

Panel of Strategic Advisers: Meeting 1

Date: Monday 19 December 2011

Time: 10.00 to 13.00 (Lunch at 13.00)

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

Minutes

Present

Members

- ❖ Andrew Brown (Chair)
- ❖ Doug Watson (telephone)
- ❖ Duncan Jared
- ❖ Hayden Laird
- ❖ Malcolm Alexander
- ❖ Murray Jackson
- ❖ Sharon Wray

In attendance from Gas Industry Co

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

In attendance other

- ❖ Graham Scott (11:00 to 13:00)

Apologies

Members

- ❖ Allan Carvell

Gas Industry Co

- ❖ Steve Bielby

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

The meeting opened at 10:02.

1 Welcome and Introduction

The Chair opened the meeting and thanked members for agreeing to participate in the Panel of Strategic Advisers (PSA).

The Chair invited everyone present to introduce themselves and their backgrounds.

Ian Dempster provided a presentation that included:

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

Ian elaborated a few points about the governance framework, including:

- the Programme Sponsor is Gas Industry Co Chief Executive, Steve Bielby. As Programme Sponsor, Steve will pose questions for the PEA and PSA’s consideration to the relevant Chair;
- Ian is acting as Project Manager at the moment, but plans to appoint other Gas Industry Co staff to these positions; and
- the importance of the relationship with the Ministry of Economic Development and the Commerce Commission and the continued dialogue with these parties.

The Chair thanked Ian and commented that the Programme is a good variation of the co-regulatory model. He considers the process is a dynamic and iterative way of involving industry very well suited to the GTIP.

2 Terms of reference and governance framework

Greig Hinds gave a presentation that covered:

- the PSA Terms of reference: membership and responsibilities;
- meetings: preparation, conduct, and outcomes;
- Gas Industry Co role at meetings;
- Gas Industry Co objectives: statutory and strategic; and
- policy development – the formal consultation process.

Greig elaborated several points, including:

- the Chair's role in PSA meetings and role as independent director of the Gas Industry Co Board; and
- that consultation with stakeholders on advice will follow Gas Industry Co's usual consultation process.

The taking of minutes was also discussed, including how Members' views would be represented. Greig confirmed that the minutes will serve as a record of the summary of views. Individual views will not be attributed by name.

3 Overview of PEA activities to date

Ian Dempster and Ian Wilson gave a presentation that covered the PEA meeting activities to date. The presentation included summaries of the following presentations given at PEA meeting (with the original presenters in parentheses):

- the PEA's first key task: the Scope Review (Ian Dempster);
- the PEA's Draft Principles (Ian Dempster);
- overseas gas transmission markets (Ian Wilson);
- Australia in more detail: STTM and Market Carriage (Terry Grimwade, AEMO);
- economic Framework for Gas Transmission (Lew Evans);
- economic Framework: summary of Investment paper for Vector (Isaac Katz);
- GIC's previous work on access arrangements (Ian Wilson); and
- efficient Gas Transmission in the short run and the long run (Lew Evans).

Some discussion followed the presentation. One particular point raised was the importance of transparency and that if an impediment to accessing information exists, it should be addressed. Ian Dempster agreed and noted that the issue is being considered and addressed in the Information Project.

4 Presentation of PEA Advice on GTIP Scope

Graham Scott, the PEA Chair, introduced himself and explained that he would present the Draft PEA Principles and PEA Advice on the Scope Review.

Graham noted that the Draft PEA Principles have been developed as a useful tool to guide the group's thinking and to assist in times of disagreement. It was suggested that the PSA may want to develop similar principles.

The key changes the PEA agreed to the Programme Scope were discussed next.

Some general comments from Members followed, including:

- legal advice on the Commerce Commission’s work is likely to be required;
- It would be useful for the PEA to explore the circumstances in which Vector, or another party (including the Government), would invest; and
- there is an important distinction between public and private views of security of supply standards for assets.

The Chair noted that although Members were not being asked for a decision on the advice on scope, feedback would be welcomed to avoid any belated concerns being received. The Secretariat would feed any such comments raised through to the PEA for consideration.

5 Wrap-up and Next Steps

Ian Dempster presented a draft timetable identifying dates for the PEA’s work next year on the review of the VTC and pricing. He noted that the timetable assumes that the group will recommend that changes are required. If change is pursued, it could be implemented contractually or through regulation. This review is not the only matter the PEA will consider. It’s likely the Programme Sponsor will ask for the PEA’s assistance on the Regulatory Project and the Supply/Demand Outlook.

Members agreed that it is important that all GTIP stakeholders have a common understanding of this work and have reasonable expectations of the outcomes. The PSA therefore requested that the Gas Industry Co team and PEA should consider implementation timeframes in more detail (including for both regulated and non-regulated solutions). In addition, given the lengthy time required to develop and implement regulation, the PEA should explore potential industry arrangements which provide appropriate solutions – at least in the interim period pending any regulation. (For example, changes to the VTC, extensions and variations to the Bridge Commitments).

The importance of keeping the Commerce Commission abreast of this work was also discussed.

One Member mentioned the important work being done under the Bridge Commitments. The Member queried why the reference to the Bridge Commitments had been removed from the PEA’s advice on scope in relation to Vector’s Capacity Determination Project. Graham noted that change was to reflect that this work has a wider scope than just the Bridge Commitments. Graham suggested a note be added into the final advice to ensure this is clear.

The meeting closed at 13:05pm.