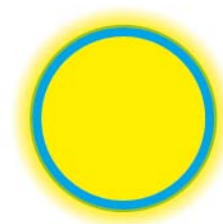


21 December 2012

Submissions
Gas Industry Company
PO Box 10 646
Wellington
New Zealand

[Submitted via gasindustry.co.nz]

POWERCO



Dear Ian,

Powerco Submission on the Statement of Proposal - amendments to the Gas Governance (Critical Contingency Management) Regulations 2008

Introduction

1. Powerco welcomes the opportunity to provide comment on the Gas Industry Company (GIC) consultation paper *Statement of Proposal - amendments to the Gas Governance (Critical Contingency Management) Regulations 2008* (SoP), published on 12 November 2012.
2. Industry submissions to the Concept Consulting Group (Concept) discussion paper, *Review of Gas Critical Contingency Management: Post Maui Pipeline Outage* (Review) released by the GIC in June 2012, clearly demonstrate that critical contingency process improvements exist. Powerco considers the GIC's work to review the *Gas Governance (Critical Contingency Management) Regulations 2008* (Regulations) in light of the Maui pipeline outage (October 2011) is necessary to ensure optimal management of curtailments and to address identified issues.
3. As an open access gas distributor, our commercial drivers are aligned with building a strong and efficient gas sector. The long term nature of our investments and diverse customer mix mean the success of these investments is ultimately linked to people choosing gas, and choosing to retain gas. Gas customers must have complete confidence in gas supply and incidents like the Maui outage can dent this assurance. Ensuring that the Regulations to manage critical contingency events are robust and minimise impact on customers is essential to attracting and maintaining customers and the success of the industry.
4. As a gas distributor, Powerco's role and responsibilities in regards to the Regulations is largely based around cooperating and acting consistently with the

Regulations or directions issued under the Regulations¹. As our knowledge and expertise is focused on the gas distribution system not the management of the transmission system, we have only provided comments on relevant GIC posed questions.

Support the Statement of Proposal

5. In general, Powerco supported the findings of the Concept review and consider the GIC's SoP has correctly identified the key issues relating to critical contingency events and developed pragmatic recommendations. Notably, we are pleased to see the areas of communication and priority access to gas reviewed, as changes to these will significantly increase the efficiency and effectiveness of the Regulations.
6. Powerco also considers the proposal to develop "Gas Retailer Curtailment Plans" a positive move as they will address the identified issues of retailer and consumer preparation² and curtailing small consumers. We also support the recommendations on addressing the confusion surrounding regional and national contingencies due to the significant cost impact it can have.
7. When reviewing and developing the Regulations we encourage the GIC to give greater consideration to gas distribution businesses (GDBs). Currently there is a lack of acknowledgement of GDBs interests during a critical contingency outage and the role they may be required to play. Recognising GDBs in relevant clauses of the Regulations and related plans is important in ensuring that they are up to speed if required to become actively involved in the critical contingency event or it becomes a Network emergency event.

Arrangements for shedding domestic consumers

8. In Powerco's submission to the review we raised the issue of a lack of process around shedding domestic customers and are disappointed that this concern has not been addressed in the SoP. While we recognise that domestic consumers are excluded from the Regulation under the definition of consumer, we consider the opportunity exists to further work in this area when developing communication plans, transmission system owner (TSO) and Gas Retailer Curtailment Plans.
9. To fully accomplish the purpose of the Regulations, being "to achieve the effective management of critical gas outages and other security of supply contingencies without compromising long-term security of supply"³, we believe the issue of no arrangements for the management of domestic consumers needs addressing.

¹ Gas Governance (Critical Contingency Management) Regulations 2008, Clause 58.

² Review of Gas Critical Contingency Management: Post Maui Pipeline Outage, June 2012, Section 3.5, Pg 24.

³ Supra n 1, Clause 3.

10. The number of domestic consumers (269,678)⁴ presents challenges when considering curtailment but these are not dissimilar to those identified for small consumers. The curtailment of domestic users would require greater involvement of gas distributors due to the requirement for them to be involved through the management of their distribution system. This is currently not recognised in the Regulations. A solution to address this could be the development of a management framework that details communication flows, specifies any transitional arrangements and details the roles and responsibilities of all parties if the curtailment of domestic consumers is required. Ensuring clear paths exist to communicate instructions between the Critical Contingency Operator (CCO), retailers and distributors will be essential in managing curtailment effectively. Powerco currently has the facility to set out how to manage domestic consumer curtailment in our Use of System Agreements with retailers but recognise a gap still exists as this is not easily visible for the CCO. By including a management framework as an appendix in the Critical Contingency Management Plan (CCMP) the domestic consumer curtailment process would be visible to all.

Conclusion

11. Powerco is pleased that the GIC is reviewing the Regulations and believe that while the critical contingency management arrangements worked well in the Maui outage, the proposed recommendations will lead to improvements, notably around communications which seemed the greatest area of weakness.
12. Thank you for the opportunity to make this submission. If the GIC wishes to discuss any aspects of this submission further, please do not hesitate in contacting me on 06 757 3397 or oliver.vincent@powerco.co.nz.

Yours sincerely,



Oliver Vincent
Regulatory Analyst
Powerco

⁴ Review of Gas Critical Contingency Management: Post Maui Pipeline Outage, June 2012, Section 5.2, Table 13.

Appendix 1: List of questions for submitters

Submission prepared by: Powerco Limited (Oliver Vincent, Regulatory Analyst)

QUESTION	COMMENT
Q1: Are there any other matters that should be addressed when considering proposals to amend the CCM Regulations?	Yes. Consideration should be given to developing the process for transitioning from a critical contingency to a Network emergency should domestic load shedding be required. An industry agreed process that requires Transmission System Operator's (TSO's) plans and the Critical Contingency Operator (CCO) communication plan to specifically consider how the transition would be managed needs to be documented in the Regulations to ensure clarity and ensure any event is effectively managed.
Q2: Do you agree with the Gas Industry Co proposal to combine bands 2 and 3? If not, please provide your reasons.	Agree. The proposal to combine the bands is based on a sound rational and will promote a more efficient process.
Q3: Do you consider that the option of trading gas usage rights during a critical contingency is worth exploring? Please explain your reasoning.	No comment
Q4: Do you agree that regulation 53(1)(d)(ii) and 53(2) provide the necessary flexibility for the CCO to respond to changing circumstances?	Agree. Retaining the status quo reduces the chance of important messages to gas users getting misunderstood. Clarity of gas user expectations is essential to ensuring the right action is taken and the current regulations offer the flexibility to address changes to circumstances.
Q5: Do you have any comments on the analysis of ESP consumers?	No. Powerco broadly agrees with the analysis and conclusions the paper makes.

QUESTION		COMMENT
Q6:	Are the proposed categories appropriate? Are there any additional categories that you think should be included? If so, please provide your justification.	Yes. As stated in the paper, curtailing load is the CCO's primary tool for controlling a critical contingency, it is crucial that any exceptions be well-justified and tight. Every additional customer that is given priority access to gas weakens the CCO's ability to successfully manage a critical contingency. As such, Powerco agrees with the need for stringent criteria that sends clear signals and incentives to users that they need to look at other risk management options. The proposed categories provide the required clarity and consistency required by the industry.
Q7:	Do you agree with the option evaluation set out above? If not, please explain why.	Yes. Powerco considers a through analysis has been conducted and the conclusion correctly identifies the simplest option that supports the GIC's objectives.
Q8:	Are there any other criteria for MLC designation that you feel would be appropriate? Please include your justification for any that you consider should be added.	No. Powerco supports the additional categories of eligibility for MLC designation and consider the criteria correct.
Q9:	Would you delete any of the proposed categories?	No.
Q10:	Should electricity generators be eligible for MLC status, as described in the first option above? Or should there be a separate category, as described in the second option?	Powerco has a preference for the option that is considered to be the best 'fit for purpose' solution and supported by the industry.
Q11:	Do you agree with the above evaluation of options? If not, please explain why.	No comment
Q12:	Do you agree with the above evaluation of options? If not, please give your reasons.	No comment
Q13:	Do you agree with the 9-month timeframe for transitioning to the new ESP and MLC arrangements?	No comment

QUESTION	COMMENT
<p>Q14: Do you agree with the tight provisions for designations during a critical contingency event?</p>	<p>Yes. The proposed Regulation changes would incentivise gas users to seek appropriate ESP and MLC designations or consider alternative options. The increasing state of readiness of gas users achieved from already knowing their status would reduce the pressure on retailers during critical contingency events and ensure the CCO is provided with a clear picture of the make-up of the various contingency bands to make decisions.</p>
<p>Q15: Do you agree that the communications framework outlined above is the minimum that should be provided for in terms of public communications during a contingency event? If not, please give your reasons.</p>	<p>Yes. The proposed framework is an improvement on current arrangements due to being based on the lessons learnt from the Maui outage. It clearly lays out the roles and responsibilities and correctly takes an end user focused approach which is important. One gap in the communication framework that does need addressing specifying is the communication arrangements if a critical contingency escalates to a Network emergency. Having a process documented and understood in advance is essential to the effective management of an event if and when it occurs.</p>
<p>Q16: Have we correctly identified the parties that should provide communications and the information that each should provide?</p>	<p>No. As stated above, communication arrangements in a critical contingency that escalates to a Network emergency have not been defined, and as such the role gas distribution businesses would play.</p>
<p>Q17: Do you agree that contingency imbalances should only apply in the case of non-regional contingencies? If not, what rationale would you provide for applying contingency imbalances to all critical contingencies (given that the Vector Transmission Code already provides for shipper mismatch)?</p>	<p>Agree. Powerco considers it too difficult to assign property rights to line-pack (and the volumes in question are small) so support the position that contingency imbalances should only apply in the case of non-regional contingencies.</p>
<p>Q18: Do you agree that a set of guidelines would be the most efficient way to identify regional contingencies?</p>	<p>Yes. The development of guidelines is a cost effective solution that would remove the issue of uncertainty and could be easily written to address the majority of scenarios.</p>
<p>Q19: Do you agree that the CCO is the best party to determine regional/non-regional status of a critical contingency? If not, who would have better information on which to base a determination?</p>	<p>Agree. As stated in the Paper, the CCO role is most closely associated with the management of gas critical contingencies and therefore the best party.</p>

QUESTION	COMMENT
<p>Q20: Do you agree that the CCO's role should allow direction of system reconfiguration, as outlined above? Is it important that the CCO only make such a direction where it is supported by the affected TSO?</p>	<p>Agree. The proposed change would allow the CCO greater ability to meet its requirements in terms of stabilising pressures in the affected parts of the transmission system, but we do not consider that many, if any, opportunities to exercise this ability would occur. Any reconfiguration would not be possible without TSO support to ensure issues and risks are properly identified (e.g. reconfiguring such that the odorised gas flows through un-odorised pipeline).</p>
<p>Q21: Do you agree with this analysis? If not, please state why.</p>	<p>Yes. Improvements proposed within the Paper regarding communication of regional contingency will address any issues associated with over pressurisation.</p>
<p>Q22: Do you agree that the CCO is best placed to write the performance report after a critical contingency? If not, who would be better placed?</p>	<p>Yes. The CCO is best placed to assess how well the critical contingency arrangements managed the particular circumstances of a critical contingency event due to their role. Issue aren't around the CCO writing the performance report but increasing the transparency of the reporting arrangements.</p>
<p>Q23: Do you agree with the modifications to the performance report provisions outlined above? If not, please identify those you do not agree with and explain why.</p>	<p>Yes. The proposed modifications address the transparency and self assessment concerns. We support the circulation of a draft report for industry comment and greater guidance on the content of the report. The reporting exercise should not be a onerous task but focus on the achieving its objectives of providing a summary of a critical contingency event.</p>
<p>Q24: Do you agree that the CCO should collect and publish information on scheduled outages as outlined above? If not, please explain why.</p>	<p>No. Powerco considers this unnecessary and additional work that does not add value and is already covered by the visibility provided in OATIS.</p>
<p>Q25: Do you agree that if the CCO requires more granular data, the most efficient source would be the allocation agent? If not, what other means would you suggest, and why?</p>	<p>Agree. The use of existing datasets prescribed by the Reconciliation Rules is cost effective and provides the data required without having to create additional work on other industry participants.</p>
<p>Q26: Do you have any comment on the need to ensure that Gas Industry Co is always able to appoint a party as the CCO and the need to ensure that the CCO always has access to the information and data required to fulfil the role?</p>	<p>Agree. Ensuring the Regulations allow for a alternative CCO to be appointed and have access to the information required to successfully carry out the responsibilities of the role is a logical future proofing step.</p>

QUESTION	COMMENT
<p>Q27: Gas Industry Co proposes annual notifications to customers as a means of encouraging customers to make appropriate arrangements to cope with a critical contingency. Do you agree with this frequency and if not, why not?</p>	<p>Agree. Annual notification is reasonable without becoming onerous or costly to retailers. Powerco considers the annual notification an important communication step in proactively preparing gas users for a critical contingency event and provides an opportunity to reinforce customer's responsibilities to make appropriate arrangements to cope with a critical contingency.</p>
<p>Q28: Given that the seriousness of a situation that requires curtailment of Band 6, do you agree with the proposal to use text messaging to contact Band 6 customers urgently? If not, how would you propose to notify these customers in a manner that ensures they understand the need to curtail their gas use?</p>	<p>Agree. Texting is an appropriate addition to the current methods of contacting Band 6 customers as it is quick and cost effective. Including it as a contact method does not prohibit proactive retailers telephoning or using other communication methods to contact customers. Regardless of how individual retailers communicate the message to Band 6 customers, we consider it important that public broadcasting of the need to curtail gas usage is carried out as this reinforces the message and increases public awareness.</p>
<p>Q29: While we are sympathetic to retailers' concerns about contacting large numbers of customers, there appears to be merit in placing a 'best endeavours' obligation on retailers to contact at least their largest customers in Band 6 regarding curtailment progress. Please provide your views on this issue.</p>	<p>'Best endeavours' is a reasonable request given that retailers have call centre functions and have the ability to contact customers.</p>
<p>Q30: Please provide your views on the proposals outlined above for retailer curtailment plans.</p>	<p>Having consistent and accurate retailer curtailment plans notably increase the effectiveness and efficiency of the critical contingency process. Powerco supports publishing the retailer's plans on their website as this provides a high level of transparency which addresses a number of the issue identified in the Paper. Further detail regarding updating and standardisation would need to be discussed further.</p>
<p>Q31: Do you agree that retailers are best placed to assist their customers in applying for ESP or MLC status?</p>	<p>Agree. An independent agent (such as the GIC) provides greater consistency as a centralised point. However, ensuring that the process is not onerous or cumbersome would be essential to ensuring it works.</p>
<p>Q32: Do you agree with the changes proposed to improve compliance with the CCM Regulations?</p>	<p>No comment</p>

QUESTION		COMMENT
Q33:	Do you agree that using data from the allocation agent is the most expedient way of checking compliance with curtailment directions by ToU-metered customers? If not, what alternative would you suggest, and why?	<p>Agree.</p> <p>Accurate and accessible data is an essential factor in ensuring compliance with curtailments is effective and using consumption information supplied through the allocation agent provides the logical independent source.</p>
Q34:	Do you agree with this proposal? If not, please give your reasons.	<p>Agree.</p> <p>The proposed requirement provides a clear and appropriate directive to the TSO's that addresses the issue.</p>