



**Submission to the Gas Industry Company
on its Report on exemptions granted in
respect of rules 41 and 42 of the Gas
(Downstream Reconciliation) Rules 2008**

From

Contact Energy Limited

16 April 2009

Introduction

Contact Energy Limited (“Contact”) welcomes the opportunity to provide feedback to the Gas Industry Company (“GIC”) on its Report on exemptions granted in respect of rules 41 and 42 of the Gas (Downstream Reconciliation) Rules 2008.

Contact is not aware of any reason that means the relaxation of the deadline from 0800 hours to 1200 hours under rule 41 should not continue. However, Contact would be concerned if this exemption led to any delay in M-co providing allocation information.

To allow time for Vector to further develop supply of daily gas gate information Contact suggests the exemption granted in respect of rule 42 should continue, but in a revised form that requires Vector to progress towards providing daily gas gate information for all gas gates where there is a net benefit in providing that information. The GIC should require quantification of the costs and benefits of providing daily information to determine the lower limit of gas gate capacity at which there is a net benefit. In the absence of a detailed cost benefit analysis Contact suggests the current threshold for TOU customer metering of 10TJ/a would be an appropriate cut off for provision of daily information from the Vector transmission system.

Contact’s answers to the GIC’s questions follow using the GIC’s suggested format.

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Discussion Paper Questions

In regard to Rule 41

Question	Comment
<p><i>Q1: Do you agree or disagree with a continued relaxation of the 0800 hours deadline for the provision of information under rule 41? Please give reasons</i></p>	<p>Provision of validated energy quantities by Vector to M-co at month end together with the information provided by retailers allows M-co to allocate gas quantities. Allocated gas quantity information is then used for billing purposes and by Vector shippers to determine their mismatch position. Delay in M-co providing allocated gas quantity information means shippers are required to manage an uncertain imbalance position for a longer period.</p> <p>Any delay in submission of information to Vector that could delay release of allocated gas quantities by M-co is of concern to Vector shippers. Adherence to data submission deadlines is therefore important.</p> <p>However, Contact is not aware of any reason that a relaxation of the deadline for submission of data under rule 41 from 0800hours on the 4th business day following month end to 1200 hours on the 4th business day following month end would cause a material delay in release of allocated quantities by M-co.</p> <p>Data corrections are also a concern to Vector shippers. TSOs require a reasonable time following month end to validate data.</p> <p>Eventually the industry should move towards determining allocations on the day following each delivery day. That will remove much of the uncertainty around balancing.</p>
<p><i>Q2: If there is continued relaxation of the deadline via exemption, do you favour retaining the 1200 hours deadline or tightening the deadline to either 1000 or 1030 hours? Please give reasons.</i></p>	<p>It is important that:</p> <ul style="list-style-type: none"> – there is a deadline; – the TSOs meet the deadline; – data submitted by the deadline is accurate; – the deadline is realistic and achievable; and – the deadline meets the needs of users of the information. <p>Continued relaxation of the deadline to 1200 hours seems reasonable given the reasons Vector has cited for being unable to meet an earlier deadline.</p>

Question	Comment
<p><i>Q3: Vector's view is that the costs that would be incurred to enable information under rule 41 to be reliably provided by 0800 hours are too substantial to be justified by the benefits. Do you accept this view or do you think that further information should be sought? Please give reasons.</i></p>	<p>Contact accepts Vector's view.</p>
<p><i>Q4: Gas Industry Co's preliminary view is that there appears sufficient reason for the extension of an exemption to 30 September 2010, perhaps with a modified deadline. Do you agree or disagree with this view? Please give reasons.</i></p>	<p>Contact agrees that there appears to be sufficient reason to extend the relaxation of the deadline of 0800 hours on the 4th business day to 1200 hours on the same day to 30 September 2010. Nevertheless, it should be made clear that TSOs are required to meet the 1200 hours deadline.</p>
<p><i>Q5: Are there any as yet unreported problems that have been caused by the existing exemption that you would like to identify and comment on?</i></p>	<p>Contact is not aware of any unreported problems.</p>

In regard to Rule 42:

Question	Comment
<p><i>Q5 Do you agree or disagree with Gas Industry Co's preliminary view that an appropriate course of action is to continue an exemption under rule 42 on the terms and conditions set out in section 5.2 above? Please give reasons</i></p>	<p>Contact agrees that continuation of some aspects of the current exemption will be necessary. However, the exemption should require Vector to continue to progress towards providing metering data for all its gas gates equipped with SCADA or telemetry. In addition, it should be clear under the rules which gate stations are required to be equipped with SCADA or telemetry. Contact understands that some operators of distribution networks are now requiring all delivery points with capacity greater than 10TJ/a to be equipped with telemetry. That is the current threshold for TOU customer hourly metering. The same standard should apply to Vector transmission system gas gates.</p> <p>The metering information obtained from Vector transmission system gas gates on the day following gas delivery is necessary for management of pipeline balancing. Without that information estimates must be used. Clearly there is a point at which the cost of providing following day metering information exceeds the value of that information. An evaluation of the costs and benefits of providing gas gate metering information on the following day would usefully determine the gas gate capacity at which the costs of providing the information exceed the benefits. Such an evaluation would allow revision of rule 42 to reflect the net benefit of the rule to shippers.</p>
<p><i>Q6 Are there any other approaches allocation participants consider to be more appropriate in respect of an exemption? If yes, then please provide details and give reasons.</i></p>	<p>As indicated in the response to question 5, the exemption from rule 42 should be restated so that it requires Vector to progress towards providing daily gas gate information down to a level of gas gate capacity where there is a net benefit in providing that information. That will require an evaluation of the costs and benefits of providing that information and will require Vector to justify and quantify detailed costs for providing that information.</p> <p>At this stage a target of installing telemetry for all gas gates with capacity in excess of 10TJ/a and provision of daily gas gate information for all gas gates with telemetry seems reasonable. Vector should be given a reasonable time to achieve that target.</p>
<p><i>Q7 Are there any as yet unreported problems that have been caused by the existing exemptions that you would like to identify and comment on?</i></p>	<p>Lack of daily metering information continues to make it very difficult for shippers to manage pipeline balancing. That results in increased gas costs.</p>