

**14 September 2011**

### **New Phase for Gas Transmission Investment Programme**

The gas industry co-regulator, Gas Industry Co, has taken a further step in addressing transmission capacity availability through Auckland, issuing a Structure and Scoping Report for its Gas Transmission Investment Programme (GTIP), and calling for industry nominations to two key advisory panels.

The Report defines the GTIP's objective, establishes its governance arrangements, and outlines projects aimed at achieving enduring, long-term transmission arrangements tailored to the New Zealand gas market.

The programme is expected to last 18-24 months. It follows the introduction last month of industry-led arrangements, known as the "Bridge Commitments", to address short-term issues arising from concerns by some large end users that a capacity constraint on Vector's North Pipeline is inhibiting competition when seeking tenders for gas supply.

Gas Industry Co Chief Executive Steve Bielby said today an industry request to the Company to develop and lead a programme to find long-term solutions arose during extensive industry discussions in the past year on transmission capacity availability.

"Our initial proposal in May this year received broad industry endorsement, and we have since been developing the details to better define what needs to come out of the Programme, and how it can be structured in the most effective and efficient way. We're now at the point where we're ready to get cracking on this important work."

The GTIP objective is to:

- Ensure that existing and future gas transmission assets are used efficiently.
- Establish the need for gas transmission investment.
- Develop an effective pathway for efficient investment to occur.

These will be pursued through three projects:

- Information availability – identifying the information needed for stakeholders to be able to make informed decisions that will result in an efficient allocation of resources.
- Market arrangements – fostering efficient allocation of transmission capacity and efficient pricing so the market signals any need for new investment .
- Regulatory arrangements – defining appropriate regulatory arrangements that support efficient investment in transmission infrastructure.

Mr Bielby said that while decisions ultimately lay with Gas Industry Co's Board (and the Minister where any regulation is recommended), the GTIP's success required substantial involvement from industry participants. Two advisory panels had therefore been created to lead and help execute the projects, and to provide advice that will help inform Gas Industry Co's decisions.

"These panels are ways for the industry to be substantively involved in the GTIP, and are in addition to the full industry consultation we will be undertaking in line with our usual processes," said Mr Bielby.

A Panel of Strategic Advisers (PSA), comprising senior stakeholder representatives, will provide strategic oversight of the Programme. The PSA will also be a forum for promoting understanding of the programme and discussing any contentious matters. Leading corporate lawyer and Gas Industry Co Independent Director, Andrew Brown, has been invited to chair this Panel.

Detailed technical work will be guided by a Panel of Expert Advisers (PEA), chaired by former New Zealand Treasury Secretary, Dr Graham Scott. The PEA will comprise seven members, selected on the strengths of their knowledge and expertise. Its first task will be a review of the scope of projects outlined in the Report to ensure the Programme has the right focus and captures everything necessary to its success.

Gas Industry Co has contacted industry participants inviting nominations to the Panels. Nominations close on 23 September, and Gas Industry Co will appoint members following consultation with the panel Chairs.

Mr Bielby said the transmission capacity constraint for gas deliveries to the Auckland region and beyond into Northland, showed strong demand for natural gas as a key fuel for homes, businesses, and power generation.

"The flip side is that the pipes are at times full, and this has put the spotlight on the appropriateness of current commercial arrangements and a range of associated issues - from whether the most efficient use is being made of existing capacity, to whether proper price signals for further investment are being sent."

He said Gas Industry Co's overall objectives for the industry were to ensure competitive and efficient markets, which incentivised infrastructure investment where it was needed, and which optimised the contribution that gas makes to New Zealand's energy supply mix and the general economy.

"This discussion therefore must include the availability of gas to not only meet the needs of existing customers, but also provide energy choice for new consumers and contribute to the future growth of New Zealand's most populous region."

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