

Panel of Expert Advisers: Meeting 1

Date: Thursday 13 October 2011

Time: 10.00 to 13:00 (Lunch at 12.00)

Venue: Gas Industry Co, Level 8, The Todd Building, 95 Customhouse Quay, Wellington

Minutes

Present

Members

- ❖ Graham Scott (Chair)
- ❖ Brenda Talacek
- ❖ Bruce Girdwood
- ❖ Charles Teichert
- ❖ Don Gray
- ❖ John Small (11:15 to 13:00)
- ❖ Ross Parry

In attendance from Gas Industry Co

- ❖ Greig Hinds (10:00 to 11:30)
- ❖ Ian Dempster
- ❖ Ian Wilson (11:00 to 13:00)
- ❖ Melanie Leonard
- ❖ Steve Bielby (10:00 to 11:30)

Absent

Members

- ❖ Nick McDougall

Note: Gas Industry Co provides secretariat functions for the group.

The meeting opened at 10:05.

1 Welcome and Introduction

The Chair opened the meeting and thanked members for agreeing to participate in the Panel of Expert Advisers.

The Chair invited everyone present to introduce themselves and their backgrounds. The Chair noted that Gas Industry Co was not a Crown Entity and so declarations of interests and management of conflicts would be in accordance with best practices under company law not the requirements of the Crown Entities Act.

Steve Bielby introduced himself as the Programme Sponsor for the Gas Transmission Investment Programme (GTIP). He provided a presentation that included:

- The GTIP objective—what the PEA, under the Programme, is helping achieve;
- The strategic context—environment in the gas industry that led to the GTIP and PEA; and
- The overall governance framework of the GTIP – an overview of lines of communication in the programme.

Steve clarified a few points about the governance framework, including:

- The Programme Sponsor would pose questions for the PEA’s consideration to the Chair;
- The PEA’s advice on a matter would be given to the Programme Sponsor by the Chair; and
- Consultation with stakeholders on advice will follow Gas Industry Co’s usual consultation process.

Steve ended his presentation with an overview of who has been appointed to the PEA and to the Panel of Strategic Advisers (PSA). Steve noted that Gas Industry Co had been considering the possibility of having adjunct members from the Commerce Commission and Ministry of Economic Development on the PEA.

Members discussed the proposal.

The value of involving the Commission and thus assisting in its understanding of the gas market was recognised. However, concerns were expressed about the Commission’s participation in this forum.

Steve said he would discuss the idea further with both organisations and report back to the PEA before anything is confirmed.

Following this discussion one Member raised the idea of developing principles under which the PEA would operate. Such principles would be used when evaluating options and for breaking deadlocks in situations where Members individual interests may be of concern. The Member noted that the principles would need to be useful and

sustainable. The group agreed that the suggestion should be pursued.

Actions

Item	By	Date for Action
Record PEA Members' declarations of interests and conflicts	Secretariat	By next meeting
Report back on Adjunct Memberships	Programme Sponsor	At next meeting
Develop Draft Principles for PEA to consider	Secretariat	By next meeting

2 Terms of reference and governance framework

Due to time constraints Greig Hinds did not give a presentation, but noted that his points had largely been covered in the discussions already. Members were notified that the presentation would be available on the PEA website and that if they had any questions about the content, to email Greig.

3 Overview of Scope Review (Key Deliverable 1)

The Chair invited John Small and Ian Wilson to introduce themselves.

Ian Dempster gave a presentation on PEA's first key deliverable, a review of the scope of the GTIP identified by Gas Industry Co in the paper: *Gas Transmission Investment Programme: Structure and Scope*. The presentation gave an overview of the component projects of the GTIP. Ian noted that the PEA would review the scope and provide advice to Gas Industry Co on whether these component projects were necessary and sufficient for achieving the objective of the GTIP. Ian also noted that a key decision point for the PEA would be the scope of the Markets Project. The PEA would consider two broad options:

1. To review Vector's transmission access and pricing arrangements; or
2. To undertake a more comprehensive review of gas trading arrangements (ie. An integrated gas trading and transport market along the lines of Larry Ruff's presentation).

Ian noted that the options need not be mutually exclusive, that transmission and pricing arrangements would be an integral part of an integrated market design, and the PEA

may opt for a sequential approach (ie. address option 1 and then option 2).

Ian also asked the PEA to think about what information the group needs to complete the scope review.

Several comments were made in response, including that:

- It would be important to get the framework right. This can be done by ensuring a process is in place that will lead ensure people will make decisions that lead to efficient outcomes.
- An identification of inefficiencies of the existing system would be important.
- It remains uncertain whether investment in additional capacity is required.
- An independent view on future supply and demand would be helpful.
- Government interest also needs to be considered - the best outcome for the owner of the infrastructure may not be the best for the nation.

4 Gas markets presentation

Ian Wilson presented an overview of gas transmission markets in the USA, European Union, United Kingdom, and Australia. The overview of each country's gas market included its characteristics and history. The presentation also included a comparison of each country's allocation of regulatory responsibilities against New Zealand and an identification of common trends among these transmission markets.

The common trends among these international transmission markets include:

- Open access;
- Structural separation of transmission;
- Transparency;
- Private ownership;
- Regulatory objective: efficiency/competition; and
- Clear definition/allocation of regulatory roles.

Comments on the presentation were invited. The importance of overseas examples was noted by one Member. Ian agreed and noted that the Secretariat was organising to have a representative from the Australian gas market attend the PEA's next meeting to provide a more detailed overview of their arrangements.

Members agreed this would be useful.

5 **Wrap-up**

The group agreed that the next two meetings would be Monday 7 November and Monday 5 December.

The Chair invited suggestions on what would be covered.

Members agreed that a paper to start discussion would be helpful. It was agreed that the Secretariat would draft Terms of Reference (ToR) for this work that would be undertaken by Lew Evans. The work would obtain an economist's view on:

- a framework for assessing access arrangements;
- how well the current transmission access arrangements measure up under that framework (identification of inefficiencies in the system); and
- what options the group might want to consider for improving existing arrangements.

The Secretariat noted that it would circulate the draft ToR to Members for comment before finalising.

The Chair noted that, in addition to this work, it would also be useful to get the Australian consultant to stress the key differences between the two markets for the next meeting.

The Secretariat referred to Ian Dempster's presentation that provided an overview of the GTIP project, including the Information Projects and noted that Gas Industry Co had begun work on the Supply/Demand Outlook Project. The Secretariat noted Gas Industry Co has drafted a Request for Expressions of Interest on a Supply/Demand study for the gas industry. The draft was circulated to group and the Secretariat invited Members to provide comments on it by Friday 21 October.

The Secretariat clarified the support it would provide to Members including that:

- All meeting material would be made public on Gas Industry Co's website;
- A PEA email list has been created and can be used by anyone to communicate with members. Its use will be explained at the next meeting; and
- Minutes of each meeting will be taken and, after discussed with the Chair, circulated to Members and published to the website.

Members were invited to think about what ongoing support the group would require, including the possibility of additional support from an economist.

The Chair encouraged Members to have exchange emails in between meetings to keep the conversations going.

Actions

Item	By	Date for Action
Terms of Reference for an economist's view on access assessment framework and existing arrangements.	Secretariat	Mon 17 October
Economist view on access assessment framework and existing arrangements (paper and presentation)	Economist (Lew Evans)	By next meeting
Key differences between NZ and Australian gas markets	Secretariat (Australian consultant)	At next meeting
Comments on the Draft Request for EOs for Supply/Demand study	Members	Fri 21 October
Overview of how to use PEA email	Secretariat	At next meeting

The meeting closed at 13:05pm.

Next meeting

The next meeting will be Monday 7 November.