

## Critical Contingency Review – Questions from GIC & MDL Responses



Ref.	Concept Consulting Group Proposal	GIC Question		MDL Response
5.5	Retain the current arrangement whereby consumers with back-up supplies are curtailed before consumers without back-up supplies.	1.	Do you agree that consumers with back-up supplies should continue to be curtailed before those without back-up supplies or do you consider that the possible loss of investment efficiency outweighs the possible short-run costs of from inefficient curtailment?	On balance, MDL supports retaining the current arrangement where consumers with back-up supplies are curtailed before consumers without back-up supplies.
5.7	The existing Regulation 47 is reviewed with the aim of ensuring that it is used to deal with health and safety risks only under exceptional circumstances, while maintaining incentives on consumers to consider and manage health and safety risks more generally.	2.	Given that employers have clear obligations to maintain safe work-places, do you agree that Regulation 47 should be clarified to ensure that its application is restricted to exceptional circumstances?	Yes. MDL agrees that Regulation 47 may be too broad and open-ended, and there may not be sufficient sanction available within the framework of the Gas Act and the Regulations to ensure that it is used only in exceptional circumstances.
5.8	The Regulations are amended to either: (a) allow band 6 consumers to apply for “critical care” ESP designations; (b) provide for band 6 and band 7 to be given equal priority in terms of curtailment and restoration; or (c) allow band 6 consumers to “self-select” ESP status during a gas contingency.	3.	Do you consider that small (<2TJ pa) “critical care” consumers should be eligible for ESP status and only required to curtail as a “last resort”?	Yes.
		4.	What is the best mechanism for achieving this outcome?	MDL agrees that the “self-selection by small ESP” mechanism is preferable for the reasons outlined in the Discussion Paper e.g. it will provide for priority supply to all ESPs, while avoiding the overhead costs associated with a proliferation of applications from small consumers seeking ESP status. However, as suggested in the Discussion Paper, adoption of such approach would need to be advanced in conjunction with necessary modifications to compliance and enforcement
		5.	Would you support a “self-select” ESP mechanism for small (<2TJ) consumers if it was possible to modify the compliance arrangements and enforce compliance more readily?	

				arrangements.
5.9	The Regulations are amended to remove the reference in 44(3) to the Schedule of the National Civil Defence Emergency Management Plan Order 2005 and incorporate specific criteria relating to “critical care services”, “essential food production”, “environmental protection”, and “minimum supply to preserve economic activity”.	6.	Do you agree that the reference to the NCDEMP Order should be replaced with more specific criteria?	<p>Yes. MDL agrees that:</p> <ul style="list-style-type: none"> <li>(a) the application of the current NCDEMP emergency response objectives should be replaced by more specific and narrow Essential Service Provider (ESP) criteria; and</li> <li>(b) narrower, more robust criteria, combined with more stringent approval processes (as referred to further below), should lead to more accurate and consistent ESP designations and lower overall costs to the economy during critical contingencies.</li> </ul>
		7.	What categories do you consider should be eligible for ESP designation, and how would you rank these in order of importance?	<p>MDL agrees with the suggestion that the Regulations should be amended to provide for the following ESP categories with the following priority order: (last to be curtailed listed first):</p> <ul style="list-style-type: none"> <li>(a) “critical care services”;</li> <li>(b) “essential food production” and “environmental protection”;</li> <li>(c) “minimum supply to avoid substantial economic costs”.</li> </ul> <p>MDL agrees that clear criteria covering each of these categories should be included in the Regulations, and the arrangements should be amended to provide a more robust process for considering applications. However, as a result of MDL’s role as a TSO and the limited number of Consumer Installations or Interconnection Points directly connected to the Maui Pipeline, MDL feels other parties may be in a better position to comment on ESP designation and process.</p>
5.9	The Regulations are amended to	8.	Where consumers are designated as ESPs	MDL agrees that there may be some circumstances where

	require that all designations as an ESP must specify a minimum load that is considered “essential”. Under most circumstances this would be expected to be less than normal gas consumption.		what level of gas supply should be allowed during a critical contingency?	the availability of a reduced gas supply to a consumer could significantly mitigate adverse effects in essential food production, in situations where environmental damage could occur, or in situations where economic costs associated with a full loss of supply would be particularly high. Therefore, we believe there is merit in retaining the possibility of an ESP designation to cover a limited gas supply in these situations. However, the level of that gas supply may depend on a number of factors, including the specific circumstances of the critical contingency and the particular facilities and operations of an ESP. Further analysis would be required to determine an acceptable minimum level of gas supply.
5.9	Schedule 2 (the curtailment schedule) to the Regulations is amended to replace the current band 5 with bands 5a (minimum supplies to avoid substantial economic costs), 5b (minimum supplies for essential food preparation and environmental protection), and band 7 (critical care services).	9.	What sequence of curtailing gas supplies during a critical contingency do you consider to be appropriate and why?	MDL agrees with the revised curtailment schedule proposed in the Discussion Document. However, as a result of MDL’s role as a TSO and the limited number of affected Consumer Installations or Interconnection Points directly connected to the Maui Pipeline, MDL feels other parties may be in a better position to comment on any specific proficiencies or deficiencies in the curtailment (and restoration of demand) schedule.
5.9	The Regulations are amended to require consumers who wish to be designated as ESP to supply information on the essential nature of the service, any back-up supply arrangements in place or the reasons	10.	What information should potential ESPs be required to provide in support of an application?	The information suggested in the Discussion Document appears sufficient and reasonable. However, the body approving ESP applications may need the flexibility to obtain additional information in order to assess the unique characteristics of a particular applicant.

	why back-up supply arrangements are not feasible, the minimum supply necessary to maintain the service, and emergency arrangements for coping with full loss of supply (including emergency stores and other back-up arrangements necessary to survive a gas outage).	11.	Do you agree that potential ESPs should be required to demonstrate that they have considered back-up supply arrangements?	
5.10	Retain flexibility to approve ESPs and MLCs during a contingency, but limit this to exceptional circumstances, and ensure that the arrangements encourage retailers and consumers to prepare in advance.	12.	Do you agree that the flexibility to approve ESP and MLC designations during a contingency should be retained but limited to exceptional circumstances?	Yes. MDL agrees it would clearly be preferable for ESP designations to be organised in advance, and for the CCO not to be distracted by applications while managing a critical contingency. However, as noted in the Discussion Document, it is unrealistic to expect that all consumers with essential service characteristics will be appropriately designated in advance and some flexibility to designate consumers during a contingency should be retained. MDL agrees that this flexibility should be limited to exceptional circumstances.
5.11	The Regulations are amended to require consumers who wish to be designated as MLC to supply information on the rationale (e.g. probable damage to plant), the economic costs involved with loss of supply, any back-up supply arrangements in place or the reasons why back-up supply arrangements are not feasible, the minimum supply arrangements necessary to avoid damage to plant, and emergency arrangements for coping with full loss of supply (including emergency stores and other back-up arrangements necessary to survive a gas outage).	13.	What information should potential MLCs be required to provide in support of an application?	The information suggested in the Discussion Document appears sufficient and reasonable. However, the body approving MLC applications may need the flexibility to obtain additional information in order to assess the unique characteristics of a particular applicant. MDL believes there needs that further work is required to ensure the appropriate designation of relevant consumers as either ESP or MLC.
		14.	Do you agree that potential MLCs should be required to demonstrate that they have considered back-up supply arrangements?	

5.12	The existing arrangements whereby band 6 customers are required to curtail demand is retained, rather than replaced with a requirement for a public appeal for savings;	15.	What is the most appropriate mechanism for curtailing gas demand from small customers (<2TJ pa) during a critical contingency – curtailment directions, a public appeal for savings, or both?	On the assumption that steps in the Discussion Document are taken to ensure retailers are better prepared and have clearer plans in place for contacting band 6 consumers, there would seem to be no obvious harm in supplementing the curtailment direction with a public appeal for savings i.e. the scope for “mixed messages” should be reduced.
6.1	The Regulations are amended to provide an on-going obligation on retailers to notify consumers about the possibility of loss of supply and the opportunity to apply for ESP and/or MLC designation.	16.	Do you agree the “one-off” obligation in r39 should be replaced by an on-going obligation for retailers to notify consumers and work with them on contingency plans?	Yes.
6.1	The Regulations are amended to clarify that each consumer installation should be separately identified and allocated to a curtailment band based on the characteristics of each installation (rather than aggregating multi-site consumers).	17.	Do you agree that the regulations need to be amended to clarify that each consumer installation (ICP) should be separately identified and allocated to a curtailment band?	Yes.
6.1	The Gas (Switching Arrangements) Rules 2008 are amended to provide for retailers to maintain the “load shedding category”.	18.	Who should maintain the “load shedding category” in the registry: distributors or retailers?	No comment.
6.1	Further consideration is given to the need for an independent audit of the registry fields in order to assess the accuracy of the consumer curtailment designations.	19.	Is an independent audit of the “load shedding category” registry field necessary at this point or is it feasible to rely on improved processes to enhance accuracy? Should this registry field be audited at regular intervals to promote accuracy?	No comment.
6.2	The Regulations are amended to	20.	Who should approve MLC and ESP	MDL agrees that that some form of independent approval

	require all MLC and ESP designations to be approved by an independent body, following a recommendation from a retailer. Retailers would retain responsibility to interface with consumers over possible designations, assist with preparation of applications, and to make recommendations to the independent approving body.		designations and what should the role of retailers be in this process?	or oversight of the MLC / ESP approval process is necessary to ensure consistent and accurate decision-making.  MDL agrees that the role of MLC / ESP approval body could be performed by either GIC (possibly supplemented by an independent expert) or an independent expert panel appointed for the purpose.
6.2	Further consideration is given to whether the independent approving body should be Gas Industry Co or an independent panel established for the purpose.	21.	If you agree that an independent body should provide final approval, how should that body be constituted?	No comment on specific composition of independent approval body at this point in time.
6.3	The Regulations are amended to require retailers to prepare, submit for approval by an independent approving body, and maintain a "Gas Retailer Curtailment Plan" that identifies the consumers in each band, provides evidence that all consumers have been contacted about the possible need to curtail gas demand during a contingency, and the possibility of being designated as ESP or MLC, provides a process for maintaining the consumer lists, provides a process for contacting consumers to issue curtailment directions following the declaration of a contingency, and reporting on compliance to TSOs	22.	Do you agree that retailers should be required to prepare a "Gas Retailer Curtailment Plan" and have it approved?	Yes.
		23.	What degree of detail should be included in a "Gas Retailer Curtailment Plan"?	The information suggested in the Discussion Document appears sufficient and reasonable. Again, there will be entities in a better position than MDL to comment on the appropriate level of detail for such a plan.
		24.	Who should approve a "Gas Retailer Curtailment Plan"?	MDL agrees that in the interests of efficiency and consistency, it would seem sensible for approval of the "gas retailer curtailment plans" to be provided by the independent body established for the purpose of approving ESP and MLC designations.
7.1	Further consideration is given to the best means to ensure that the CCO has	25.	What is the best means for the CCO to access consumer seasonal or daily consumption data	MDL is required to make the information described in Regulation 38(1) available to the CCO. In the interests of

	appropriate access to consumer seasonal or daily consumption data to facilitate analysis and planning during a contingency.		to facilitate analysis and planning during a contingency?	<p>efficiency and practicality MDL has provided the CCO with read-only access to pre-defined areas within the OATIS system. This enables the CCO to access information relevant to a critical contingency (metered flow, scheduled quantities, pressures etc) in a timely and efficient manner. The CCO also has read-only access to current and historic metering and flow data via the SCADA system. Accordingly, MDL thinks it is unlikely that the CCO would require any further access to seasonal or daily consumption data from MDL during a critical contingency.</p> <p>MDL acknowledges that the CCO may need greater access to consumer information from sources other than MDL and/or specific powers to collect information from these sources during a critical contingency.</p>
7.2	Further consideration is given to amending the Regulations to clarify that the CCO may call for public restraint and gas savings in an affected region, following consultation with Gas Industry Co, if band 6 consumers in that region are directed to curtail gas consumption.	26.	Do you agree it would be useful to clarify within the Regulations that the CCO may call for public restraint and gas savings in an affected region, following consultation with Gas Industry Co, if band 6 consumers in that region are directed to curtail gas consumption?	MDL understands that a public appeal for gas savings may be desirable, but queries whether a regulatory requirement or authorisation for taking such a step is necessary.
7.3	The Regulations are amended to clarify that the CCO should take responsibility for coordinating communications during a critical contingency, is required to appoint a media spokesperson as soon as reasonably practical following the declaration of a critical contingency, and is required to make timely public announcements at regular intervals during a critical contingency.	27.	Do you agree the Regulations should clarify who is responsible for coordinating communications during a critical contingency, and who should appoint a media spokesperson?	<p>MDL agrees there is a need to better coordinate communications during a critical contingency event. However, MDL believes further discussions are required (primarily between the CCO, TSOs and the GIC) before any amendments are formally proposed to the Regulations or CCO Service Provider Agreement (SPACCO).</p> <p>MDL and Vector are currently discussing the procedures that may be put in place to appoint a single spokesman in cases where MDL is the TSO and Vector has Operator responsibilities.</p>
		28.	Who is best-placed to assume the media communication and spokesperson role?	

7.3	Further consideration is given to whether it is necessary or desirable to amend the Regulations to provide the CCO with powers to require relevant information to be supplied by TSOs and other asset owners during a critical contingency.	29.	What additional powers does the CCO need during a contingency to acquire important information from TSOs and other asset owners?	MDL agrees that further discussion is warranted in this area. MDL would like to better understand the:  (a) potential scope and purpose of the proposed information gathering powers; and (b) the type of “important information” that could be sought over and above what a TSO is already required to make accessible to the CCO in accordance with the Regulations.
7.3	The CCO Service Provider Agreement is amended to provide for the CCO to coordinate communications and appoint a spokesperson, and to provide flexibility for the CCO to manage communications in a way that ensures they are appropriate to the circumstance – depending on the circumstances, communications should be coordinated with asset owners, Gas Industry Co and Ministers to ensure consistency of messages, and targeted at consumers where necessary.	30.	What additional provisions are required in the CCO Service Provider Agreement to clarify and enhance its role during a critical contingency? (Note that the service provider agreement is available on the GIC website.)	Further discussion will be required to determine what additional provisions are actually necessary, and whether they are best incorporated into:  (a) the SPACCO; (b) the Regulations; or (c) other supplementary documentation.
7.5	The Regulations are amended to clarify that the CCO Performance Report should be published in draft form and submissions invited from interested stakeholders, the final version of the report provided to Gas industry Co, and any submissions received by the CCO during the submission process should be published.	31.	What processes should be established around the preparation and delivery of the CCO Performance Report?	MDL agrees with the suggested amendments to the preparation, review and delivery of the CCO Performance Report referred to in the Discussion Document.
7.4	It may be helpful to clarify that the CCO should have powers to reconfigure	32.	Do you agree that the CCO should have powers to reconfigure networks during a	MDL believes that as a result of the location, operation and physical characteristics of the Maui Pipeline, there



	networks during a critical contingency where this could assist in minimising overall costs.		critical contingency where this could assist in minimising overall costs?	would be limited scope or need to “reconfigure” the Maui system in critical contingency circumstances. In any event, the October 2011 critical contingency showed that TSOs were willing to discuss and implement the reconfiguration of networks / systems, without an express ability in the Regulations for the CCO to compel such action.
8.2	Further consideration is given to whether it is necessary to provide some supplementary information about the distinction between national and regional contingencies (clarifying that national contingencies reflect gas supply shortages and regional contingencies reflect gas transport shortages) and the rationale for imbalance calculations only applying during a national critical contingency.	33.	Do you agree that there is a lack of clarity around the purpose for and distinction between national and regional contingencies, and if you agree, how do you think this is best clarified?	Yes. MDL believes there is merit in revisiting the purpose for and distinction between regional and non-regional critical contingencies. MDL suggests that the GIC produce a Discussion / Options / Issues Paper on the regional vs non-regional distinction and the accompanying rationale for the application of the critical contingency imbalance methodology.
8.2	The existing arrangements, whereby contingency imbalance calculations and contingency prices only apply to national contingencies, are retained.	34.	Do you agree that contingency imbalance calculations and contingency prices only apply to national contingencies (i.e. gas supply shortages) and not to regional contingencies (i.e. gas transport shortages)?	MDL agrees that this is the outcome of how Regulation 82 is currently interpreted and applied.
		35.	If you consider that contingency imbalance calculations and contingency prices should also apply to regional contingencies, how would that work?	As noted above, MDL believes there is merit in re-examining the rationale for the application of the critical contingency imbalance methodology. Is the current approach as effective as it could be? Is there potential for distorted, or a vacuum of incentives? Could a hybrid approach or regional pricing model be developed? Could Regulation 82 be removed completely, or would that result in unintended or perverse consequences? The applicable Critical Contingency Imbalance methodology may impact the rate and approach to restoring Line Pack in the Transmission System.

				The fact that the industry has now experienced both regional and non-regional critical contingency events should provide a good foundation for further analysis in this area.
8.2	The Regulations are amended to provide that the CCO should make a declaration as to whether a critical contingency is national or regional, as soon as reasonably practicable following a critical contingency declaration, and allowing for that declaration to be modified during a contingency if required to reflect developments.	36.	Do you agree that it would be helpful to have an early declaration as to whether a critical contingency is regional or national?	The October event highlighted the current gap in the Regulations where no particular entity is responsible for making a real-time determination or declaration of the “regional” status of a critical contingency event. In circumstances where only part of a pipeline is affected it is essential for TSO’s to know right at the beginning whether the Critical Contingency is of a regional or non-regional type and if it is regional, the area affected. This is simply a matter the TSO being able to know the portion of the pipeline for which it remains responsible in the case of a regional critical contingency affecting only part of its pipeline. Guidance at the commencement of a critical contingency is also essential for industry participants for a number of other reasons. As noted above, there are currently different financial consequences directly related to the status of the event. A clear, real-time determination of the regional status of a critical contingency event would also help ensure co-ordinated actions of the broad spectrum of parties affected by such events, and reduce the risk of time delay that is present when parties have to make their own assessments. Although, from an MDL perspective, this did not adversely affect the management of the critical contingency event, it did reinforce MDL’s view that it remains an area that needs to be addressed in both the short and long term.
		37.	Who is best-placed to determine whether a critical contingency is regional or national?	At this point in time, MDL considers that the CCO is in the best position to provide a real-time determination of regional status.
9.2	Further consideration is given to how	38.	Do you agree that stronger enforcement	Yes.

	best to enhance the enforcement provisions to cover breaches by non-participant consumers and whether it is necessary to seek changes to the Gas Act.		provisions are necessary to cover breaches by non-industry participant consumers?	
		39.	Do you have any suggestions about possible mechanisms to improve consumer compliance with curtailment directions?	No comment.

## Other Comments:

1. MDL can advise that in accordance with the Regulations, it has:

- (a) prepared proposed amendments to its Critical Contingency Management Plan (CCMP) that are designed to give effect to the CCO's recommendations in the December 2011 and April 2012 Performance Reports; and
- (b) commenced the industry consultation and approval phases of the process.

The relevant documentation can be viewed and downloaded on the MDL OATIS homepage or GIC website.

2. MDL suggests that the role of, and cost-recovery of, any balancing gas used by a TSO to manage Line Pack during a critical contingency event could be more appropriately addressed in the Regulations.