

## Statement of Proposal – amendments to the Gas Governance (Critical Contingency Management) Regulations 2008 – Contact Energy submission

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Submission prepared by: Contact Energy (Rod Crone, Sharon Wray)

| QUESTION |  | COMMENT  |
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| Q1:      | Are there any other matters that should be addressed when considering proposals to amend the CCM Regulations?                                | No   |
| Q2:      | Do you agree with the Gas Industry Co proposal to combine bands 2 and 3? If not, please provide your reasons.                                | Yes  |
| Q3:      | Do you consider that the option of trading gas usage rights during a critical contingency is worth exploring? Please explain your reasoning. | <p>While it is technically feasible to allow gas usage rights to be traded between consumers within a single band or across bands, Contact does not support the concept because it is likely to over-complicate load curtailment at a time when the industry is under stress to achieve transmission system stability quickly.</p> <p>However, if there is an overwhelming response that supports trading of gas usage rights then it would be important to ensure that it is restricted to a limited number of consumers of sufficient size that would justify the added complexity, and that the arrangement was fully documented, approved by Gas Industry Co, and transparent to participants.</p> |
| 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?      | Yes, but with one reservation. It is noted that while regulation 53(2) implies that curtailed demand can be partially restored it would add clarity if that was made explicit by inserting the words "or restoration" after the first "curtailment".   |

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| Q5:      | Do you have any comments on the analysis of ESP consumers?   | Yes<br>It highlights an anomaly driven by lack of complete transparency. Contact considers the management of load curtailment bands, including ESPs, would be improved by the CCM regulations requiring bypass/private network consumers/ICPs (or at least non-domestic pass/private network consumers/ICPs) to be on the registry for the purposes of transparently recording load shedding category (curtailment band), including but not limited to those designated as ESPs. |
| Q6:      | Are the proposed categories appropriate? Are there any additional categories that you think should be included? If so, please provide your justification.                    | Yes. While Contact agrees with the addition of Band 7 "Critical Care Providers" we consider Prisons should be in Band 5 as they do not fit the much narrower criteria for Band 7 but do fit the revised narrower criteria for Band 5.  |
| Q7:      | Do you agree with the option evaluation set out above? If not, please explain why.   | Yes, with one exception as articulated in our comments on Q6.  |
| 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   |
| 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? | Yes<br>We support a separate category for electricity generators.  |

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| <p>Q11: Do you agree with the above evaluation of options? If not, please explain why.</p>   | <p>Yes</p> <p>We agree with the broadened criteria, including power stations, and support full curtailment with Band 4 of other than power stations and Band 5 for power stations with MLC status. We consider this would be consistent with the essential service status of a stable electricity system.</p>   |
| <p>Q12: Do you agree with the above evaluation of options? If not, please give your reasons.</p>   | <p>Yes, except the default expiry after 2 years. We suggest a more efficient option to designations expiring after 2 years would be that the designations remain <u>subject to</u> written confirmation from the retailer to Gas Industry Co in respect of each ESP and MLC consumer that it has communicated with the consumer and received written confirmation that there is no change to the information that was provided with the initial application that supported their designation. If not then the designation should expire and/or a new application be required.</p> |
| <p>Q13: Do you agree with the 9-month timeframe for transitioning to the new ESP and MLC arrangements?</p>   | <p>Yes</p>  |
| <p>Q14: Do you agree with the tight provisions for designations during a critical contingency event?</p>   | <p>Yes</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</p>  |

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| <p>Q16: Have we correctly identified the parties that should provide communications and the information that each should provide?</p>   | <p>Yes</p> <p>It is noted that during the Maui outage in 2011 the media massaged some of the communications and confused consumers. For example, a number of consumers responded by turning off their service valves unnecessarily. The last thing the industry needs is for consumers to turn off their service valves when all that is required is for consumers to cease taking gas (if they have received an instruction to curtail) or avoid use of gas for non-essential appliances such as space heating (if they have not received an instruction to curtail but are voluntarily prepared to contribute to reducing gas use). Failure to get this key message across can lead to a lot of additional call outs after the event is over to assist consumers turning on their service valves and relighting pilots. To mitigate this risk, Contact suggests that the pre-prepared communications templates and arrangements cover off key messages like this and furthermore that consideration be given to issuing communications aimed at the mass market (small non-domestic consumers in Band 6 and domestic sectors) as advertisements.</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>Yes.</p>  |
| <p>Q18: Do you agree that a set of guidelines would be the most efficient way to identify regional contingencies?</p>   | <p>Yes if it is not easy to codify within the regulations.</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>Yes provided this is done as soon as possible after the Critical Contingency is declared so that shippers are aware of their responsibilities and liabilities.</p>  |

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| <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>Yes</p>   |
| <p>Q21: Do you agree with this analysis? If not, please state why.</p>   | <p>Yes</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</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</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>Yes</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>Yes</p> <p>Given retailers submit consumption for allocation groups 1 and 2 by ICP, and the registry contains the load shedding category (curtailment band) by ICP for these ICPs which are (or should be) captured within curtailment bands 1a/1b/2/3 it would be simple to accurately profile the average daily consumption by month for these curtailment bands.</p> |

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| 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?  | No   |
| 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>No, we consider every two years is appropriate which also aligns with the proposal to update/manage ESP/MLC designations.</p> <p>While Contact agrees with the need to ensure consumers are aware of the ESP/MLC categories and need to be prepared for a loss of gas supply and possible instruction to curtail, the communication needs to be very carefully constructed to balance the risk of unnecessarily turning consumers away from gas. It is likely retailers will use their already well developed communications channels, one of which is the billing cycle. There would be value in the industry drafting a communication template for voluntary use that would support consistent and non-alarmist communications in the form of a flyer to insert with bills that are mailed to consumers or communicated via a link with electronic bills or communicated outside the billing cycle.</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? | Yes  |

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| <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>While we agree with text messaging as being a valid communications channel for Band 6, we remain strongly of the view that Band 6 remains a problematic group to communicate with given the large number of very small consumers who will have little impact on curtailment. In any event it is not appropriate to impose a 'best endeavours' obligation on retailers as the requirements of that standard would be too onerous.</p> <p>We recommend splitting Band 6 into</p> <ul style="list-style-type: none"> <li>• Band 6 for consumers in allocation group 4 (&gt; 250GJ p.a.), noting that some allocation group 4 consumers will be designated as Band 4, 5 or 7</li> <li>• A new Band 8 for consumers in allocation group 6 (&lt; 250 GJ p.a.), noting that all allocation group 6 consumers should be designated Band 6 or 7.</li> </ul> <p>The allocation group alignment would support better oversight that retailers are correctly managing designations to correct Bands, and the split would enable the overwhelming majority of consumers with low annual usage in Band 6 to be managed similarly to domestic customers. Rather than have a regulated requirement to contact them individually (albeit in order of decreasing size) it would be more efficient to contact these consumers via media communications aimed at domestic consumers</p> <p>In support of Contact's suggestion it is noted that for Contact:</p> <ul style="list-style-type: none"> <li>• Band 6 represents 96% of our ICPs, and 10% of the annual GJ, in Bands 3-6</li> <li>• The breakout by &gt;250GJ p.a. and &lt;250GJ p.a. is as follows: <ul style="list-style-type: none"> <li>○ &gt; 250 GJ – 14% of total ICPs and 7% of total GJ in Bands 3-6, or put another way 15% of ICPs and 70.0% of GJ in Band 6</li> <li>○ &lt; 250GJ - 81% of total ICPs and 3% of total GJ in Bands 3-6, or put another way 85% of ICPs and 30% of GJ in Band 6</li> </ul> </li> <li>• Over 51% of the ICPs with annual usage &lt;250GJ use less than the average domestic consumer, 40% less than 20GJ p.a., and 23% less than 10GJ p.a.</li> </ul> |

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| Q30:     | Please provide your views on the proposals outlined above for retailer curtailment plans.  | <p>Contact does not support publishing curtailment plans as there would be far too much commercially sensitive information as well as privacy breaches, but to remove it would be incur high administrative costs and would lose context.</p> <p>The only acceptable option would be for retailers to certify that they have Internal Critical Contingency Plans in place that are aligned with the Critical Contingency regulations.</p> <p>It is noted that the proposal does not take into account that some participants will have emergency plans covering a range of gas emergencies, from contingencies under the CCM regulations through to major distribution network outages, and it would be administratively onerous to split out the sections relevant to critical contingency curtailment planning only.</p> |
| Q31:     | Do you agree that retailers are best placed to assist their customers in applying for ESP or MLC status?   | Yes  |
| Q32:     | Do you agree with the changes proposed to improve compliance with the CCM Regulations?   | Yes  |
| 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? | Yes, but it should be noted that only daily GJ is submitted for TOU ICPs.  |
| Q34:     | Do you agree with this proposal? If not, please give your reasons.   | Yes  |