

# Appendix 1: List of questions for submitters

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Submission prepared by: (Methanex NZ Limited)

QUESTION	COMMENT
<p>Q1: Are there any other matters that should be addressed when considering proposals to amend the CCM Regulations?</p>	<p>We agree that Regulation 47 is far too permissive and provides users with a wide discretion to elect not to comply in their own interests. We support the tighter provision proposed by the GIC (Option 2, SOP page 59) that provides only for a defence in respect to non-compliance. Requiring that a user must demonstrate a threat to life or safety that prevented it complying was not foreseeable and could not be mitigated places an important onus on users to actively assess risk and investigate mitigation options in anticipation of gas supply constraints.</p> <p>We do not understand the proposed amendment of Regulation 60(3) and suggest the GIC provides clarification as to the gap it sees in the current regulation.</p> <p>We support the proposed amendment to Regulation 51 to include 'large consumers' to the list of people that must be notified by the CCO when a critical contingency is declared.</p>
<p>Q2: Do you agree with the Gas Industry Co proposal to combine bands 2 and 3? If not, please provide your reasons.</p>	<p>Methanex supports the GIC proposal to merge Band 2 and Band 3, and re-designate Bands 1a and 1b.</p> <p>The current categorisation does not appear to offer any significant benefit to the CCO in terms of managing a contingency given the small volume of load covered by Band 2 and on a principle basis it does penalise those users in Band 2 who have taken measures to install an alternative fuel capability.</p>
<p>Q3: Do you consider that the option of trading gas usage rights during a critical contingency is worth exploring? Please explain your reasoning.</p>	<p>No, we consider that an option of allowing gas users to trade gas priority rights during a Critical Contingency Event is neither desirable nor practical.</p> <p>Having a gas trading overlay during a Critical Contingency will complicate the core functions of the CCO. The requirement of approving trades as well as the increased difficulty of monitoring compliance and actual usage with parties trading amongst themselves will divert attention and reduce the ability of the CCO to appropriately manage the event. Additionally, it diverts the attention of users away from shedding load when required to curtail towards seeking to trade usage rights and continuing to consume gas.</p>

QUESTION	COMMENT
<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?</p>	<p>Yes. We consider that Regulation 53 is sufficient to provide the CCO with sufficient flexibility to undertake its functions, including permitting the CCO to undertake partial restoration.</p> <p>It is important that there is as much certainty as possible regarding gas curtailment or restoration directions from the CCO and we consider that the rider provided by the CCO during the Maui outage that “gas be used sparingly” in respect to demand restoration was not a particularly helpful guidance either for users, and more particularly for the CCO itself as it would never be sure as to the degree of compliance with such a subjective instruction. In this instance more explicit and definitive instructions would have been more useful to all affected parties.</p> <p>In consideration that the CCO may have felt constrained in the scope of its powers to give directions under Regulation 53 it may be helpful to make clarifying amendments.</p>
<p>Q5: Do you have any comments on the analysis of ESP consumers?</p>	<p>As it currently stands the amount of load designated in Band 5 is excessively large and those users with a genuine need for immediate and continuous natural gas supplies are bundled with users who do not justify the same priority but who nevertheless make up the bulk of the load. Considerations in setting criteria for essential services providers should be based on public health and safety requirements, not economics.</p> <p>Applying the definition of an essential service provider in the context of the broader criteria used for civil defence emergency management is not appropriate in the case of managing a Critical Contingency on the basis that:</p> <ul style="list-style-type: none"> <li>(a) The period of time expected to be covered by a Critical Contingency is immediate and of a short duration. Longer curtailments of a nature that significantly disrupt gas supplies are likely to become a civil defence emergency where there will be broader powers available to determine the appropriate allocation of gas supplies that are available.</li> <li>(b) The event is isolated to gas supply and an essential service provider, as determined by civil defence emergency management criteria, does not necessarily have an essential need for gas on an immediate and continuous basis.</li> </ul> <p>A curtailment may result in no gas flowing at all, irrespective of need. Consequently the criteria for users who have priority over all others needs to be tightened so that a minimal flow of gas will continue to be provided to those in true need. The determination of essentiality should be governed during a Critical Contingency by the need to protect people and the environment and not by economic interests.</p>

QUESTION	COMMENT
<p>Q6: Are the proposed categories appropriate? Are there any additional categories that you think should be included? If so, please provide your justification.</p>	<p>There needs to be more clarity in defining an ESP as being a user whose immediate and continuous access to natural gas is essential for the protection of people and the environment, rather than focussing on whether a user is an essential service in a more general context.</p> <p>Having said that, we support the proposal to extend the ESP categorisation to cover critical care services, mortuary services, crematoria, incineration of biohazards, water and wastewater and police, fire and other emergency services.</p>
<p>Q7: Do you agree with the option evaluation set out above? If not, please explain why.</p>	<p>Methanex supports:</p> <ol style="list-style-type: none"> <li>1. Tightening the criteria for designation as an ESP, and specifically excluding all food processing. Further consideration should be given to clarifying that when a Critical Contingency is severe enough and sufficiently prolonged the event must be considered a civil defence emergency and thus provide the appropriate mechanisms for the reallocation of available gas supply to those users not designated as ESP's under the tighter criteria applied to Critical Contingency Management but who may require priority access to gas over the course of time (such as producers and suppliers of staple foods and medical supplies).</li> <li>2. We support the creation of Band 7 to recognise that genuine ESP's should be the very last to be curtailed, irrespective of size.</li> <li>3. We support the redefinition of Band 5 proposed by GIC as the "Concept Review – amended" option (SOP page 46). We disagree with the Concept proposal to allow users to claim Band 5 priority on the basis of economic cost as being contrary to the principle of providing high priority only to those services required for the protection of people and the environment. Where there is genuine risk of significant economic damage to capital assets (and excluding loss of revenue or profit as a relevant factor) the correct mechanism is for users to apply for an MLC designation to provide them the opportunity to curtail gas usage in a manner necessary to avoid such damage occurring.</li> </ol> <p>We do however recommend that further consideration should be given to eliminating Band 5 altogether and including in Band 7 (renumbered) those additional services identified in the SOP for retention in Band 5 (SOP page 45), as being a logical extension of the proposal.</p>
<p>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.</p>	<p>No.</p>
<p>Q9: Would you delete any of the proposed categories?</p>	<p>No.</p>

QUESTION	COMMENT
<p>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?</p>	<p>Yes. We support the proposal to provide a separate category which permits the CCO a greater discretion to allocate limited amounts of gas to power generators for the purpose of starting up generation which uses alternative fuels or to otherwise maintain grid integrity. Further consideration should be given as to whether this should be a separate category from other MLCs given that it may result in a temporary increase in gas supplies. In addition, we recommend that given the importance of maintaining electricity supplies it can be exercised at the CCO's discretion at any time provided that it does not result in a curtailment of ESP's.</p>
<p>Q11: Do you agree with the above evaluation of options? If not, please explain why.</p>	<p>We conditionally support the third option nominated in the SOP (page 51).</p> <p>We believe that some users who are currently designated as ESP's, and some users in the Band 4 may qualify for designation as Minimal Load Consumers and so we support the proposal to investigate revising the eligibility threshold. However, before proceeding, further consideration needs to be given as to whether setting the threshold at 2 TJ/year will significantly increase the number of users with an MLC designation and the impact if any this will have on the ability of the CCO to perform its core functions during a Critical Contingency.</p>
<p>Q12: Do you agree with the above evaluation of options? If not, please give your reasons.</p>	<p>We support the third option nominated in the SOP (page 55).</p> <p>On balance we consider that an independent assessor would create an unnecessary duplication and raise the prospect of principal-agent risks, so we favour the GIC as the designating body.</p>
<p>Q13: Do you agree with the 9-month timeframe for transitioning to the new ESP and MLC arrangements?</p>	<p>Yes. Given the unsatisfactory state of affairs in regard to current ESP/MLC designations, particularly in respect to the size of Band 5 we recommend that the time allowed for transition to application of the revised criteria is kept to a minimum. We consider that a shorter time period would reduce the risk that an event would be triggered during the transitional period but on balance we do not oppose the nine month transition period proposed in the SOP.</p>

QUESTION	COMMENT
<p>Q14: Do you agree with the tight provisions for designations during a critical contingency event?</p>	<p>We do not support the concept set out in the SOP (page 57) of providing for urgent re-designation <u>during</u> a critical contingency as we consider this would distract the CCO from the performance of its core functions.</p> <p>The only exception we can think of is in circumstances where a user who would have been granted an ESP designation but was denied solely because of it having an alternative fuel supply discovers that during a Critical Contingency, for reasons beyond its control, it is unable to make use of those alternative fuel supplies. We recommend that as an alternative to the proposed flexibility arrangement for re-designation, the following arrangement should be considered:</p> <ul style="list-style-type: none"> <li>• No request for urgent re-designation should be considered during a Critical Contingency; but</li> <li>• In the case where a user has applied for an ESP designation and satisfied all the criteria but was denied because it had alternative fuel supplies, it should be provided with a conditional ESP designation that can be triggered if it is unable to access alternative fuels for reasons beyond its control. This in itself creates complications because the CCO may then be required to assess whether the user met the criteria but we consider this may be an acceptable trade-off.</li> </ul>
<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 framework details the appropriate information required.</p>
<p>Q16: Have we correctly identified the parties that should provide communications and the information that each should provide?</p>	<p>We agree that the CCO is the most suitable person to coordinate communications and issue regular public information updates. This will ensure consistent messages and improved communication.</p> <p>We recommend that the CCO is made solely responsible for all the items on page 64, with the exception of the following items which remain the sole responsibility of the asset owner:</p> <ul style="list-style-type: none"> <li>• Actions being taken to restore normal operation of the affected assets;</li> <li>• The best estimate of the time repairs will take; and</li> <li>• Other information asset owners consider appropriate, provided that it does not conflict with information required to be provided by the CCO.</li> </ul>

QUESTION	COMMENT
<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>We support the proposal for GIC to provide guidelines for determining whether an event is regional or national and when it is regional, the geographical extent. The guidelines would need to define the set of circumstances that constitutes a regional or national contingency as well as explaining the practical implications of the contingency on affected parties. The scenarios provided in Appendix 2 are useful but further information on the factors used in making the distinction between a regional and national contingency is required.</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. We support the recommendation made by Concept as set out in the SOP (page 72) including making the CCO responsible. Further, the CCO should be required to regularly monitor and revise the status or regional scope if necessary.</p>
<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>We support the proposal to provide the CCO with powers to direct TSO's to reconfigure their networks. However, in doing so it is important that the consequences of such action in increasing the regional scope of the Critical Contingency are considered. Constraining users on a part of the network that would have otherwise been unaffected but for the reconfiguration is justifiable only if it was required to enable gas supplies to be redirected to ESP's and MLC's that would otherwise have been curtailed.</p>
<p>Q21: Do you agree with this analysis? If not, please state why.</p>	<p>Yes.</p> <p>Provided that measures are taken to ensure that the status and scope of a critical contingency (national or regional) is declared by the CCO, there will be certainty regarding the part of the transmission system that TSO continues to have control over.</p> <p>The TSO will remain fully capable of managing the unaffected parts of the transmission system through operation of the Maui Pipeline Operating Code, including alleviating over-pressurisation.</p>

QUESTION	COMMENT
<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. We agree with the proposal to amend the Regulations to clarify that the CCO Performance Report should be published in draft form for public comment, to receive submissions on the draft and to consider those submissions in preparing the final version of the report. We also support the GIC giving itself powers to undertake an independent audit if submissions raise sufficient concerns.</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>We do not support the proposal to remove the requirement that CCO should assess its own compliance and TSO's compliance with the Regulations. We recommend that the functions of the Performance Report remain as they currently stand and note that the Concept Review (page 67) stated that it was "appropriate for the CCO to review its own actions and assess the extent to which it complied with its obligations, when preparing the Performance Report" (Concept, page 67).</p> <p>As a matter of course the CCO should continue to report on the level of TSO compliance. On the matter of self-assessment we accept that there may be an element of conflict regarding the CCO's assessment of its own performance. However, we don't consider this to be sufficient reason not to require it given the discipline it places upon the CCO. With the CCO draft report open to consultation we don't believe that the CCO will have any incentive to misrepresent its own performance.</p> <p>We do not consider that there is any evidence to support the view that self-assessment will necessarily overshadow the CCO's reporting of other matters and we consider self-assessment and assessment of TSO compliance to be equally as important as other aspects of the CCO's reporting obligations. The CCO can best judge how much time and effort it focuses on each particular aspect of the report.</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>We support the requirement that information is provided to the CCO on scheduled outages to assist the CCO's planning in the lead up to and initial declarations of a Critical Contingency. However, we do not consider there is justification for the wider distribution of this information such as through publication on its website. We do not consider that the usefulness of the information to a wider audience is sufficient set against the commercial sensitivity of such information.</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>N/C</p>

QUESTION	COMMENT
<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>N/C</p>
<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>We support the proposal (SOP, page 81). We are not convinced however that periodic notifications need to be provided annually, and bi-annually may suffice unless there are material changes that need to be brought to customers' attention in which instance we propose that GIC is given the right to require retailers to notify their customers.</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>We consider communicating by text message is useful as an added means of communication but should not reduce or replace an obligation on retailers to endeavour to make direct "human" contact with their customers in the case of Band 6 curtailment.</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>We support placing an obligation on retailers to contact all their customers (including Band 6); however, we recognise that "best endeavours" may be too high a threshold. We conditionally support the third option (page 83) but propose that retailers are given an opportunity to propose a process by which they can achieve an effective level of communication and response at a reasonable cost.</p>
<p>Q30: Please provide your views on the proposals outlined above for retailer curtailment plans.</p>	<p>N/C.</p>



QUESTION	COMMENT
Q31: Do you agree that retailers are best placed to assist their customers in applying for ESP or MLC status?	N/C.
Q32: Do you agree with the changes proposed to improve compliance with the CCM Regulations?	The proposal made to amend Regulation 55 to stipulate an upper limit on time between updates of four hours is not necessarily correct because updates may not be required at that frequency. Further consideration should be given to what is an appropriate compliance threshold.
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?	N/C
Q34: Do you agree with this proposal? If not, please give your reasons.	We support the proposal to amend Regulation 54(b) on the basis that the direction is to relay notification "as soon as practicable and in any event within 30 minutes.