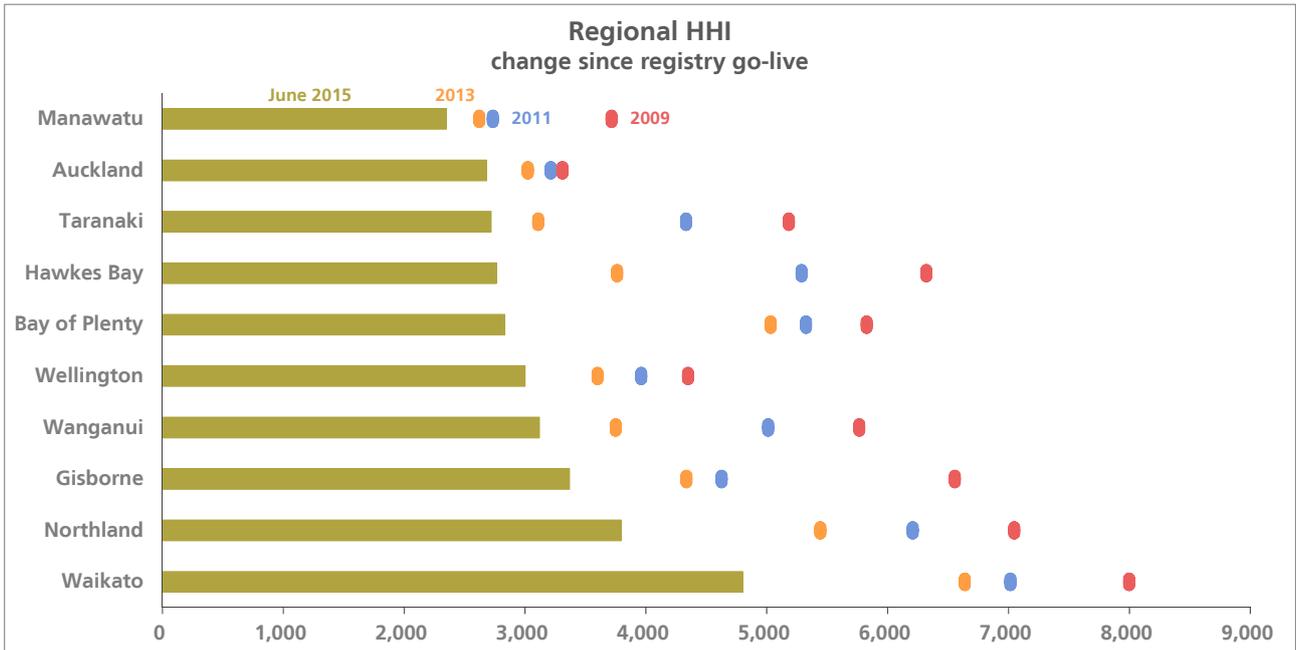
- In this chart, consumer segment is determined by the load shedding category listed on the gas registry for each consumer site. (Energy Online is included in the total for Genesis in this chart.)
- Note that Pulse Energy, which has about 0.5% of the residential market at present, is not shown on the chart.

**Chart 12a: Customer market share by region**



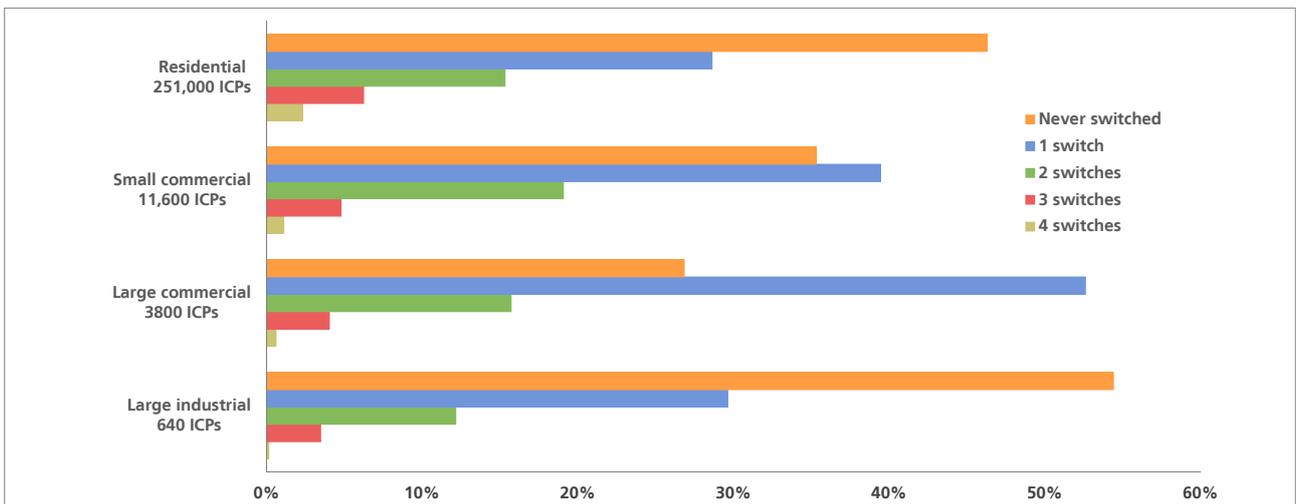
- This chart shows the number of ICPs for each retailer in each geographical region. The retailers shown each have over 1% of total customer market share.

**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.
- Nationally, the HHI stands at 2,423, in comparison to 3,033 in February 2009 (the start of the registry).

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



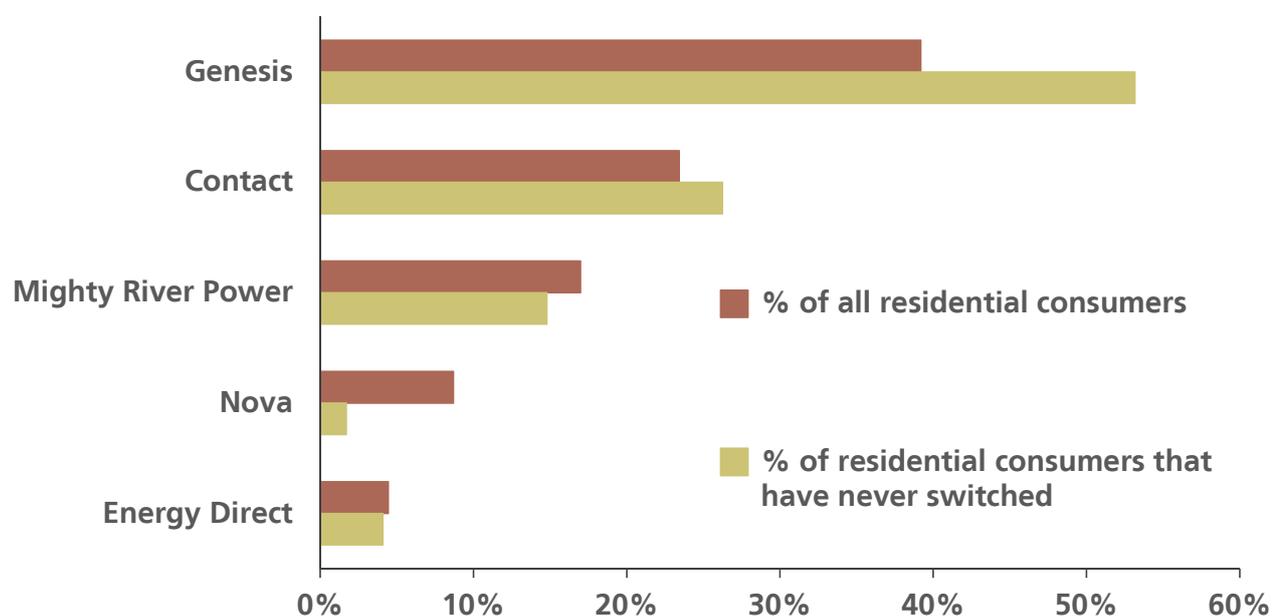
As with Chart 12, consumer sites in this chart and Chart 15 are categorised based on the load shedding category recorded in the gas registry.

- 54% of residential consumer sites

- 65% of small commercial sites
- 73% of large commercial sites; and
- 46% of large industrial sites

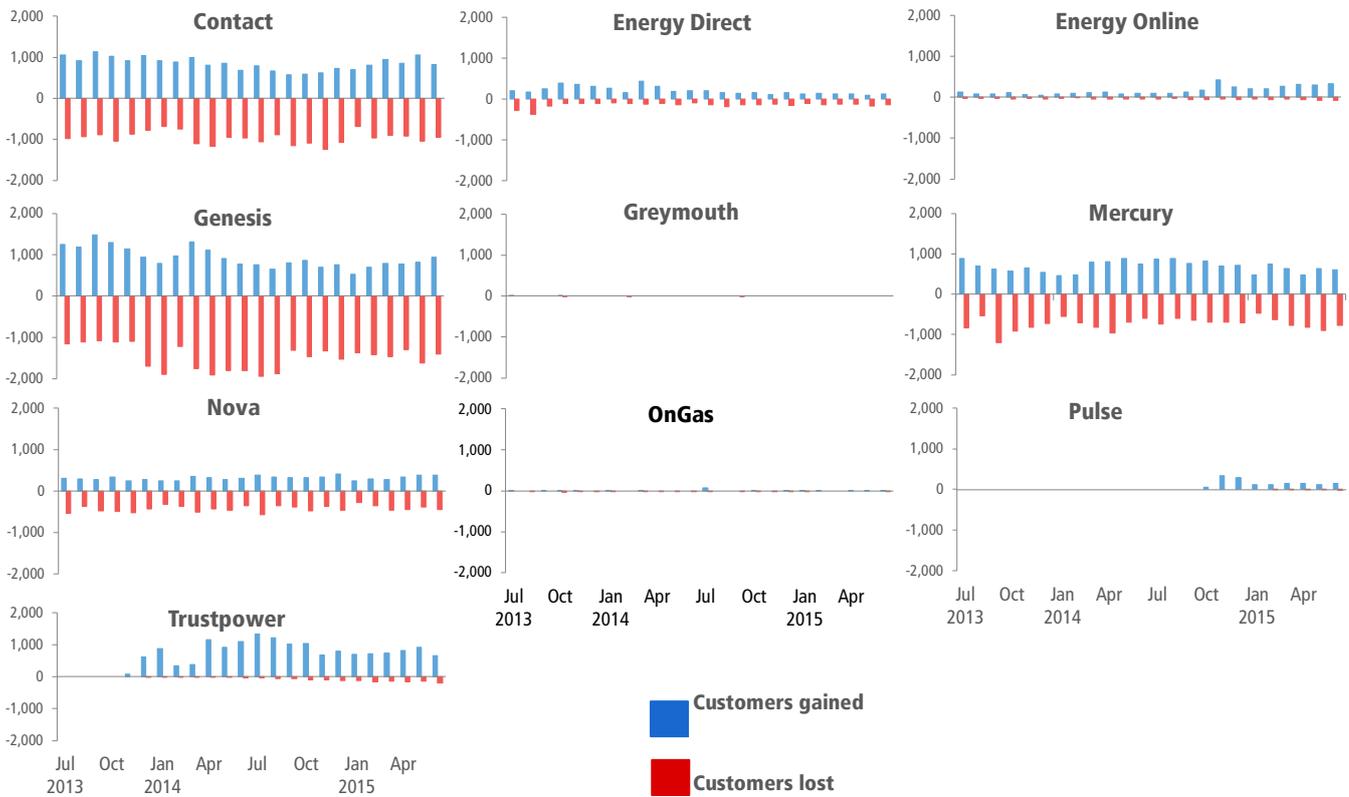
have switched retailer at least once since the start of the gas registry (March 2009).

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

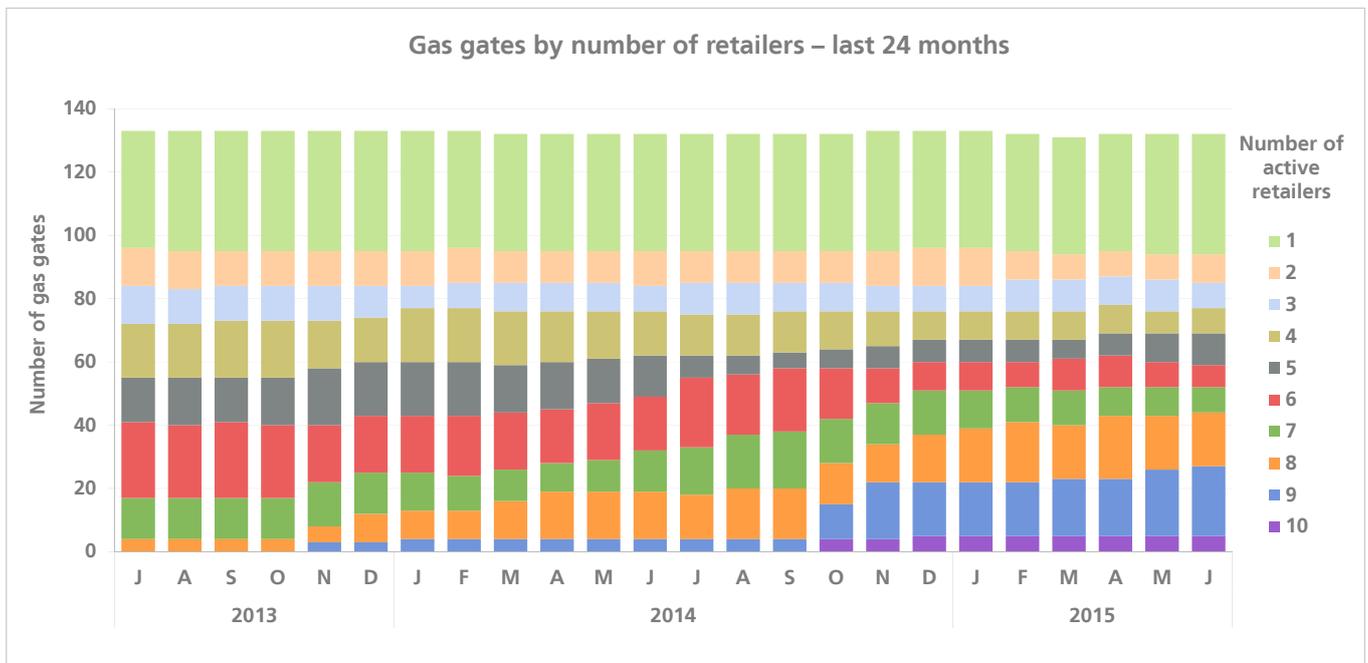


- This chart compares retailers' market share of all residential consumers with their share of residential consumers that have never switched. It shows, for example, that Genesis has about 40% of the total residential market, and about 53% of the residential consumers that have not switched retailer since the start of the gas registry in March 2008.
- The chart excludes Trustpower and Pulse Energy, as all of their customers have made at least one retailer switch.

**Chart 16: Switching activity by retailer**

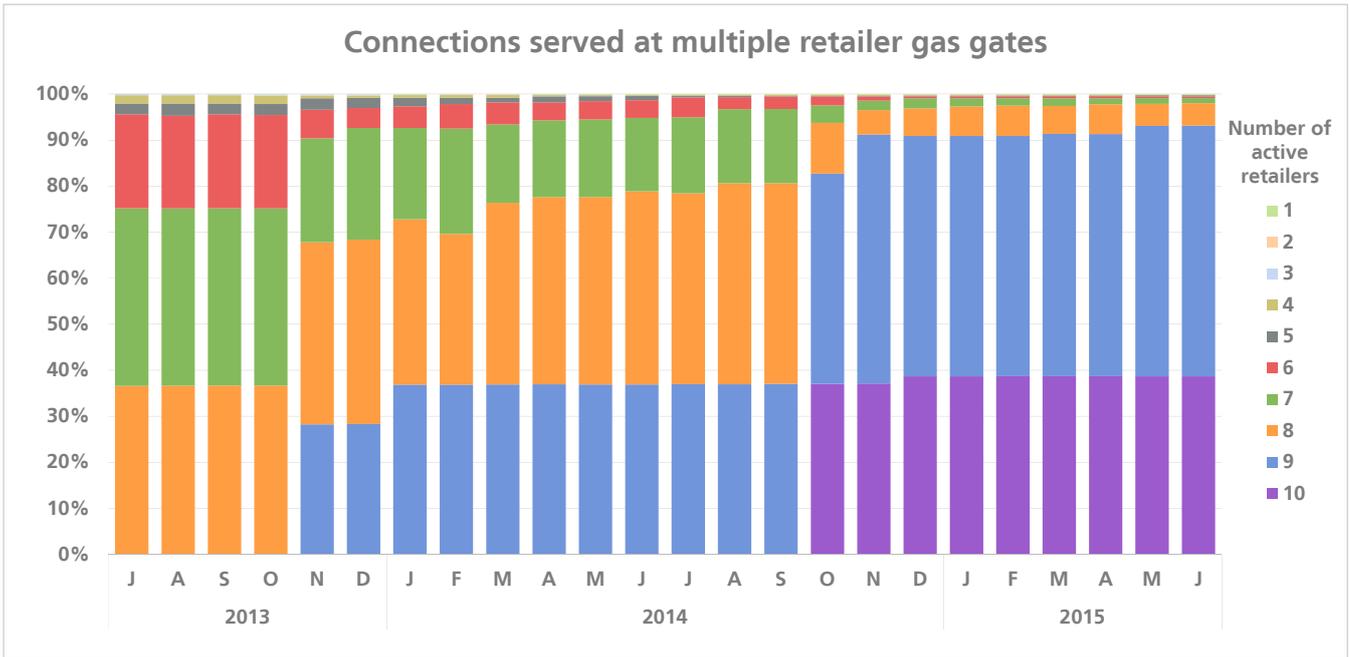


**Chart 17: Gas gates by number of retailers**



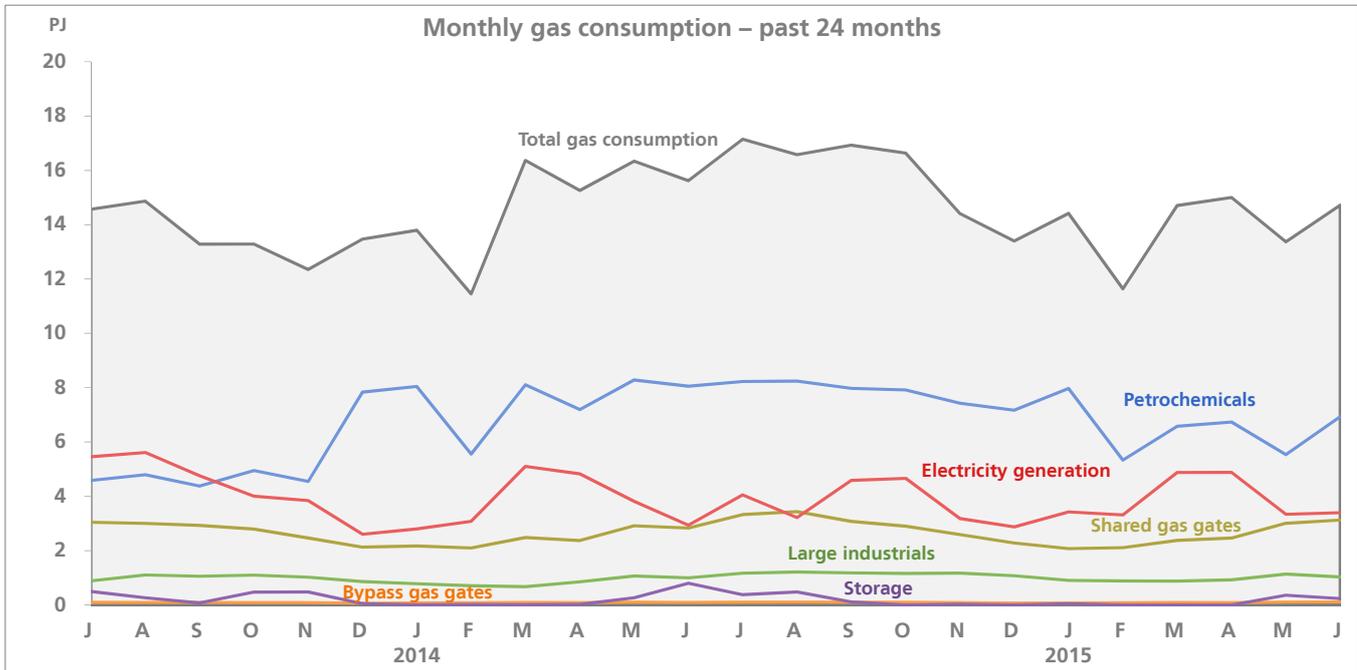
- Trustpower's and Pulse Energy's entries into the retail gas market in November 2013 and October 2014, respectively, mean that there are now ten retailers active at some gas gates.

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

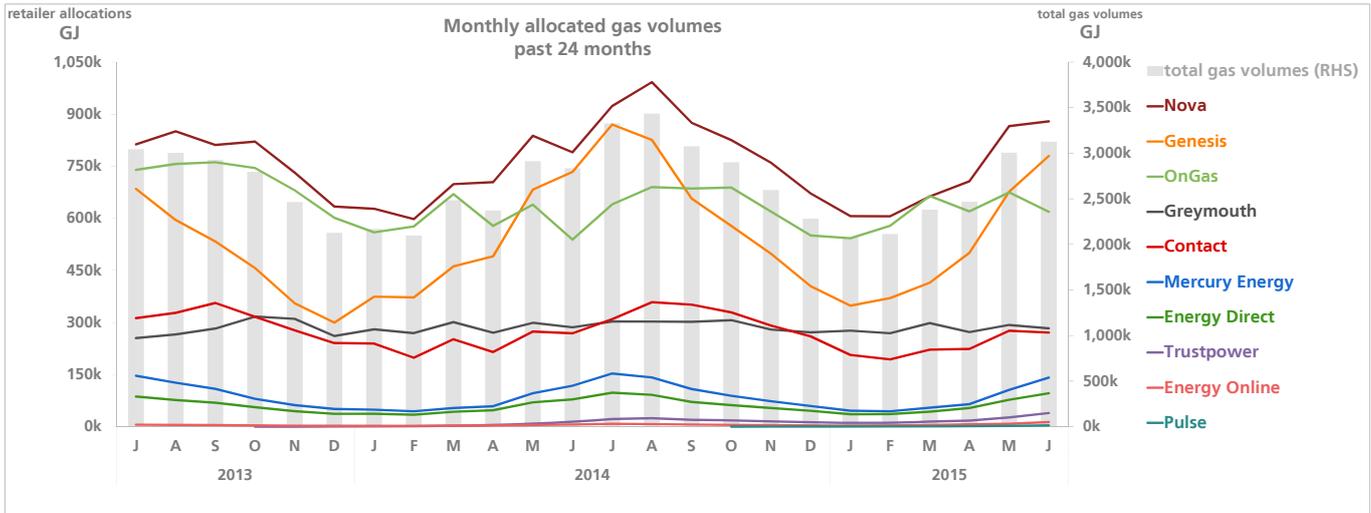


- Over 99% of gas consumers are connected to a gate where least seven retailers trade.

**Chart 19: Total gas volumes**

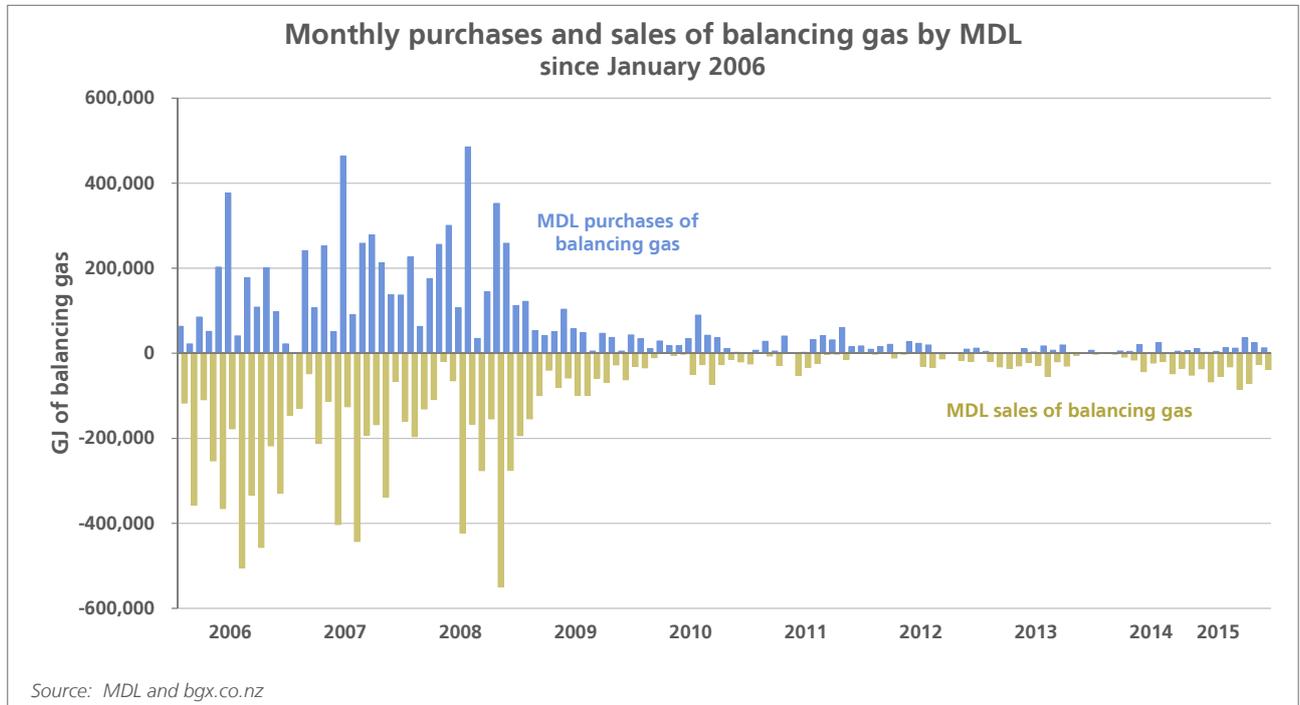


**Chart 20: Allocated gas volumes**



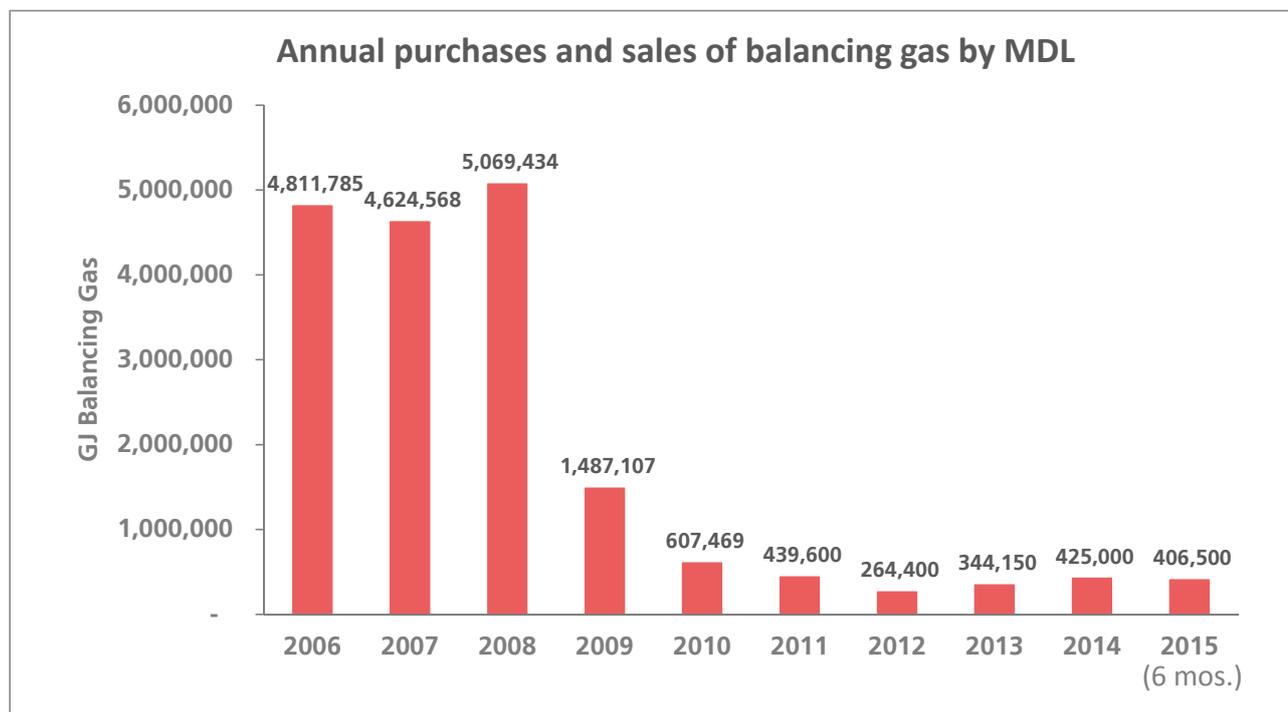
- Nova and Genesis have experienced increases in allocated volumes in recent months, consistent with previous yearly trends.
- The data are from a mix of allocation stages: Final through June 2014; Interim for July 2014 through March 2015; and Initial for April through June 2015.

**Chart 21: Balancing gas volumes**



Source: MDL and bgx.co.nz

Chart 22: Annual volumes of balancing gas



- So far in 2015, MDL has transacted about as much balancing gas in six months as it did over the whole of 2014.

## 5 Critical Contingency Management performance measures

There were no critical contingencies in the previous quarter.

The Critical Contingency Operator (CCO) conducted its annual industry exercise on 24 June 2015. The CCO's report of the exercise is available on its website at <http://www.cco.org.nz/Pages/Historical-CC-Events.aspx>.

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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.

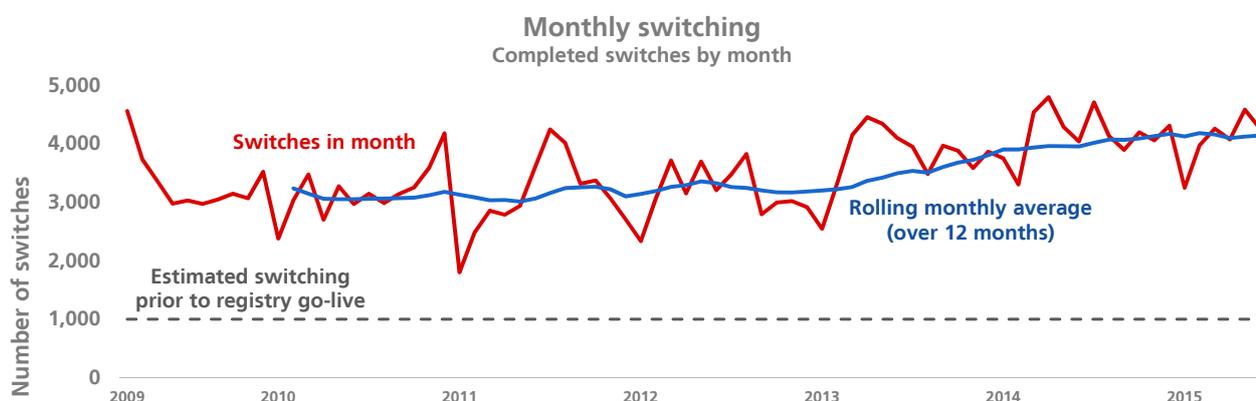
### Chart 1: Monthly switching activity

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 quadrupled to over 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 nearly 19%. 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

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simply decides to 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 5: Number and severity of breaches of the Switching Rules**

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

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

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

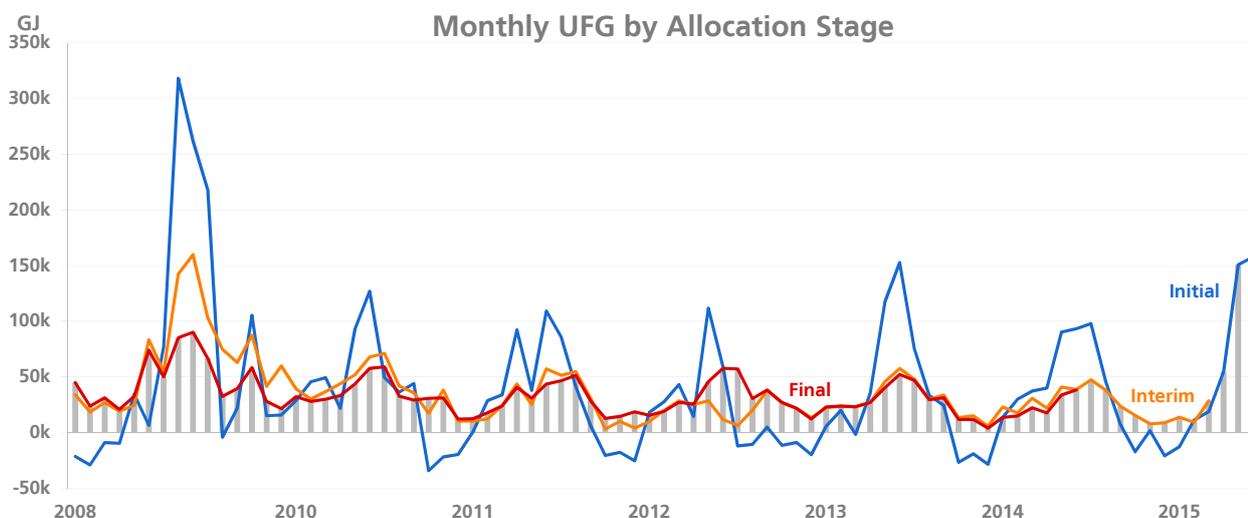
Under the Reconciliation Rules, the amounts of gas that retailers estimate their customers have used are subtracted from the amounts of gas leaving the transmission system. The difference is UFG, which arises from technical losses on the system, metering inaccuracies, and retailer estimation errors. 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. About 97% 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. Rule 37 breaches tend to be considered and settled in yearly batches.

## **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 consumer segment**

This chart shows market share by consumer type, as shown in the gas registry. Note that, because of the small size of its customer base, Energy Online's market share is combined with that of its parent company, Genesis. Pulse Energy is not shown on the chart, due to its small customer base, but it has about 0.5% of the residential market and 0.1% of the small commercial market.

#### **Chart 12a: Market share by geographical region**

This chart shows the number of customers served by each retailer by geographical region. For simplicity, the charts include only those retailers with over 1% of total customer market share.

#### **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>7</sup>

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<sup>7</sup> <http://www.justice.gov/atr/public/guidelines/hhi.html> accessed 1 May 2014.

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The bars in the chart shows the HHI of the retail gas market as at June 2015; 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.

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 consumer sites since 2008**

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

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

This chart shows, for the residential consumer 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 consumers.

**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 36 gas gates are direct connect gates, meaning that they serve only one consumer, generally a large industrial consumer, and can have only one retailer active at that gate.

The majority of gas gates – 101 at last count – serve multiple consumers. The greater the number of retailers that trade at a gas gate, the greater is the potential competition for customers.

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

This chart plots the proportion of gas consumers who are served from the gas gates in the chart above; that is, consumers served at gas gates where multiple retailers trade. This chart shows, for example, that while all ten retailers are active at only a handful of gas gates, those gates tend to be the largest ones, since about 39% of all gas consumers are connected at these gates.

This chart shows the entry into the gas retail market by Pulse Energy in October 2014, the entry by Trustpower in November 2013, and the March 2013 step change caused by the amalgamation of Bay of Plenty with Nova.

### **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 variability of gas usage for thermal electricity generation.

Consumption for petrochemicals is shown in blue.

The tan line shows the amount of gas used by consumers connected to shared gas gates. This represents the majority of commercial and residential consumers. 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 consumers. This includes gas used by industrial, commercial, and residential consumers, but it excludes gas volumes from direct connect gas gates; that is, from gas gates that supply a single consumer 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.

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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 (though, in some shoulder months, OnGas has larger 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 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.

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# Glossary

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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 consumer sites.
Gas gate	A place where gas leaves the transmission system. Gas gates (most commonly) lead to distribution systems, which supply a number of different consumers. Some gas gates are direct connects, meaning that they supply a single large industrial consumer. 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 consumer installation is connected to the distribution system. Used to describe a consumer 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 consumers 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 consumer 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 its 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 consumer.
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.

## Strategic Progress: Quarterly Report 1 April – 30 June 2015

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 FY2015-2017 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.</li> </ul>	<ul style="list-style-type: none"> <li>MDL's MPOC Change Request introducing market-based balancing, which has been supported by GIC in its final recommendation, will take effect on 1 October 2015</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>No new interconnections in the quarter.</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>A trial of day-after (D+1) allocations has commenced and will continue through calendar 2015.</li> <li>The Minister has approved changes to the Switching Rules and Gas Registry, and to the Switching Rules and Reconciliation Rules relating to retailer insolvency.</li> <li>Following consultation on proposed switching and reconciliation thresholds under the Compliance Regulations, GIC is now implementing the thresholds regime, including guidelines to be issued by the MA and associated changes to the Gas Registry.</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><i>Gas Quality: Requirements and Procedures</i> final document has been issued and will be reviewed and updated by GIC as required in the future.</li> </ul>

Project	Rationale	Activity	Status
<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>• The Minister has accepted GIC's recommendation that permanent backstop regulations are not necessary, and has approved minor changes to each of the Switching and Reconciliation Rules that will facilitate the gas retailer insolvency management regime. Gas Retailer insolvency management framework is now complete with the release of GIC's Final Decision Paper and the accompanying drafting instructions to support any future process to manage a retailer insolvency.</li> </ul>
<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>

Project	Rationale	Activity	Status
<b>Transmission Code 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>• MDL Market-Based Balancing Change Request supported by Gas Industry Co in April 2015 and will be introduced in October 2015.</li> <li>• GIC is processing a MRP request - MPOC Amendment Process Change Request (MPOC APCR) - to change the change process. Submissions closed on 14 July.</li> <li>• Vector is withdrawing a congestion management change request with respect to the Vector transmission code to enable further consultation. This is the first under an amended VTC Change Request process in which GIC no longer has an appellate role but is able to make submissions.</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 the Electricity &amp; Gas Complaints Commission and other relevant regulators. Gas-related inquiries and complaints statistics included in GIC's 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>The fourth assessment of retailers' standard published contracts with small consumers as at 1 July 2015 is underway. Results expected in October 2015.</li> <li>This is the first assessment since the substantial review of and changes to the Scheme, which introduced a three-yearly rather than annual assessment, and introduced a set of Reasonable Consumer Expectations. It is also the first to be conducted by the newly appointed Independent Assessor Palairet Law.</li> <li>Since the retail scheme's introduction in 2010, retailers' overall rating has increased from 'Moderate' to 'Substantial' alignment with the benchmarks.</li> <li></li> </ul>
<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>The Second Options Paper (OP2) under the Gas Transmission Investment Programme was issued for consultation in May 2015. Submissions closed on 22 June.</li> <li>OP2 focuses on developing a vision for converged transmission arrangements.</li> <li>The GTX was decommissioned in December 2014 due to inactivity.</li> <li>Updated <i>Gas Supply and Demand Study</i> issued in 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 reconciliations 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> third update issued in March 2015.</li> <li>• Developing programme of Gas Story 'roadshow' presentations to stakeholder groups in August/September 2015 (continuing the practice started in 2014).</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 Validation) conducted on 24 June 2015.</li> </ul>