

5 February 2018

Susan Dunne
General Manager Corporate Services
Gas Industry Company
Wellington

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Dear Susan

Submission on the GIC's FY2019 Work Programme and Levy

Introduction

1. This is Vector Limited's (Vector) submission on the Gas Industry Company's (GIC) consultation paper on its proposed *FY2019 Work Programme and Levy*, released in December 2017.
2. We appreciate the GIC's engagement with industry participants on its proposal prior to the release of the consultation paper through a workshop on 24 November 2017.
3. We set out below our responses to the questions raised in the consultation paper.
4. No part of this submission is confidential. Vector's contact person for this submission is:

Luz Rose
Senior Regulatory Specialist
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Responses to consultation questions

Q1: Do you have any comments on Gas Industry Co's role or Strategy relevant to development of the Work Programme and Levy?

5. Vector is satisfied with the GIC's role and strategy in the development of its *FY2019 Work Programme and Levy*.
6. We appreciate the GIC's inclusion of "new technologies" among the key challenges being faced by the gas industry. We reiterate the suggestion we made in our submission on the GIC's *FY2018 Statement of Intent and Levy* that the GIC consider the potentially disruptive impact of new technologies on the gas industry in future updates to its *Long Term Gas Supply and Demand Scenarios* and other studies.

Q2: Do you have any comments on the process for developing Gas Industry Co's Work Programme and Levy?

7. We are satisfied with the process for developing the GIC's *Work Programme and Levy*. We note that the principles underpinning this process are widely accepted by the industry, contributing to the stability of the levy development process over the past few years.

Q3: Do you consider there to be any other items that should be included in the Company's intended Work Programme for FY2019? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS?

8. Feedback from our gas trading customers indicate their desire for greater transparency in gas quality and outage information in the upstream sector, which has low visibility to market participants.
9. Greater transparency in gas quality information (including odourisation) will assist in lifting customer confidence in the quality of delivered gas, and in the gas market more generally. We note that gas quality issues are being discussed as part of the development of the new, single Gas Transmission Access Code (GTAC), but these discussions are confined to the transmission segment of the market.
10. Greater transparency around planned and unplanned outages from gas producers will enable market participants to make more informed planning and operational decisions. This will enable them to minimise, if not avoid, unnecessary costs – ultimately benefiting their customers.
11. We would support industry-led initiatives to improve transparency levels in gas quality and outage information upstream, i.e. making more information available to market participants.
12. The GIC could facilitate the above by discussing with the relevant Government agencies potential changes to existing governance and regulatory arrangements that would contribute to improving transparency in these areas.

Q4: Do you consider there to be any items that should be excluded from the Company's intended Work Programme for FY2019? Please provide reasons for your response.

13. While we do not propose any items to be excluded from the GIC's proposed *FY2019 Work Programme*, we encourage the GIC to focus on the highest priority areas, particularly the development of the GTAC.

Q5: We are particularly interested in industry comment on the forecast gas volumes – do stakeholders consider the projection reasonable? If not, what would they consider an appropriate gas volume estimate to be?

14. We consider the GIC's forecast gas volumes to be reasonable for levy setting purposes for FY2019.

Q6: *Do you have any comment on the proposed levy for FY2019?*

15. We consider the proposed levy for FY2019 to be within reasonable levels in the context of the GIC's flat levy profile over the past few years. We appreciate the restraint exercised by the GIC in setting budget levels during this period.

Q7: *Do you have any comments on the proposed amendments?*

16. It is our understanding that the intent of the *Gas (Levy of Industry Participants) Regulations 2017* (the Regulations) is for wholesalers' levy returns to include any sale of gas from a production station. The use of the term "receipt point" in the Regulations could be used as a reason not to include certain sales of gas.
17. We **recommend** that amendments to the Regulations require wholesale levy returns to include any sale of gas that: 1) is not for "own use", and 2) is part of a sales and purchase agreement.

Yours sincerely

For and on behalf of Vector Limited

A handwritten signature in blue ink, appearing to read "Richard Sharp".

Richard Sharp

Head of Regulatory and Pricing