

4 July 2012

Ian Dempster
General Manager – Operations
Gas Industry Company Limited
Level 8, The Todd Building
95 Customhouse Quay
Wellington 6143

Dear Ian,

Re: Submission to the review of Gas Critical Contingency Management: Post Maui Pipeline Outage

1. This following submission is made on behalf of the Major Gas Users Group (MGUG):
 - a. Fonterra Cooperative Ltd
 - b. Carter Holt Harvey Ltd
 - c. New Zealand Steel Ltd
 - d. New Zealand Refining Company Ltd
 - e. Ballance Agri-Nutrients Ltd

2. While the views are expressed on behalf of the MGUG, we note that members may have views specific to their operation that they may choose to correspond directly with the GIC.

Safe and efficient curtailment of non-MLC users

3. For large users who do not meet the criteria of Minimal Load Consumers¹, safe and efficient curtailment of gas also needs to be planned effectively.
4. Currently, non-MLC users are expected to comply with curtailment notices within a short time frame, which may not allow for safe wind down of facilities.
5. This situation is a result of information asymmetry where the Critical Contingency Operator (CCO) is not aware of how much gas is needed to wind down safely, and/or how much gas is available in the system. The consumer may also not be aware of the cut-off point for gas and how much gas is actually available. As an example, during the Maui pipeline outage, one major user had to curtail quickly when it was found that gas was available for a further two to three hours. Furthermore, some industrial processes cannot be shut down without compromising safety and /or plant integrity. Production can be wound down but a small amount of gas (which can vary depending on the facility) is

¹ As outlined in section 45 of the Gas Governance (Critical Contingency Management) Regulations 2008, among the criteria is consumption of greater than 10TJ per 12-month period.

still required to maintain safety and/or plant integrity. Alternative fuels cannot be readily applied and full shut down would result in significant expense.

6. For these users, we recommend that the CCO prepare a plan that seeks information from users on how much gas is required for safe wind down and provides the minimum amount of gas available to users. Some users can currently provide an estimate ahead of time of the level of gas generally required under different circumstances and are keen to engage early with the CCO. This estimated information can often be provided in order for the CCO to plan ahead of a contingency. There may be merit in identifying a separate category or classification for these users that don't fit within existing categories (such as MLCs and ESPs) but require an equally considered approach. A pragmatic approach could be to allow major users to curtail gas usage so that they fit in a lower curtailment band (we understand this would be similar to the flexibility afforded to MLCs depending on the nature and severity of a contingency).
7. We appreciate that the CCO may not be able to give accurate indications of available supply during contingencies and needs to make decisions based on the information available at that time. However, a clear communication plan and pragmatic approach will help both the CCO and users make the most safe and efficient decisions.

Other matters

8. The Concept report raises a number of issues such as the order of curtailment, Essential Service Provider (ESP) and MLC designations during a critical contingency, contingency pricing, and other matters. The Major Gas Users Group does not have a view on these matters as a group but would like to remain engaged in the process and provide input where appropriate.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. Hale', with a stylized, cursive script.

Hale & Twomey Ltd/Arete Consulting Ltd
For the Major Gas Users Group