

11 February 2019

Susan Dunne
Gas Industry Company
PO Box 10-646
WELLINGTON

Submitted via GIC website

Dear Susan

Gas Industry Company FY2020 work programme and levy

First Gas Limited welcomes the opportunity to make a submission to the Gas Industry Company (GIC) on its consultation paper "*Gas Industry Co FY2020 work programme and levy*" released on 18 December 2018.

We support the GIC's proposed work programme for the 2019 financial year. We consider that it is pragmatic to consult on two alternative work programmes, while decisions on the gas transmission access code (GTAC) process are still pending. The levy funding requirements and resourcing proposed seem generally prudent, given the work proposed under the two alternative work programmes. We provide comments below on how one proposed work area could be expanded and set out two possible new work programmes, that we believe would be beneficial for the gas sector.

Gas measurement technology requires guiding principles

First Gas recommends that the GIC to reopen work on gas measurement technology and reactivate the technical advisory group.

Metering options have continued to evolve since the advisory group last considered advanced metering. In addition, First Gas will potentially be installing advanced metering within the next two years, alongside other businesses in the industry. It would be beneficial to have the high-level principles in place before advanced metering is rolled out to guide the sectors practices and policies. We recommend that the GIC review the level of resource dedicated to this workstream.

Propose new work stream on guidelines for gas quality excursions

First Gas recommends that the GIC consider introducing a work programme on guidelines for gas quality excursions in late 2019/early 2020.

During a GTAC workshop, some stakeholders queried how other issues in relation to gas quality fit with the discussion on the core terms of interconnection on the transmission system. There was reference to the Australian Energy Market Operator (AEMO) Gas Quality Guidelines (the AEMO Guidelines). The AEMO Guidelines provide general information about gas quality and how the relevant parties will respond to short-term gas quality excursions outside the standard gas quality specifications. First Gas was asked to report back to stakeholders as to whether we would progress a workstream in relation to the AEMO Guidelines.

We believe that there is merit in progressing a workstream to determine (among other things):

- a) If a document analogous to the AEMO Guidelines should be developed for the New Zealand context;
- b) What supplementary issues relating to “gas quality” may also need to be examined and resolved (e.g. testing methodologies and monitoring frequencies) to successfully introduce a New Zealand equivalent to the AEMO Guidelines; and
- c) How any new arrangements could be implemented at an operational level.

First Gas would be happy to work with the GIC to scope out this work programme. However, we believe that this workstream should not be progressed till later in 2019, once parties have had time to embed the changes required for the GTAC (or partake in discussion on a statutory code option).

GIC should leverage off Commission’s 2019 review of Asset Management Plans (AMPs)

To ensure the GIC can effectively target its funding and resourcing, we encourage the GIC to leverage off the work of other government agencies where possible. One particularly relevant work area is the Commerce Commission’s upcoming review of gas pipeline businesses’ AMPs. The Commission intend to review the businesses’ asset risk management practices, and First Gas transmission business’ management of geotechnical risks. The Commerce Commission expect to publish their findings from the review in mid-2019.

We encourage the GIC to review this report, to determine if there is any work in this area where the GIC could usefully support gas pipeline businesses, and those stakeholders who review and rely on the information provided in the annual AMPs.

Regulation should enable greater blends of gas and hydrogen

First Gas is committed to supporting New Zealand’s transition to a lower carbon economy. We strongly believe that natural gas and gas pipeline infrastructure has a role to play as our country transitions to net zero emissions by 2050. The recent Vivid Economics study¹ we commissioned with Powerco sets out future scenarios that explore the role that gas can play.

We encourage the GIC extending its work plan to consider how regulation could support change towards the net zero emissions target for 2050. In particular, we would welcome the GIC reviewing the gas specification requirements to enable natural gas blends (with either hydrogen or biogas). Under current regulations, this would not be possible as the gas specification standards provide very low margins of variability. A change to the gas specifications could enable businesses to test the feasibility and economics of blended fuel, while still providing quality assurance to customers. This change would be aligned with the Ministry of Business, Innovation and Employment (MBIE) work looking into the role of hydrogen in New Zealand’s energy system.

Supportive of process undertaken

We have found the GIC’s proactive and early initial engagement with the industry through the November co-regulatory forum to be valuable. This approach provides an opportunity for the stakeholders to discuss the key issues facing the gas sector, and assists in our understanding of where the GIC believe it needs to focus its efforts.

As noted last year,² we encourage the GIC to provide an indicative schedule of timing for the proposed work programmes, as part of this consultation in the future. This enables stakeholders such as ourselves, to better allocate time and resources to contributing to priority work areas and taking part in the consultation process.

¹ <https://firstgas.co.nz/media-release/gas-infrastructure-futures-in-a-net-zero-new-zealand/>

² *FY2019 Work Programme and Levy*, First Gas submission to the GIC, 5 February 2018, https://firstgas.co.nz/wp-content/uploads/First-Gas-submission_GIC-2019-Work-programme-and-levy-5-Feb-2018.pdf.

If you have any questions regarding this submission, please contact me on 027 472 7798 or via email at karen.collins@firstgas.co.nz.

Yours faithfully

A handwritten signature in black ink, appearing to read 'K. Collins', with a long horizontal flourish extending to the right.

Karen Collins
Regulatory Policy Manager