



20 December 2012

Mr I Dempster
General Manager Operations
Gas Industry Company Limited
PO Box 10 646
Wellington 6143

Mighty River Power Limited
Level 14, ANZ Centre
23-29 Albert Street
Auckland 1010
PO Box 90399
Auckland 1142

Phone: +64 9 308 8200
Fax: +64 9 308 8209
www.mightyriverpower.co.nz

DDI: +64 6 348 7926

Dear Ian

Statement of Proposal - Amendments to the Gas Review of Gas Governance (Critical Contingency Management) Regulations 2008

Introduction

1. Mighty River Power welcomes the opportunity to respond to the Gas Industry Company's Statement of Proposal – Amendment to the Gas Governance (Critical Contingency Management) Regulations 2008. No part of this submission is confidential and Mighty River Power is happy for it to be publicly released.

Comments

2. Our responses to the questions raised by the Gas Industry Company are attached in the Appendix below.
3. We would however take this opportunity to suggest an alternative option which is that the GIC considers the drafting of a specific regulation within the Gas Governance (Critical Contingency Management) Regulations 2008 (Regulations), probably within Part 3 of the Regulations, to authorise the use of gas at a power station during a contingency event. The Critical Contingency Operator (CCO) should in certain circumstances have the power veto this limited use of gas by a power station operator during a contingency event.
4. From our perspective a critical aspect of this proposal is that the allowable volume and/or the duration of such gas to be used during a contingency event needs to be agreed and approved prior to rather than during a contingency event. We are concerned that if power stations were required to obtain the CCO's approval during a contingency event then there is the potential for delays in such a process that could undermine efforts to stabilise the electricity system.

5. We recommend the gas that can be used during a contingency event by power station operators be authorised by the GIC via an applications process similar to that proposed for Essential Service Providers and Minimum Load Customers.
6. We note and agree with the proposal to create a new curtailment band, Critical Care Providers - Band 7. We are however concerned that the Statement of Proposal does not include any approvals process for customers to be allocated into this new curtailment band.
7. Given that customers in this new curtailment band will be given the highest priority to gas under the Regulations then we believe that a rigorous applications and approvals process is required for this curtailment band. We therefore suggest that applications for this curtailment band be made by customers to the GIC in the same manner as proposed for the approval of Essential Service Providers and Minimum Load Customers,
8. One of the issues that we raised within our submission earlier this year on the Concept review of the October 2011 contingency event was the gap created by the lack of inclusion of the Network Operators during a contingency event within the Regulations.
9. If a critical contingency event should develop to the point where residential customers needed to be curtailed then, given the importance given to communications within the Statement of Proposal, the Critical Contingency Operator (CCO) should, as a minimum have in place a formal communications arrangement with the Network Operators as well as the Transmission Systems Operators.
10. We would therefore propose that the Gas Industry Company considers formalising the communications arrangements between the CCO and the Network Operators within the Regulations.

Concluding remarks

11. If you would like to discuss any of our above comments directly with Mighty River Power, then please do not hesitate to contact me on 06 348 7926 or jim.raybould@mightyriver.co.nz .

Yours sincerely



Jim Raybould
Gas Manager

Appendix 1: List of questions for submitters

Submission prepared by: Jim Raybould for Mighty River Power

QUESTION	COMMENT
<p>Q1: Are there any other matters that should be addressed when considering proposals to amend the CCM Regulations?</p>	<p>We note that the Statement of Proposal includes the creation of a Critical Care Providers category in a new Curtailment Band 7 but there are no proposals regarding how customers apply for and are approved into this new Curtailment Band.</p> <p>We would propose that as a minimum a formal communications relationship between the CCO and the Network Operators should be formalised within the Regulations.</p> <p>We have commented on both the above matters in our covering letter above</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>Yes</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>We are of the opinion that the introduction of a trading arrangement would be too complex and difficult to monitor. Also given the intention is that trading will only be between customers within a specific curtailment band and only when the CCO partially curtails the band it is our view that this is unlikely to be a particularly practical option. We therefore do not believe that this is an option worth exploring in any great detail.</p> <p>It is also possible if such an arrangement was implemented then it may create the perception of preferential treatment for certain customers.</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>We agree that the regulations referred to provide sufficient flexibility to the CCO with regards to changing circumstances for the curtailment of gas supplies. In addition we believe that the CCO is also afforded sufficient flexibility in managing a contingency event with regards to the restoration of supplies via regulation 53 (1) (e).</p>
<p>Q5: Do you have any comments on the analysis of ESP consumers?</p>	<p>We generally agree with the GIC's analysis but it should be remembered that the Network Operators who do not have a direct relationship with the customers are responsible for populating this entry in the Registry. This may be one of the main reasons why some of the entries within the Registry are incorrect. We would suggest that the Gas Switching Rules be amended to transfer this responsibility to from the Network Operators to the Retailers.</p>
<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>We agree with the GIC's proposals.</p>
<p>Q7: Do you agree with the option evaluation set out above? If not, please explain why.</p>	<p>Yes but we wonder if Band 5 should include fresh bread bakers given the short shelf life of fresh bread?</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>
<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>As per our covering letter our preference would be the creation of a specific regulation to authorise the use of gas at a power station during a contingency event. With regards to the two options within the Statement of Proposal our preference is for the creation of special category for electricity generators. We are of the view that it is important that the volume of gas that may be used in these circumstances is approved prior to any contingency event.</p>

QUESTION	COMMENT
<p>Q11: Do you agree with the above evaluation of options? If not, please explain why.</p>	<p>Yes</p> <p>With regards to the criteria to become a MLC we believe that it would be sufficient to require time of use (TOU) metering to qualify for this status regardless of the customers' annual consumption.</p>
<p>Q12: Do you agree with the above evaluation of options? If not, please give your reasons.</p>	<p>Yes but we would add the criteria that to qualify for ESP or MLC status customers must have time of use metering installed. This is important as TOU metering is the only way to accurately monitor a customer's compliance with the CCO's curtailment instructions during a contingency event.</p> <p>In our opinion the cost of having a time of use meter is the price customers have to pay to achieve these designations.</p>
<p>Q13: Do you agree with the 9-month timeframe for transitioning to the new ESP and MLC arrangements?</p>	<p>We would have thought that given the anticipated significant reduction of the number of ESP customers that the application process for these customers could be completed within 3 months. The completion of the MLC and Critical Care Providers (Band 7) designations could then be completed within the 9 month deadline.</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 but only the minimum. Also as we have commented on above we believe that there is a need within the Regulations to formalise the potential involvement of and impact on Network Operators during a contingency event.</p>
<p>Q16: Have we correctly identified the parties that should provide communications and the information that each should provide?</p>	<p>Yes but only in so far as the contingency event does not have a direct impact on domestic customers.</p> <p>As stated in our covering letter it is our opinion that the Regulations should acknowledge and provide, as a minimum for communications protocols, for the potential that a contingency event may result in a Network Operator having to take steps to protect their networks by curtailing domestic gas supplies.</p>

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>We agree</p>
<p>Q18: Do you agree that a set of guidelines would be the most efficient way to identify regional contingencies?</p>	<p>Yes but perhaps the naming of contingency events as national and regional may not be the most appropriate and therefore the GIC may wish to consider renaming the two different types of events.</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>We agree that the CCO is the best placed party to determine the national or regional nature of a contingency event. Whilst most contingency events will fall clearly into one type of event or the other there may be situations where the CCO will require some information on shippers' gas rights before determining the nature of a contingency event. We are however sure that the CCO will be able to put arrangements in place to obtain such information from the likes of the Maui Commercial and or System Operator.</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>Yes and Yes. We note that Vector Transmission implemented a change request to speed up the contractual arrangements within the VTC to allow for this type of emergency action to be approved.</p>
<p>Q21: Do you agree with this analysis? If not, please state why.</p>	<p>We agree with your analysis</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>

QUESTION	COMMENT
<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. We do not believe that this would be a particularly onerous obligation and it is similar to the information provided by Transpower for the electricity industry.</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 the Allocation Agent is the best organisation to provide this type of aggregated consumption information.</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 the GIC should always be able to appoint the best person or organisation as CCO.</p> <p>We also agree that any institutional information should be able to be passed on from operators to operator.</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 would support the proposal made at the workshop on 6 December that the GIC should write such a customer communication and that retailers are then responsible for delivering this message to their customers. We believe that consistency of message is important and that this is best achieved by the delivery of the same message to all customers.</p> <p>We are not convinced that an annual notification would be the best frequency for delivering such a message and would suggest every two years as an alternative.</p>

QUESTION	COMMENT
<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>Yes</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>Yes so long as it is a best endeavours obligation.</p> <p>We agree with the suggestion that retailers should in general prioritise notification of curtailment instructions by size of customer load within Band 6 largest to smallest.</p>
<p>Q30: Please provide your views on the proposals outlined above for retailer curtailment plans.</p>	<p>We are of the opinion that as retailers' curtailment plans are likely to contain confidential information. In addition the inclusion of internal contact details within these plans could create operational problems during a contingency event if they were in the public domain. It is possible to delete the above information but we are unsure of the benefit of publishing plans with a number of heavily redacted pages.</p> <p>As an alternative to publishing curtailment plans we would suggest that retailers could provide copies of their curtailment plans for those customer covered by the Regulations to the GIC for approval.</p>
<p>Q31: Do you agree that retailers are best placed to assist their customers in applying for ESP or MLC status?</p>	<p>In general yes.</p>
<p>Q32: Do you agree with the changes proposed to improve compliance with the CCM Regulations?</p>	<p>Yes but other than TOU customers how does one prove gas use during a critical contingency event? i.e. where will the burden of proof lie for non-compliance for non- time of use customers?</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?	Yes.
Q34: Do you agree with this proposal? If not, please give your reasons.	Yes.