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# FY2020 Draft Work Programme And Budget Co-regulatory Forum

DATE: 30 November 2018



# Agenda

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- Summary of year-to-date
- Proposed Work Programme
- Funding
- Questions/discussion

# Summary of year-to-date

- Clear direction of travel from Government on climate change
- Solid progress on GTAC
- Supply / demand security and information disclosure a recent focus
- Progress on other FY 2019 GIC work
  - LPG market review
  - Retail contracts review
  - Statutory roles (CCM, reconciliation, market admin, etc)

## FY2020 Planning process starts early

<b>October 2018</b>	Board notes Indicative Work Programme & Budget
<b>November</b>	Industry initial engagement (Co-Regulatory Forum)
<b>December</b>	Board approves Consultation Paper for Work Programme and Levy
<b>January/February 2019</b>	Industry Submissions
<b>February</b>	Board approves Levy Recommendation
<b>March</b>	Recommendation to Minister for Levy Regulations



Levy Regulations  
take effect  
1 July 2019

# Proposed Work Programme

## Work programme: known knowns and unknown knowns

### Business as usual programme:

- Switching Rules
    - Monitor registry provider
    - Arrange audits
  - Downstream Reconciliation
    - Monitor allocation agent and allocation results
    - Arrange audits
    - Provide for D+1 allocations
  - Compliance
    - Assess alleged breaches of gas governance arrangements
  - Critical contingency management
    - Manage CCO agreement
    - Post incident work
    - CCMP approvals
- } Event driven
- Performance measures and switching statistics
  - Rules changes
  - Wholesale market monitoring
  - Retail contracts

## Work programme: new workstream

### **Information disclosure**

- At Minister's request, GIC has begun looking into the issue of how much information is readily available to support an efficient wholesale gas market
- Consultation on problem definition and options in early 2019
- GIC would target FY2020 for the development and implementation of any intervention
  - Note that a regulatory solution would require changes to the Gas Act

## But what about GTAC?

- At the moment, there are two possibilities for transmission arrangements:

### **New Code**

- In this scenario, the transmission code submitted by First Gas is approved
- Following approval, GIC would proceed with:
  - Revising D+1 to align with GTAC zones; refining and testing
  - Designing amendments to Downstream Reconciliation Rules
  - Aligning Critical Contingency Management Regulations
  - Amending insolvent retailer drafting instructions
  - Gas quality – what else is needed under GTAC?

### **Alternative access arrangements**

- In this scenario, there is no new transmission code
- GIC would follow the standard policy development process:
  - problem definition
  - options identification and assessment
  - implementation of preferred option



# Funding

## Two main sources of funding: Market fees and Levy

- Market fees:
  - Provided for in gas governance rules and regulations;
  - Cover costs of service providers, and other direct costs;
  - Formal estimate of market fees published two months before the beginning of the financial year, so placeholder included in FY2020 budget;
  - GIC required to wash-up at year end and either invoices any under-recovery, or provides credits for over-recoveries.
- Levy:
  - Covers direct cost of workstreams and non-operational expenditure;
  - Two components of the levy: wholesale and retail;
  - Wholesale levy paid by industry participants on purchases from gas producers;
  - Retail levy paid on number of ACTIVE-CONTRACTED ICPs in the registry;
  - Wholesale/retail component of levy apportioned according to costs allocated to work programme;
  - GIC Board practice has been to return any over recovery and/or underspend.

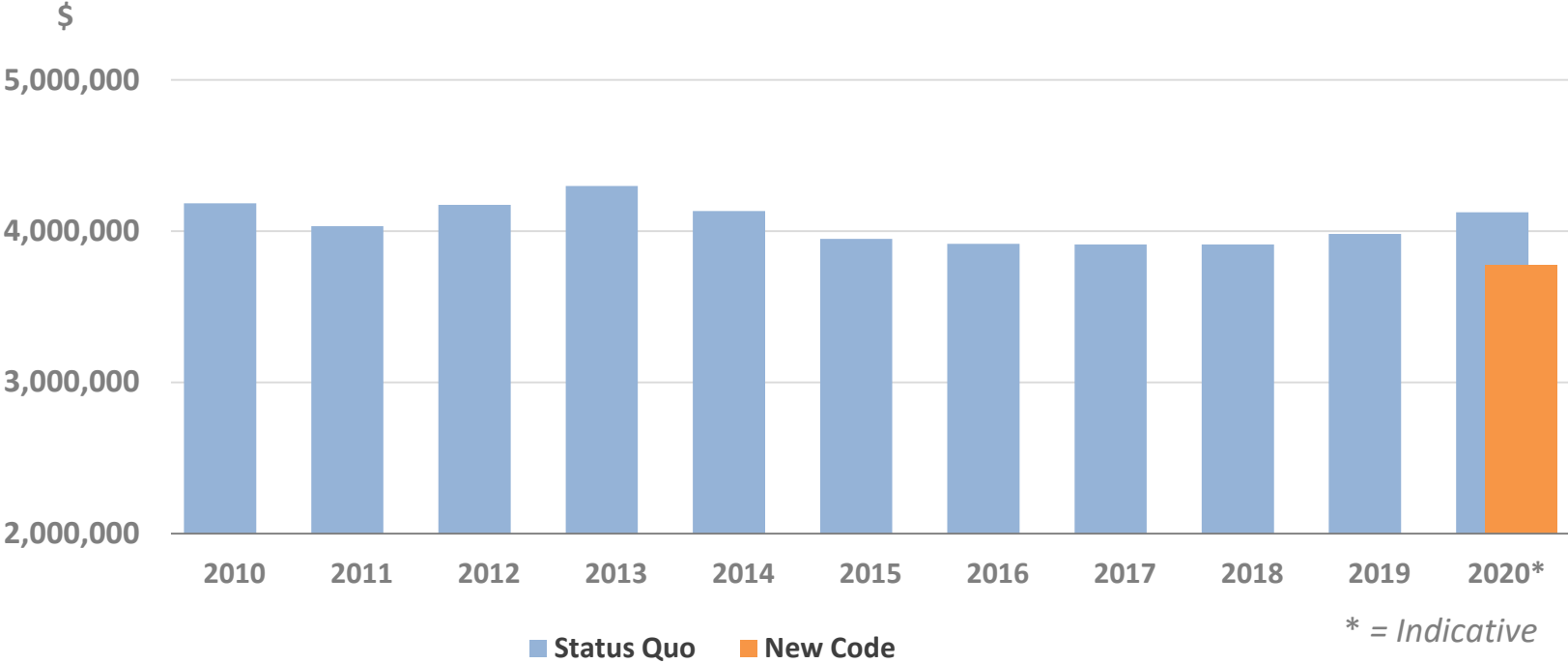
# Projected FY2020 expenditure – Scenario 1: New Code

Levy Funding Requirement	Market Fees	TWPC
\$3.77m	\$1.46m (placeholder)	\$5,232,336
Slight decrease from \$3.98m in FY2019	Market fees estimated in April 2019	Slight decrease from \$5.42m in FY2019

# Projected FY2020 expenditure – Scenario 2: Status Quo

<b>Levy Funding Requirement</b>		<b>Market Fees</b>		<b>TWPC</b>
\$4.13m		\$1.46m (placeholder)		\$5,583,740
Slight increase from \$3.98m in FY2019	+	Market fees estimated in April 2019	=	Slight increase from \$5.42m in FY2019

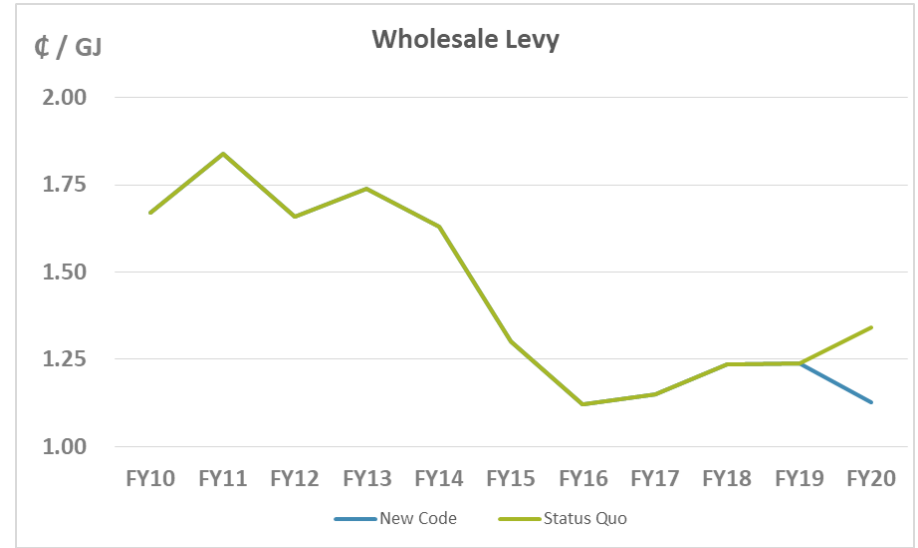
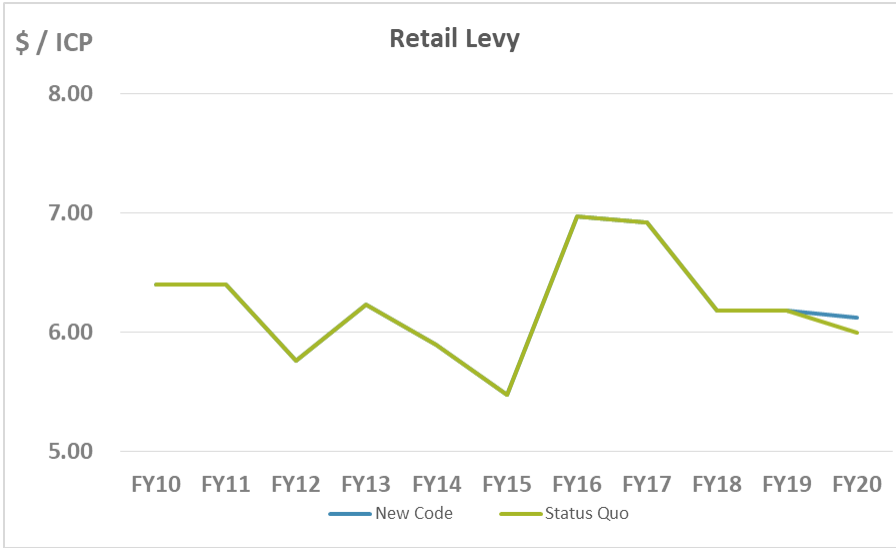
# Levy Funding Requirement



## Comparison of FY2019 and FY2020

	FY2019 (published)	FY2020 New Code scenario (indicative)	FY2020 Status Quo scenario (indicative)
Levy Funding requirement	\$3,983,000	\$3,774,336	\$4,125,740
Wholesale volume estimate	182PJ	180PJ	180PJ
Wholesale Levy	1.2374c/GJ	1.1279c/GJ	1.3421c/GJ
Retail Levy	\$6.18/ICP	\$6.12/ICP	\$6.00/ICP

# Prior year levies



## In a nutshell:

- Some strategic challenges ahead for the sector
- There is a potential fork in road, depending on outcome of GTAC evaluation
- Work programme still appropriate and continues existing workstreams
- Have retained similar levels of levy rates





Thank you