

10 February 2020

Gas Industry Company Limited
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Wellington 6011

TRUSTPOWER SUBMISSION: GAS INDUSTRY CO FY2021 WORK PROGRAMME AND LEVY

1 Introduction and overview

- 1.1.1 Trustpower appreciates the opportunity to submit on the Gas Industry Company Limited's (**GIC**) *Consultation on Gas Industry Co FY2021 Work Programme and Levy Consultation Paper (Consultation Paper)*.
- 1.1.2 The GIC's proposed work programme for FY2021 seeks to meet its strategic objectives as follows:
- a) **Provide efficient, competitive and confident gas markets** - \$940,977 is sought to fund the following workstreams:
 - i. Retail Contracts Oversight Scheme;
 - ii. Gas Distribution Contracts Oversight Scheme;
 - iii. Retailer insolvency;
 - iv. Gas quality;
 - v. Regulation and rule changes;
 - vi. Electricity Price Review;
 - vii. Advanced gas metering;
 - viii. Gas supply / demand;
 - ix. Wholesale market;
 - x. Information disclosure; and
 - xi. Hydrogen
 - b) **Facilitate efficient use of, and investment in, gas infrastructure** - \$501,173 is sought to fund the following undertakings:
 - i. Gas transmission access;
 - ii. Transmission pipeline balancing;
 - iii. Transmission code changes;
 - iv. Transmission pipeline interconnection;

- v. Gas transmission security and reliability; and
 - vi. Gas supply efficiency review.
- c) **Deliver effectively on the GIC’s accountabilities as the gas industry body** – \$2,937,485 of funding is sought for the following:
- i. Downstream reconciliation
 - ii. Switching and registry;
 - iii. Critical contingency management;
 - iv. Compliance and enforcement; and
 - v. Statement of Intent and Annual Report.
- d) **Develop and communicate the role of gas in meeting New Zealand’s energy needs** - \$506,547 of funding is sought for the following:
- i. New Zealand Gas Story; and
 - ii. Other reporting.
- 1.1.3 The work programme reflects the GIC’s statutory market governance role under the existing rules/regulations and continuing key multi-year programmes.
- 1.1.4 The GIC has estimated total work programme costs to be \$4,886,182 for the 2021 financial year. Market fees are expected to be \$1,436,000 and, therefore, a Levy Funding Requirement (LFR) of \$3,450,182 is proposed. It is noted that this is almost \$680,000 less than the LFR for the previous financial year.

2 Trustpower’s views

- 2.1.1 Trustpower is generally supportive of the GIC’s proposed work programme for FY2021 and LFR, as presented in the Consultation Paper.
- 2.1.2 Energy hardship has become, and will continue to be, a strong focus of the New Zealand Government (**Government**). Given the continued pressure on the entire industry to reduce costs to end customers, we maintain that the GIC should continue to seek cost reductions wherever possible.
- 2.1.3 Trustpower believes that, to assist retailers in keeping costs for consumers to a minimum and aligning with the Government’s intended direction in the energy industry, the GIC should maintain its specific focus on delivering efficiency and value for money.¹
- 2.1.4 Trustpower supports the GIC in not budgeting for general contingency amounts in order to keep the levy at a reasonable level.² Accordingly, it is pleasing to see that the LFR for the 2021 financial year is almost \$680,000 less than the prior year.
- 2.1.5 We appreciate the level of detailed information on each aspect of the GIC’s work programme that has been provided in the Consultation Paper, including the specific resourcing requirements, forecast/contingent activities and a link between the workstream to the strategic objectives of the GIC.
- 2.1.6 This detail will assist interested parties to obtain a good understanding of how the associated costs are to be applied and whether the various components which make up those costs are reasonable, appropriate relative to other choices, or required at all.

¹ Consultation Paper, [2019] Gas Industry Company, p. 4

² *ibid*

- 2.1.7 We also appreciate the GIC continuing to hold the Co-regulatory Forum to discuss the matters covered by the Consultation Paper directly with interested parties. This ongoing discussion provides participants a valuable opportunity to develop a reasonable understanding of the GIC's work programme and associated costs. We encourage the GIC to continue organising these forums in future years as part of its broader consultation process.
- 2.1.8 The remainder of our submission comments on two of the GIC's proposed workstreams for the 2021 financial year:
- a) Information disclosure in the New Zealand gas market; and
 - b) Electricity Price Review recommendations and their application to the gas industry.

2.2 Information disclosure in the New Zealand gas market

- 2.2.1 Trustpower is unchanged in its view that transparency of information has significant benefits in ensuring a competitive and efficient gas market through enabling more efficient decision making and reducing information asymmetries.
- 2.2.2 Information transparency as it is an integral part of achieving all the Gas Act 1992 (**the Act**) and Government Policy Statement on Gas Governance 2008 (**GPS**) objectives. It can also facilitate the monitoring of competition in the gas market, along with identifying any incidents of potential market power abuse.
- 2.2.3 In our 2019 submission to the GIC on its *Information disclosure: problem assessment* consultation paper (**Information Disclosure Paper**), Trustpower affirmed:
- "...wholesale gas market information asymmetries can only be satisfactorily achieved through a well-designed information disclosure regulatory regime that covers downstream and upstream information. A voluntary arrangement or industry agreement for information disclosure will not achieve the desired market improvements..."*³
- 2.2.4 As outlined in our submission on the Information Disclosure Paper, Trustpower believes that there are additional elements that should be considered when determining the scope of regulated information transparency.
- 2.2.5 These additional elements include:
- a) major gas user's facility outages;
 - b) forecasts of major gas user's consumption; and
 - c) the quantity of stored gas and the amount of available storage capacity in the Ahuroa storage facility.⁴
- 2.2.6 Trustpower maintains the view that, without regulated requirements for notifying the market of gas production and storage outages (and other similarly significant circumstances), there is no guarantee that this information will always be made available to the market in a timely manner.

2.3 Electricity Price Review recommendations

- 2.3.1 We wish to commend the GIC on its proactive approach regarding the recommendations of the EPR.

³ Trustpower submission on the Information Disclosure Paper, [2019] Trustpower Limited, p. 1

⁴ Ibid, p. 2

- 2.3.2 Even though the EPR primarily focussed on electricity, Trustpower agrees that there are interconnections and congruences between the gas and electricity industries in New Zealand.
- 2.3.3 It is noted that the GIC recognise this inherent link and have actively taken steps in considering whether the recommendations of the EPR and the Government should result in the introduction of, or changes to, gas governance arrangements.⁵
- 2.3.4 One aspect of the GIC's approach to its EPR workstream that Trustpower fully supports is its intent to liaise with the Electricity Authority (**the Authority**) and other government agencies regarding their approach to responding to the relevant EPR recommendations.⁶
- 2.3.5 In conjunction with many of its other submissions, Trustpower supports unified thinking between regulators, Government, and other agencies. We commend the GIC on "front-footing" this initiative.
- 2.3.6 We look forward to seeing the results of the EPR workstream and the GIC's approach to realising the Government's ambition to reduce energy hardship in New Zealand.

If you have any questions relating to the material contained within this submission, please contact me on 021 816 830, or Tom Kennerley, Advisor Strategy & Regulation on 027 810 3326.

Regards,



CRAIG SCHUBAUER

WHOLESALE MARKET MANAGER

⁵ Consultation Paper, [2019] Gas Industry Company, p. 7

⁶ *ibid*