

10 June 2016

Ian Wilson
Gas Industry Company
Level 8, The Todd Building
95 Customhouse Quay
PO Box 10 646,
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Dear Ian

Gas Transmission Security and Reliability – Gas Industry Co Issues Paper - April 2016

Contact Energy Limited (**Contact**) thanks the Gas Industry Company for the opportunity to provide feedback on its recent Gas Transmission Security and Reliability – Gas Industry Co Issues Paper (**S&R Paper**).

Contact agrees with the findings that there is appropriate regulatory frameworks and incentives in place but that more can be done to enhance the outputs and provide additional incentives. We also agree that the current Gas Transmission Businesses (**GTBs**) provide a large body of helpful information within their Asset Management Plans.

Please find **attached**, as Appendix A, Contact's specific responses to the questions within the **S&R Paper**.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Sharon Wray".

Sharon Wray
Fuels Manager, Generation & Development

Appendix A – Contact’s Response

Q1: Do you agree that the current disclosed metrics provide useful status and trend indications? If not, what information do you think is redundant or missing?	Yes the information provided is useful, but as suggested it can be difficult to easily navigate.
Q2: Do you agree that the metrics could usefully be summarised and displayed in a ‘dashboard’ format, accompanied by the GTB’s interpretation? Are there other improvements you would suggest?	Yes, this would provide a good high level overview.
Q3: Do you agree that there are strong reputational, contractual and legislative drivers for a GTB to achieve effective S&R? If not, what else do you think is needed?	Yes, given that gas can often be viewed as a discretionary fuel source, and alternatives to using gas as a fuel source are available, it is very important that it has strong safety and reliability drivers.
Q4: Do you think we have correctly identified the requirements to achieve the S&R objectives? If not, what requirements are unnecessary, or missing?	Yes but in addition there may be a requirement to further advance a demand side management regime that allows for those who value gas lowest or have alternative fuel supplies, at a time of limited capacity, to sell their capacity rights to those that value the gas and security of supply highest.
Q5: Do you think the gap analysis is adequate? If not, what gaps have not been identified?	Yes
Q6: Do you agree that it is not necessary to mandate any security standards?	Yes
Q7: Do you agree that the current AMPs are generally adequate, but missing a layer of GTB interpretation?	Yes
Q8: Do you agree that it is unnecessary for a GTB’s PIMP to be disclosed?	Yes
Q9: Do you agree that there are statutory arrangements to permit scrutiny of a	Yes

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<p>GTB's decisions to invest, or not invest (albeit that these arrangements have not yet been tested)?</p>	
<p>Q10: Are there any aspects of the gap analysis that you do not agree with?</p>	<p>The analysis states that there is legislative requirements that allow for efficient system expansion under part 4 which are designed to ensure suppliers of regulated goods or services have incentives to innovate and invest. This is done by allowing for a Customised Price Path (CPP) to be set. This is untested and it appears the CPP is not seen as an easy option for GTBs. In the current market, innovation is key to encouraging new use of gas and expanding existing use, yet it is difficult to see incentives being applied to GTBs to further this objective.</p> <p>Contact also agrees that there is further work to be done to improve the efficient capacity allocation arrangements and re-allocation when constraints are encountered.</p>
<p>Q11: Do you agree with our suggested action points? Are there any other actions that you believe are necessary?</p>	<p>Yes, together with the comments made above.</p>

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