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Dear Ian

Submission on Exemption Application by Contact Energy Limited from the Gas (Downstream Reconciliation) Rules 2008 – DR10-02-S

1. Vector Limited (**Vector**) welcomes the opportunity to make a submission to the Gas Industry Company (**GIC**) on the application by Contact Energy Limited (**Contact**) for an exemption from the Gas (Downstream Reconciliation) Rules 2008 in respect of the Te Rapa Cogeneration Plant (DR10-02-S).

Vector's Position

2. Vector does not oppose the granting of Exemption DR10-02-S for the Te Rapa gas gate under equivalent terms to the existing direct connect gas gate exemptions.
3. Further, Vector considers that it is appropriate to:
 - (a) consequentially amend the Gas (Downstream Reconciliation) Rules 2008 (Exemption: Direct Connect Gas Gates) Notice 2008 to delete the item 'TR02003 Te Rapa Cogeneration Plant' from the Table in section 2(c); and
 - (b) limit the period of the exemption to the same as that for the Direct Connect gas gates, i.e. concluding on 30 September 2010.
4. Vector opposes Contact's non-regulatory alternative proposal.

Contact's Alternative Proposal

5. While the GIC has not called for comment on Contact's alternative solution noted in its application, Vector wishes to record its position on that proposal.

We consider it would be inappropriate for the GIC to consider that proposal. Contact has suggested that the same outcome as an exemption could be achieved by a non-regulatory solution. Contact's proposal is:

An alternative, that avoids the need for a variation to the current exemption, is for Contact to give a written undertaking to Gas Industry Co (and if necessary the Critical Contingency Operator) that when a critical contingency is declared it would cease taking gas for use by the GT/HRSG as soon as Contact receives a direction to curtail demand of consumers in curtailment band 1b, and cease taking gas for use by the auxiliary boiler as soon as Contact receives a direction to curtail demand of consumers in the curtailment band applicable to the site if the only usage was for the auxiliary boiler.

The alternative is preferred as being less complicated but still resulting in the same outcome as would be achieved by creating the additional ICPs is to allow the two modes of operation to be treated differently. Effectively it would treat the ICP for the direct connect gas gate as notionally two different ICPs depending on the mode of operation.

6. Vector opposes this proposal for the following reasons, namely it:
 - (a) creates a 'back-door' uneven playing field for large consumers under the Gas Governance (Critical Contingency Management) Regulations 2008;
 - (b) is non-binding so the Gas Governance (Compliance) Regulations 2008 would not apply; and
 - (c) is tantamount to contracting out of the Downstream Reconciliation Rules and the Critical Contingency Management Regulations.

Critical Contingency

7. The Gas Governance (Critical Contingency Management) Regulations are an important regulatory mechanism for the effective management of critical gas outages and security of supply contingencies. They apply across the board to all industry participants and prescribe the minimum requirements on the various categories of participants to achieve that purpose. While Vector considers that the Regulations would still apply to Contact in respect of Te Rapa even if the direct connect gas gate exemption was not varied, it is important to ensure that the integrity of the Regulations is not compromised by any purported alternative arrangements.

Compliance

8. The Gas Governance (Compliance) Regulations 2008 provide for the monitoring and enforcement of various regulations administered by the GIC including the Downstream Reconciliation Rules. The proposed alternative arrangement is non-binding so would not be subject to enforcement in the

event that there was a critical contingency and Contact decided (for any reason) to not comply with its written assurance to the GIC and the Critical Contingency Operator to curtail demand. As with the Critical Contingency Regulations, it is important to ensure that the integrity of the Regulations is not compromised by any purported alternative arrangements.

Contracting out of legislation

9. The administrative alternative proposal, if approved by the GIC, would effectively amount to a contracting out of important gas governance subsidiary legislation. While contracting out of some legislation is permitted, Contact's proposal would not give effect to the purpose and scheme of the Downstream Reconciliation Rules and Critical Contingency Management Regulations.
10. The completed submission template is **attached**.
11. Thank you for considering this submission. If you require further information, or wish to discuss any aspect of this submission, please contact me at John.Rampton@vector.co.nz or 803 9036.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Rampton'.

John Rampton

Manager Industry Governance and Policy

Appendix A - Recommended Format for Submissions

To assist Gas Industry Co in the orderly and efficient consideration of stakeholders' responses, a suggested format for submissions has been prepared. This is drawn from the questions posed in the body of this Consultation Paper. Submitters are also free to include other material on the exemption application in their responses.

Submission from: Vector Limited (**Vector**) – John Rampton, Manager Industry Governance and Policy, 803 9036

Question	Comment
<p>Q1: Do submitters support granting the exemption DR10-02-S for the Te Rapa gas gate under equivalent terms to the existing direct connect gas gate exemptions?</p>	<p>Vector does not oppose the granting of Exemption DR10-02-S for the Te Rapa gas gate under equivalent terms to the existing direct connect gas gate exemptions.</p>
<p>Q2: If you support granting the exemption, do you also support variation of the existing Gas (Downstream Reconciliation) Rules 2009 (Exemption: Direct connect gas gates) Notice 2008 by removing 'TRC02003 Te Rapa Cogeneration Plant' from the list of gas gates covered by that exemption?</p>	<p>Vector considers that it is appropriate to:</p> <ul style="list-style-type: none"> (a) consequentially amend the Gas (Downstream Reconciliation) Rules 2008 (Exemption: Direct Connect Gas Gates) Notice 2008 (as varied) to delete the item 'TR02003 Te Rapa Cogeneration Plant' from the Table in section 2(c); and (b) limit the period of the exemption to the same as that for the direct connect gas gates, i.e. concluding on 30 September 2010.