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A Responsible Care® Company

Ian Dempster
Gas Industry Co
Level 9, State Insurance Tower
1 Willis Street
PO Box 10-646
Wellington
New Zealand

Dear Ian,

Gas Outage and Contingency Management Arrangements

Thank you for the opportunity to provide comments on the December 2007 Supplementary Consultation Paper.

Attached are our comments on the specific questions posed by the GIC and we provide the following further comments on the regulations.

1. Minimal Load Consumer

It is our belief that Methanex should be classified as a minimal load consumer. The shut down of a methanol plant should be carried out in a controlled and orderly manner to minimize damage to plant and ensure a safe operating environment.

The current wording of regulations 42(5)(b) and 42(6)(a) present too high a hurdle to achieve a minimal load consumer classification. We believe these provisions should be amended to read as follows:

Regulation 42(5)(b):

“The consumer is operating a major item of capital plant and that plant would likely sustain ~~serious~~ damage or ~~significant~~ environmental damage would likely be caused if gas supply was curtailed”

Regulation 42(6)(a):

“The absolute minimum gas supply level required to mitigate ~~serious~~ damage to the plant or the environment”

Section 42 of the regulations places responsibility on the retailer to approve a minimal load consumer application and to agree the gas supply level and period of time for an orderly shut down of plant.



ISO 9001

We believe the regulations need to address the following situations:

- a gas user has more than one retailer; and
- the retailer and the gas user fail to agree on either the classification as a minimal load consumer or the shut down profile.

Yours sincerely



Phil Watson
Commercial Manager, NZ

Appendix A: Recommended Format for Submissions

To assist the Gas Industry Co in the orderly and efficient consideration of stakeholders' responses on switching and registry cost allocation, a suggested format for submissions has been prepared. This is drawn from the questions posed in the body of this Statement of Proposal. Respondents are also free to include other material on switching and registry cost allocation in their responses.

Submission prepared by: Methanex NZ Ltd, Phil Watson..... (company name and contact)

QUESTION	COMMENT
<p>Q1: Do you consider the proposed deadlock breaker provision (which can only be exercised after a period of 6 months) is an appropriate mechanism to ensure the application of the regulations is not frustrated by any delay in getting the first OCMPs in place?</p>	<p>Yes.</p>
<p>Q2: What is your view of Gas Industry Co setting the line pack and pressure thresholds as part of recommending the regulations? Do you agree that the approach set out in 5.18 and 5.19 for the setting of the minimum pressure and linepack thresholds is preferred?</p>	<p>We believe the approach set out in 5.18 and 5.19 is the preferred approach.</p>
<p>Q3: Do you consider it essential for the CCO, through retailers, to be able to require domestic consumers to comply with curtailment directions or is Gas Industry Co's proposal to the exclude domestic consumers adequate for the effective operation of the outage and contingency arrangements?</p>	<p>We support GIC's proposal that domestic consumers are excluded from curtailment directions.</p>

QUESTION	COMMENT
<p>Q4: Do you agree that the proposed curtailment arrangements outlined in 5.33 and as specified in the schedule to the regulations are appropriate?</p>	<p>Given that the CCO already has discretion to direct curtailment of only a subset of load within a curtailment band, we don't see the need for the industry body to have the flexibility to make changes to the curtailment arrangements.</p>
<p>Q5: Do you agree that defining contingency imbalances on a sub-day period is more likely to fulfil the objectives, and that the feasibility of this should be examined further?</p>	<p>Yes.</p>
<p>Q6: Do you agree that the Gas Industry Co should develop a set of guidelines to clarify some of the detail and help TSOs prepare plans that are workable and consistent with the regulations for determining imbalances?</p>	<p>Yes.</p>
<p>Q7: Do you agree that in the case of a regional contingency there is no advantage to putting in place arrangements that would require payments between shippers? If not, please explain your rationale, the way any such payment arrangement would work, and how efficiency would be improved by the requirement for such payments.</p>	<p>No comment.</p>
<p>Q8: Do you agree that the independent expert should be required to apply the over-arching principle set out in 5.80 when determining the Contingency Price?</p>	<p>Yes.</p>

QUESTION	COMMENT
Q9: Do you agree that the independent expert should be required to have regard to the issues set out in 5.81 when determining the Contingency Price?	Yes.
Q10: Do you agree that under the proposed arrangements where the ISO calculates the imbalances, that the ISO should operate a critical contingency cash pool?	No comment.
Q11: Do you agree that the CCO should be asked to spread its up-front costs over the duration of the agreement?	Yes.
Q12: Do you accept the proposed approach to spreading the development costs, and that the final outcome will be dependent on Gas Industry Co's balance sheet capability?	No comment.
Q13: Do you agree that it is necessary for the Compliance regulations to include an ability to obtain urgent orders where consumers fail to comply with directions to curtail demand? If not, why not?	No comment.
Q14: Do you agree that the ability for Gas Industry Co to apply for an interim injunction in the event that a consumer fails to comply with a direction to curtail demand would be the most effective incentive for compliance? If not, do you think the Rulings Panel would provide a sufficient incentive and if so, why?	No comment.