



**Draft Submission by New Zealand Steel Limited on the VTC Change request Nov 2012**

by

**New Zealand Steel Limited  
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**Introduction:**

New Zealand Steel Limited operates a fully integrated steel mill at Glenbrook, South Auckland, producing a large range of steel products for the local and export markets. It is a wholly owned subsidiary of BlueScope Steel Limited of Australia. New Zealand Steel wishes to make a submission to the Gas Industry Company Limited (GIC) on the Vector Transmission Code (VTC) Change Request Nov 2012.

**Background:**

Natural gas is consumed at the New Zealand Steel Glenbrook site in a variety of processes associated with iron and steelmaking, and steel rolling and finishing operations. Site consumption ranges from 1.8PJ to 2.2PJ per year. The predominant use of natural gas is in the Hot Strip Mill Slab Reheat Furnace, which consumes approximately 50 % of the gas delivered to site, or 1PJ per year. Other uses are of considerably less volume and distributed widely across site.

While the predominant use of natural gas at New Zealand Steel is as an energy source, natural gas is also used for specialist purposes such as a coolant in the steelmaking process, and for influencing the ironmaking chemical process if required.

NZ Steel has shown commitment by an industrial end user of gas for improvements in the design of transmission balancing. This has been manifest in both by providing relevant submissions, and in being a member of the Industry Code Development work in 2009.

**Submission:**

New Zealand Steel has reviewed the VTC Change request Nov 2012 and associated documentation. We are in agreement with the general intent i.e. to continue to strive to attribute costs to causers of transmission system imbalance.

We are, however, concerned that there may be an inadvertent result of the change. By moving to a back to back balancing regime the time available for "self balancing" is reduced with no additional mechanisms provided to facilitate "self balancing", apart from compression of the approval process. Without an additional nomination cycle an end user has an effective 8 hours which they cannot react in at the end of the day, from 4pm to midnight, should a significant change in their gas consumption profile occur. This change could be beyond their immediate control, which affects their ability to meet their nominated scheduled quantity for delivery, and as such without an instrument to correct could be judged as being put in an unfair position. It should be noted in the New Zealand Electricity Wholesale Market the ability to revise bids is available on a much more frequent basis, and is not constrained as such.

NZ Steel has submitted previously that an additional nomination cycle time should be added to improve this, and once again resubmits this assertion.

If the VTC change request is, nevertheless, approved we submit that a review step is provided to ensure that compliance costs, both direct and indirect, have not in fact increased which would be counter to the objectives of the Gas Act.