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The Year in Review

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Improving consumer outcomes



Retail market systems



Wholesale market trading



Emergency management systems



Access to key infrastructure



Co-regulation



<p>At Minister's request Gas Industry Co reviewed</p> <p>▼</p>	<p>...and recommended</p> <p>▼</p>
ISSUE	CONCLUSION
Model Retail Contracts	EGCC code provides benchmark
Fixed Charges	Not economically efficient to regulate
Transparency of Charges	No compelling case for more disclosure
Meter removal	May be inefficient practices



(a) Switching and registry

- New mandatory arrangements proposed
- Some costs for industry
- Benefits:
 - reduced admin costs
 - removal of barriers to competition
 - improved customer service



(b) Allocation and reconciliation

- Strong feedback - improvements needed
- Established 2 project teams
- Issued consultation paper
 - explore issues
 - describe initial proposal
 - may involve regulatory framework



- **Ongoing brief - advise on wholesale market efficiency**
 - initial focus transactional efficiency
 - consultation paper issued, submissions awaited
- **Long term trading**
 - negotiated infrequently, big volumes, tailored
 - difficult to achieve transactional efficiencies
- **Short term trading**
 - can commoditise
 - standard volume, location, term, trading terms
 - likely benefits in facilitating trading



Options for short term trades:

- **Standard contract**
 - reduce transaction costs + pave way to trading platform
- **Matching platform**
 - participants post bids/offers for standard parcel
 - matched participants complete the deal off-line
- **Trading platform**
 - functions of matching platform + settlement and transmission interface
 - streamlined, real time, trading process
 - possible high benefits but high development risk



Recommendations in consultation paper:

- **long term trades**
 - no change
- **short term trades**
 - issue standard trading contract
 - subject to consultation feedback, facilitate matching platform
 - defer work on full trading platform until balancing issues clearer



- **NGOCP**
 - voluntary
 - not fully supported
- **Discussion paper proposes move to mandatory arrangements**
- **Currently analysing submissions**



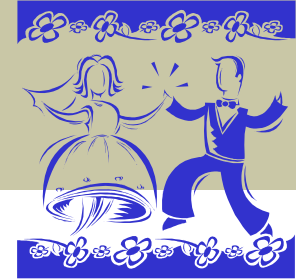
- **Gas Act**
 - can regulate access to pipelines and processing plant
- **Gas Industry Co approach**
 - prefer to take incremental approach
 - pipelines: focus on exploring issues
 - gas processing plant: focus on designing protocols
 - interviews indicate pipeline access more critical than gas processing plant access



- **Gas transmission**
 - published issues paper
 - 9 themes identified
 - approach to addressing issues proposed
 - approach re-thought in light of submissions
 - Submissions Analysis and Work Programme paper released

- **Gas processing**
 - published issues paper
 - Outlines evidence (interviews & technical consultants)
 - Weak case for heavy-handed regulation
 - submissions being analysed, clearly a variety of views

6. Co-regulation



- **Model similar to other industry specific regulators**
 - core business policy advice and design
 - prescribed objectives and processes
 - similar processes to engage with stakeholders

- **Model is different to other regulators**
 - shareholders select Board
 - choice of policy instruments

In conclusion

- **Gas Act vision for the industry**



- positive outcomes for customers



- through fair and competitive market arrangements in wholesale and retail sectors



- access to the key infrastructure on reasonable terms



- while maintaining safety and security of supply

- **GPS sets out a number of tasks to achieve vision**

- **Co-regulatory model has made good progress in the last 12 months... but big challenges ahead...**

