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20/7

25 August 2009

Gas Industry Company Ltd
PO Box 10 646
Wellington

Dear Sir / Madam

EXEMPTION APPLICATIONS DR09-12-U UNDER THE GAS (DOWNSTREAM RECONCILIATION) RULES 2008 (31 AUGUST 2009)

Thank you for the opportunity to comment on the exemption applications DR09-12-U. I am responding on behalf of Energy Direct NZ Ltd (EDNZ).

Overall we agree that the Gas Industry Company's initial decision DR08-27-U from Nova Gas stands as no significant new arguments have been raised in the revised applications.

If you would like to discuss our comments further please contact me by email at tara.gannon@energydirectnz.co.nz or by phone on DDI 06 349 2055. Alternatively you can contact our General Manager, Michael Ram, by email at michael.ram@energydirect.co.nz or by phone on 06 349 0129.

Yours sincerely

A handwritten signature in black ink that reads "T. Gannon".

Tara Gannon
Energy Trading Supervisor

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Submission on Exemption DR09-12-U under the Gas (Downstream Reconciliation) Rules 2008

Submission from: **Energy Direct NZ**

Contact: Tara Gannon, Energy Trading Manager

| QUESTION | COMMENT |
|--|---|
| <p><i>Q1: Do you consider that the exemption sought for Nova's bypass networks should be granted? Please give your reasons.</i></p> | <p>Further to our submission on 17 April 2009 on governance of bypass networks, EDNZ agrees that bypass networks may be granted exemptions from the Gas (Downstream Reconciliation) Rules 2008, as all consumption at the gas gate would be allocated to the bypass network owner. However, there should be some constraints including that the bypass network retailer:</p> <ul style="list-style-type: none"> • Is required to supply historic consumption information if the supply switches to another gas network and or retailer; and • Agrees not to trade on the local open access network for individual supplies also connected to the bypass network. <p>Where injection quantities at a bypass network gate are required to calculate the injection quantities at open access gates (such as Tawa A), injection quantities should be provided.</p> |
| <p><i>Q2: Do you consider granting an exemption is desirable to better achieve the objectives set out in section 43ZN of the Act and for the purpose of the rules?</i></p> | <p>As no other retailer can currently trade on Nova Gas' bypass networks, all UFG is attributable to Nova Gas or other Todd Energy subsidiaries. We do not believe that it is efficient or cost effective for Nova Gas to submit allocation data, or for the allocation agent to complete allocation processes for gas gates on these bypass networks, unless that data is required as an input to an open access gas gate's allocation calculations. There would be no benefit to Nova Gas' customers.</p> <p>As a retailer who trades on open access networks that compete with Nova bypass networks, we appreciate that the exemption would increase Nova Gas' competitive advantage, by:</p> <ul style="list-style-type: none"> • Exempting them from contributing to ongoing fees associated with allocation and reconciliation for these gas gates; • Reducing their internal staffing, processing and system costs as they would not be required to report to the allocation agent for these gas gates; and • No unaccounted for Gas. <p>If the exemptions are approved it would encourage further investment in bypass networks, which would ultimately benefit consumers.</p> |
| <p><i>Q3: Do submitters have any other comments on the application from Nova seeking exemption from the allocation of gas from its bypass networks?</i></p> | <p>We understand the GIC's reasons for declining the application, but believe that the costs outweigh the benefits.</p> |