



3 September 2012

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Dear Ian,

Statement of Proposal Downstream Reconciliation Rules Review

Introduction

1. Mighty River Power welcomes the opportunity to provide this submission on the Gas Industry Company's Statement of Proposal on the Downstream Reconciliation Rules Review issued on 26 July 2012. No part of the submission is confidential and Mighty River Power is happy for it to be publicly released.

Comments

2. Our responses to the questions raised within the Statement of Proposal are attached below in the Appendix provided by the Gas Industry Company.
3. We note that the funding of the allocation arrangements is mentioned several times within the Statement of Proposal. Mighty River Power supports the Gas Industry's recommendation that the current volume based arrangements are retained for funding the main allocation process.
4. We also support the GIC's suggestion outlined in the Section 10.3 of the Statement of Proposal that should changes to the Downstream Reconciliation Rules (Rules) require significant funding that such funding should be provided by those parties who benefit most from the Rule changes. This support is of course subject to the funding parties being consulted on and agreeing to the costs of the developments.

5. We would therefore take this opportunity to reconfirm our previously stated opinion that should the industry decide to proceed with a daily allocation process such as D+1 then the development, implementation and operating costs of such a process should be funded by those who would benefit from such a process. In other words the funding for such a process should be from retailers with allocation group 4-6 customers.
6. As stated in previous submissions we are keen to see the development of proposals on a daily allocation process progressed to the point that the industry participants can make an informed decision on whether it is practical to implement such a system or not.
7. We therefore look forward to the Gas Industry Company progressing these matters as soon as possible given that the Maui Pipeline Operating Code changes related to the new daily balancing arrangements come into force in less than 9 months.

Concluding remarks

8. If you would like to discuss any of our above comments directly with Mighty River Power, then please do not hesitate to contact me on 06 348 7926 or jim.raybould@mightyriver.co.nz.

Yours sincerely

A handwritten signature in black ink that reads "Jim Raybould". The signature is written in a cursive, slightly slanted style.

Jim Raybould
Gas Manager

Appendix A

Statement of Proposal: Downstream Reconciliation Rules Review

Submission prepared by:

Jim Raybould - Mighty River Power

QUESTION	COMMENT
1 Do you agree that commercial arrangements provide sufficient obligations on meter owners for the purpose of the Rules? With regard to the suggestion by the DRAG, do you consider there is an identifiable market failure that merits Gas Industry Co developing a workstream on the creation of guidelines and/or principles for metering contracts?	<p>MRP accepts that gas metering is available to gas retailers as a contestable service, however in practice it is actually a pseudo monopoly service. It is extremely rare for a retailer to require the replacement of a gas meter when it acquires a new customer. In our opinion a GMS contract would have to either contain a number of clauses so abhorrent to a retailer or price its metering services at a significantly higher price than the competitors to justify a retailer requiring thousands of meters to be switched from one supplier to another.</p> <p>Given the almost monopoly nature of the gas metering business we are therefore of the opinion that it would be beneficial if the GIC developed a set of guidelines or principles for gas metering contracts along the lines of the work it is currently undertaking on Distribution contracts.</p> <p>From a reconciliation perspective we support the addition of gas metering details into the Gas Registry. We would therefore expect that under the Switching Rules that GMS Operators will be required to accurately populate and maintain the gas metering details in Gas Registry so as to allow retailers to comply with their obligations under the Reconciliation Rules, Gas Regulations and NZ 5259.</p>
2 Given that the review will cover all of the long-standing exemptions do you agree that the exemptions process should be retained?	Yes.
3 Do you agree with the proposal to codify a rule for direct connect gas gates? Do you agree with the creation of a new rule enabling Gas Industry Co and the allocation agent to access direct connect injection data as requested?	MRP agrees with the proposal to codify a rule for direct connect gas gates.

QUESTION	COMMENT
4 Do you agree with the proposed rule for G1M gas gates? Do you agree with establishing the deterministic criteria for G1M gas gates in an industry determination?	MRP supports the proposed rule for G1M gas gates. We also agree that the G1M threshold needs to be reviewed regularly and clear guidelines provided as to which gas gates are G1M
5 Do you agree with the proposed rule change for unmetered and oversized metered gas gates?	MRP is still of the view that all unmetered gas gates should be metered and that oversized gas gate meters should be replaced with appropriately sized meters. Despite the long payback period this would be a permanent fix to a problem that otherwise may never be resolved. As a minimum we would propose that all oversized meters are replaced with appropriate sized meters when the existing meters are due for replacement. With regards to the unmetered gates we would propose that Vector undertakes a 5 year program to install gas meters at the unmetered gates.
6 Do you have any comments on Gas Industry Co's recommendation not to change the method of apportioning the ongoing fees?	MRP agrees with the recommendation not to change the current methodology of apportioning allocation costs.
7 Do you agree with the proposed rule enabling the correction, where necessary, of an AUFG factor if it is found to be incorrect?	Agree
8 Do you agree with the proposal for dealing with estimated daily energy quantities?	Yes and we also agree with the proposal that estimation processes should be subject to audit.
9 Do you agree with the proposal to amend the rules relating to trading notifications?	MRP supports the proposal to address this issue through a relaxation of timeframes around Rule 39. We also support the proposal made at the DRAG that the GIC monitor compliance with this Rule to ensure that the timeframes around it are being breached by exception and not by rule.
10 Do you agree that a rule should be created enabling performance audits to cover the accuracy of data population in the registry? Do you think that audits should be limited to certain fields relevant to reconciliation or would you prefer broader audit arrangements contained within the Switching Rules?	Yes we agree a rule should be created enabling performance audits of the accuracy of the data contained within the Gas Registry. We believe that all of the data within the Gas Registry, not just the data related to the Reconciliation Rules should be subject to a performance audit to ensure that the data is accurate.

QUESTION	COMMENT
11 Do you agree that rule 75 should be amended to allow the auditor more discretion in determining who should be responsible for paying the costs of an event audit?	Yes we agree with this proposal
12 Do you agree that a rule should be created to require audits of major system changes? If so, do you agree that a post go-live audit should also be required? Do you think the definition of “major” should be specified in the Rules or in an industry guideline?	MRP agrees that there should be some form of audit for major system changes. We would support the inclusion of a requirement for a post go-live audit following a major system change within the Rules. We believe that a clear definition “Major” needs to be included within the Rules.
13 Do you agree that rule 42 is redundant and should be deleted from the Rules? Will your organisation be adversely affected by its removal? Should the obligations in rule 28.4 be extended to transmission system owners?	We agree with the removal of rule 42.
14 Do you support the proposal to allow allocation participants access to the GAR170 report? If not, would you support disclosure of submission information consistent with the SupSub report?	MRP agrees that the GAR170 should be made available to all allocation participants.
15 Do you agree with the minor and technical amendments proposed in this section? Do you agree that the proposals meet the criteria in section 43N(3) of the Gas Act?	Agree
16 Do you have any comments on the transitional issues discussed in this section?	MRP agrees with the GIC’s proposed transitional arrangements. With regards the Rule 39 change as stated above we would support a relaxation of the timeframes associated with the Rule the impact of such a change to be monitored by the GIC. We do not believe that at this point in time that this issue should be resolved by aligning the Allocation Agent’s systems with the Gas Registry.