



GAS INDUSTRY COMPANY LIMITED



Critical contingency management

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Background

Originated with request from industry:

- NGOCP required revision
- no pricing/compensation mechanism

WMWG & Gas Industry Co concluded:

- “compensation” inappropriate
- contingency price to reflect scarcity value
- retain much of NGOCP
- need mandatory arrangements

Fast-forward to today...

Recommendation—regulatory framework:

- CCO (onset/termination & curtailment/restoration)
- critical contingency thresholds
- curtailment order

Detail in hands of industry

- critical contingency management plans
- measuring & allocating intra-day volumes
- range of implementation tasks (CMIG)

What the regulations cover

Only relevant in severe cases:

- “Critical contingency” broadly equivalent to “Phase 2” of NGOCP
- market has failed to arrest a developing situation
- there is a need to intervene to buy time
- intervention takes the form of:
 - directing curtailment
 - allowing restoration
 - invoicing/crediting contingency imbalances

What the regulations cover (continued)

Supporting arrangements:

- creation and approval of CCMPs
- running exercises
- review and reporting
- funding arrangements

Compliance

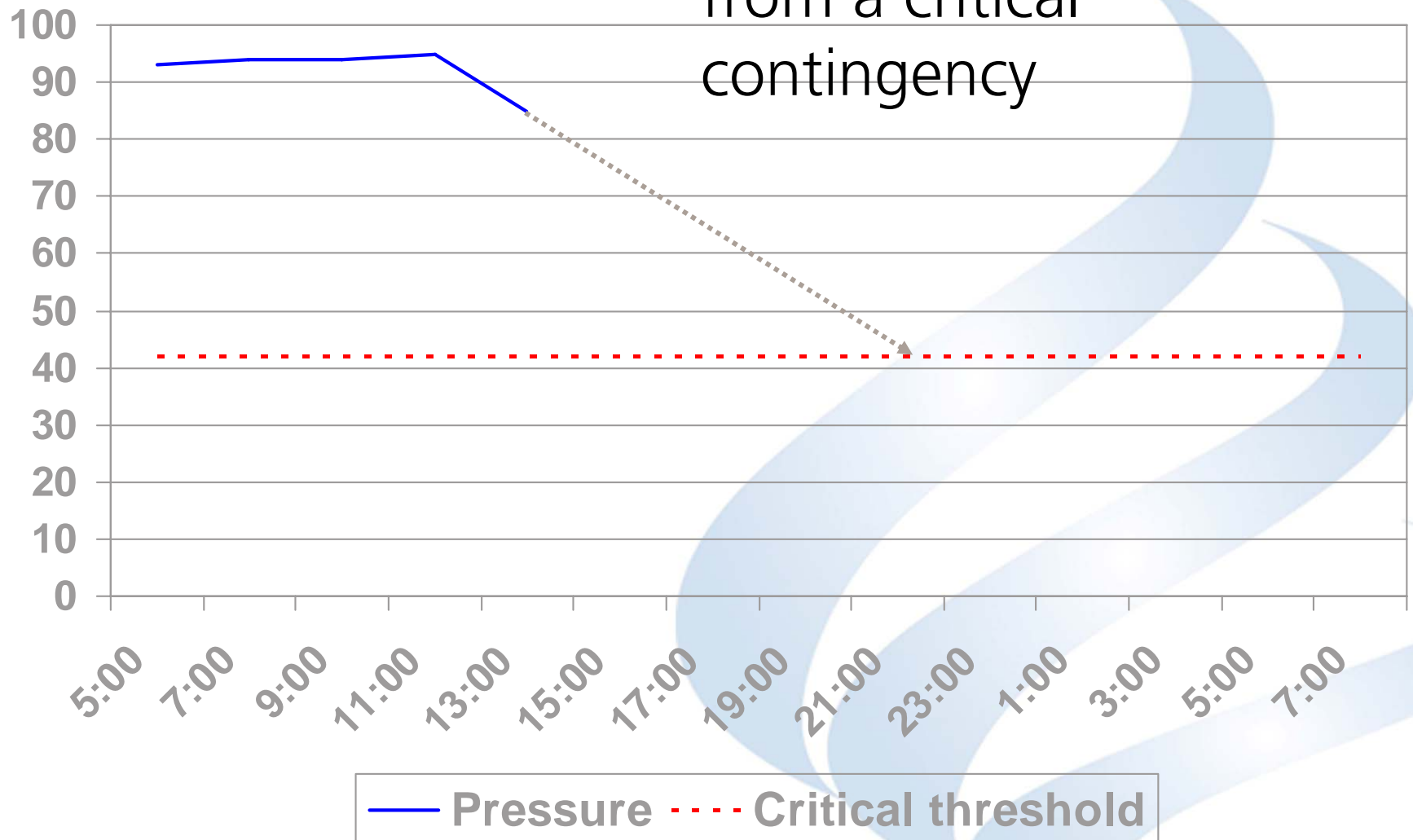
- existing compliance regulations extend to cover the Gas Governance (Critical Contingency Management) Regulations

What is left behind?

Minimalist approach to regulation – consistent with maximising industry input

- significant parts of NGOCP not replaced by the regulations
 - Phase 1 communication requirements
 - industry communications group (replacement for CCT)
 - curtailment of domestic consumers (no power in Gas Act)
- CMIG considering how best to accommodate these functions

Supply has been lost... and we're 8 hours away from a critical contingency



There are four companies—you make a decision for one of them...

... until we hit the “critical threshold”, the question is whether to:

- reduce load to match supply; or
- maintain load and risk hastening the onset of a critical contingency

The decision will be made democratically

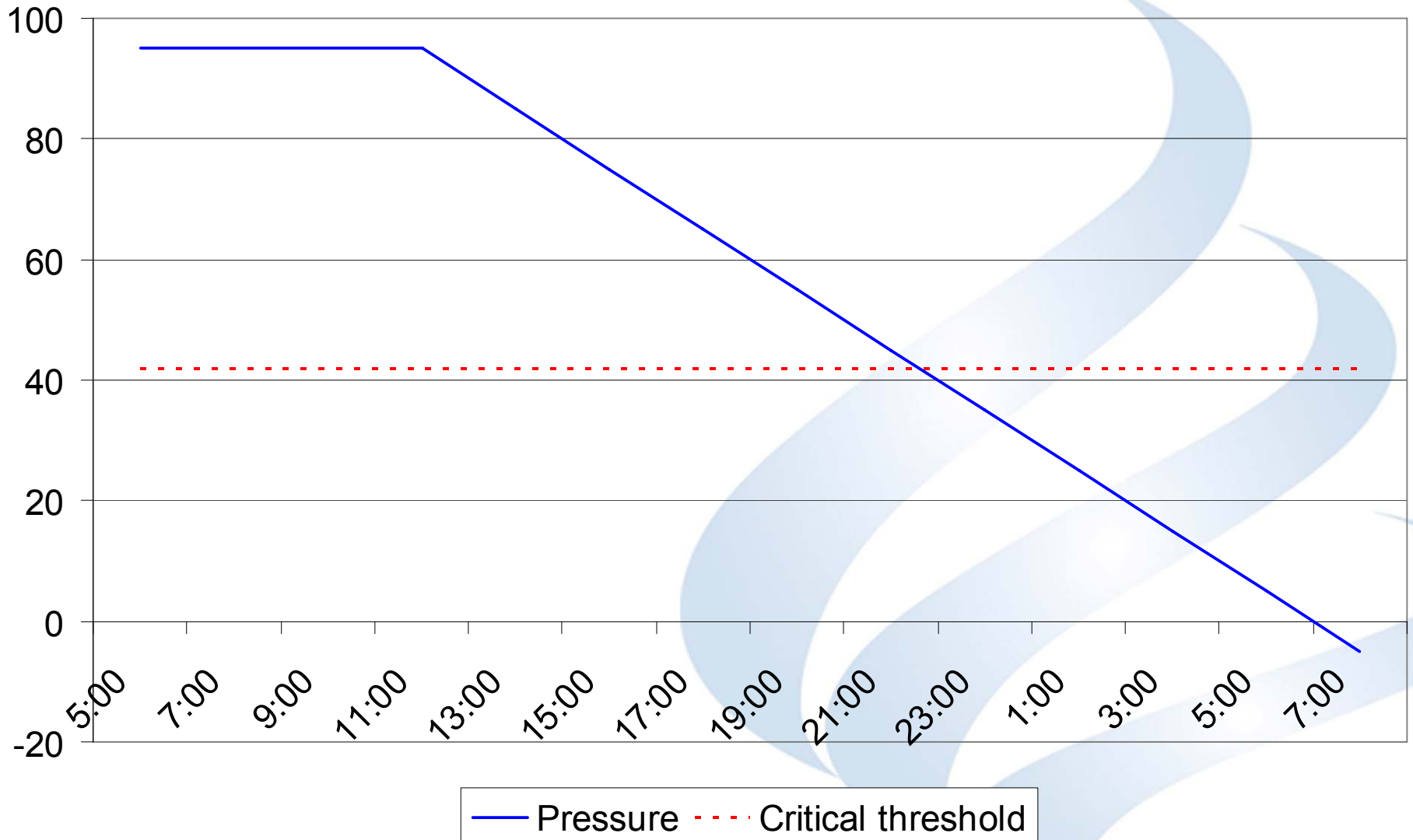
- voting will be by show of hands
- you may only vote for your company (A, B, C or D)

You have two choices regarding gas consumption:

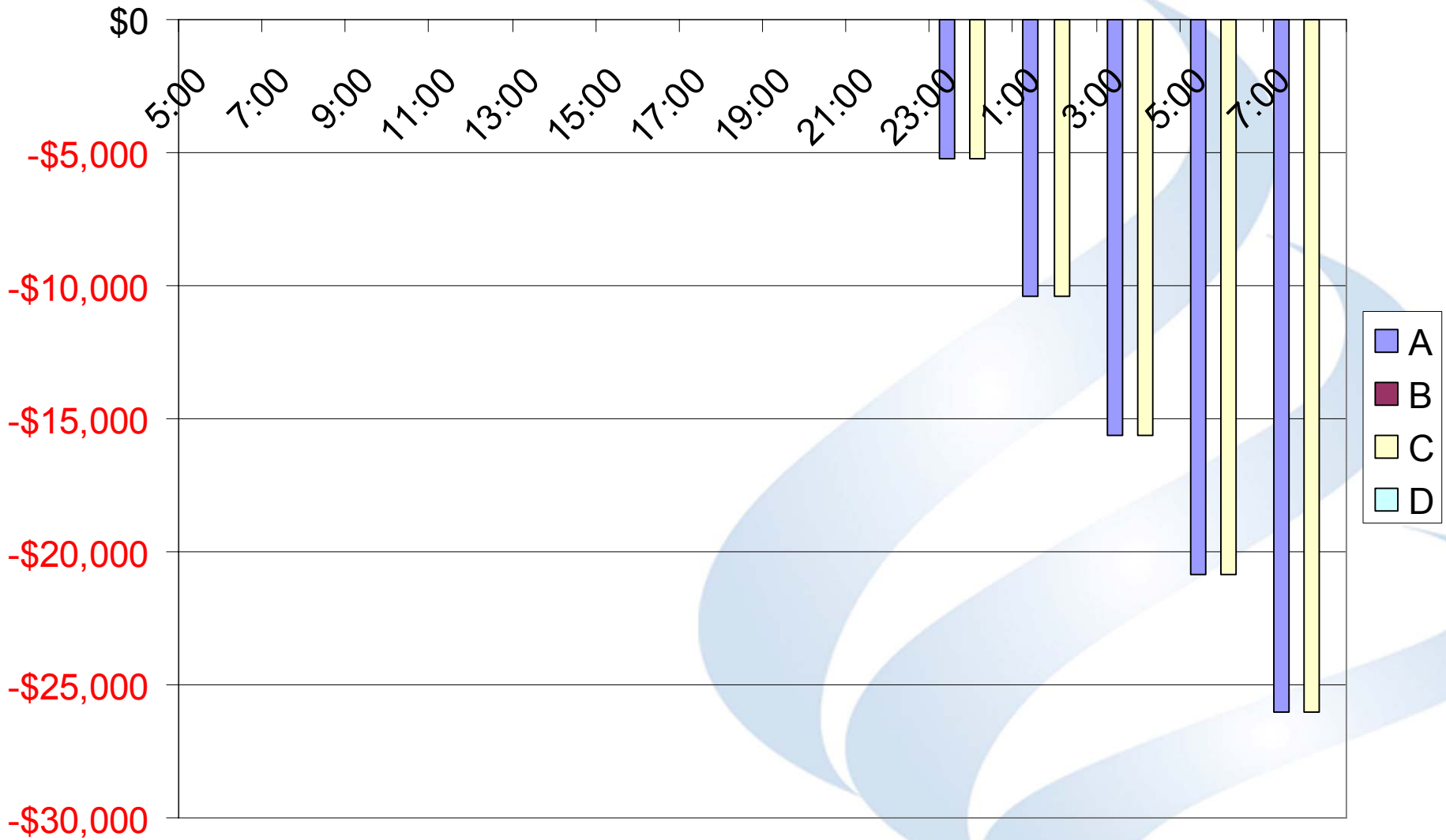
- 1. Decrease (i.e. supply \approx demand)** **2. Do nothing**



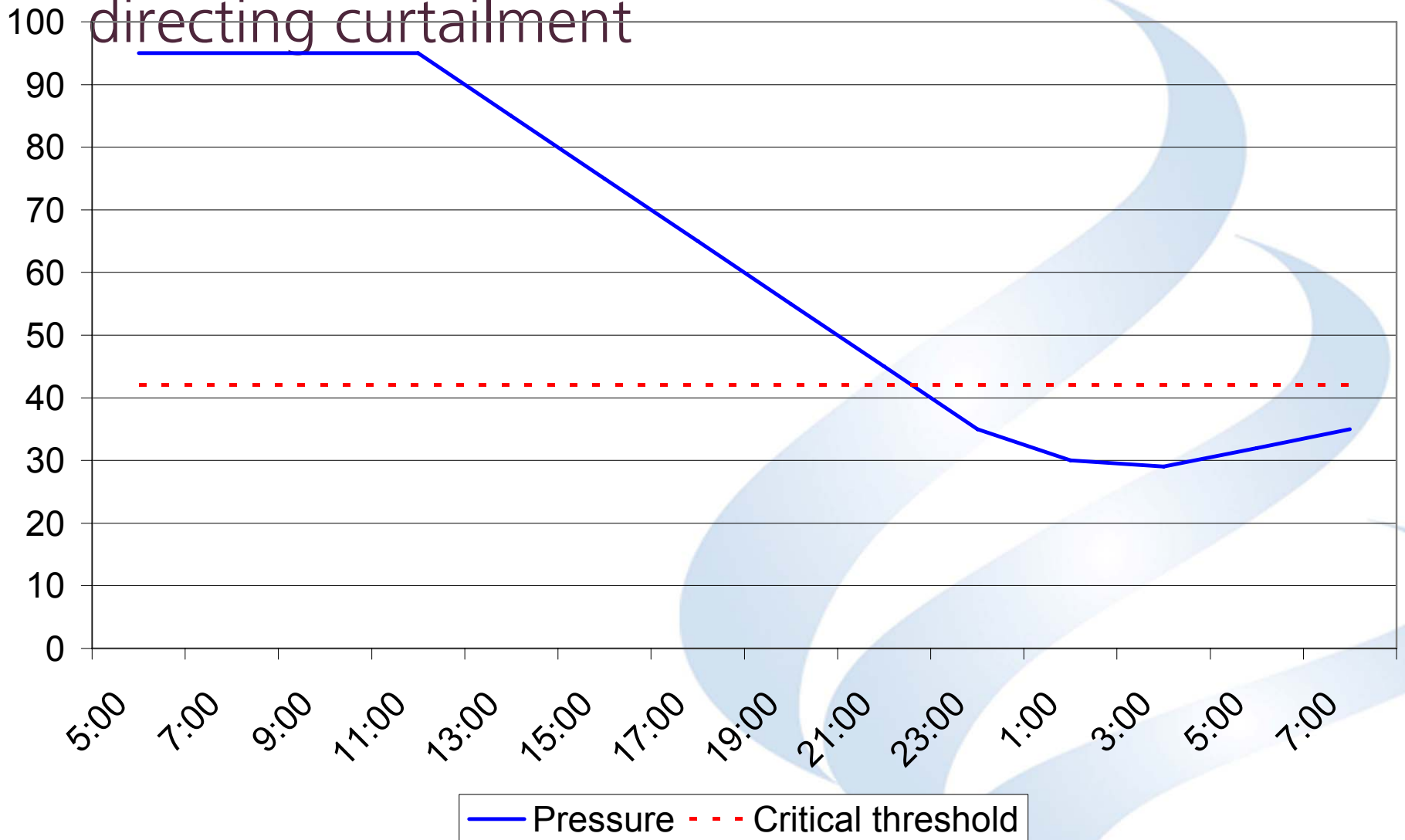
Outcome



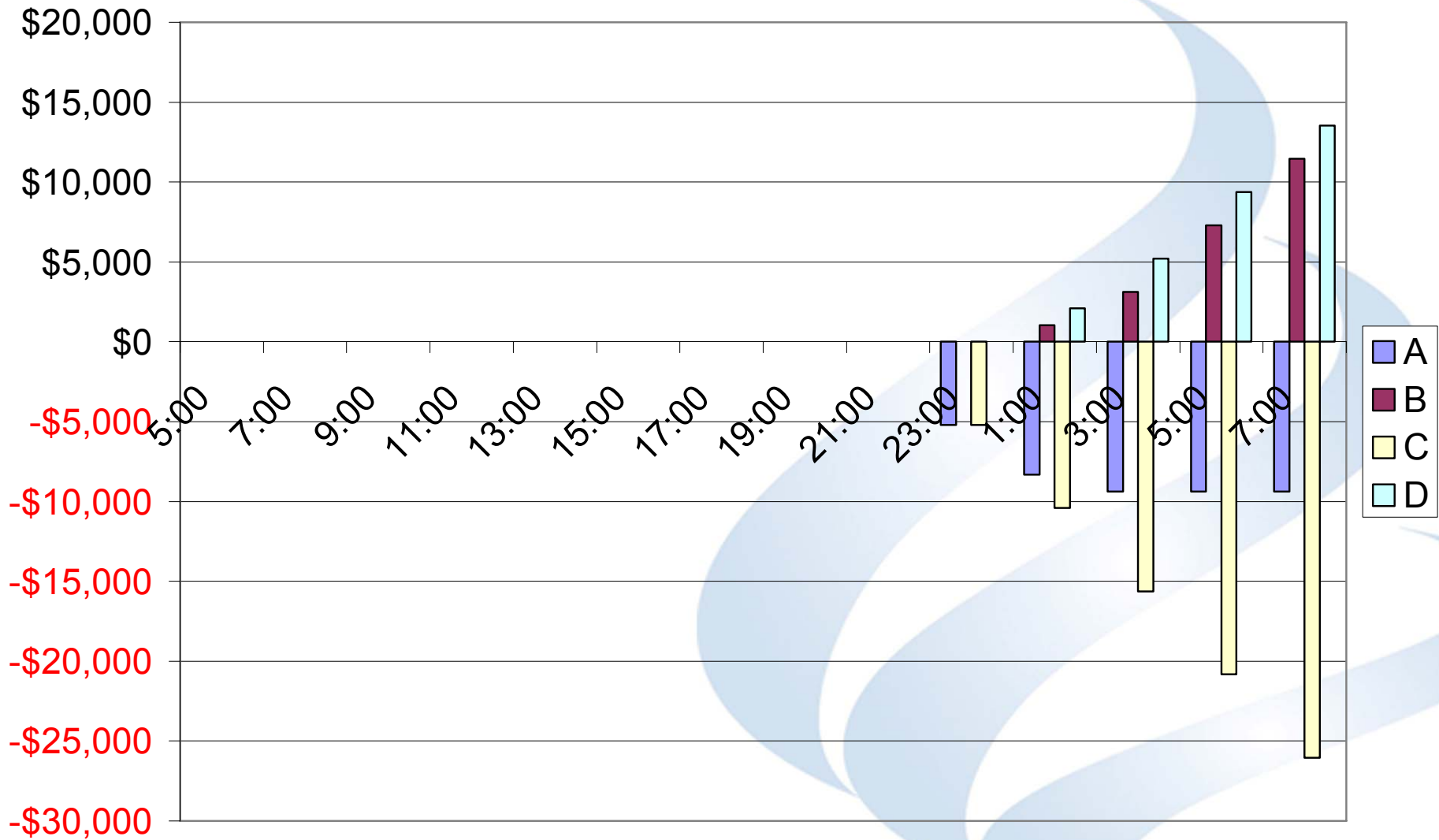
Cash-out



Actual outcome may differ due to the CCO directing curtailment



As might the cash-out



Where to from here?

For the regulations to be made

- the Minister needs to approve the recommendation
- they need to go through Cabinet
- Timing hinges on whether approvals are obtained before the election

Significant implementation work

- CMIG meeting monthly
- unlikely to have everything in place before year end

Predicting “go-live” in Q2 of the new year

Major transition to the new arrangements

Industry involvement is the key

- note that Vector will be the CCO
- advance warning of the changeover
- part of the implementation process will include
 - workshop(s) to familiarise industry with the new arrangements
 - desktop exercise immediately after “go live” to test readiness (and associated post mortem)

Thank you to all involved!!