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Dear Ian

Review of Gas Critical Contingency Management: Post Maui Pipeline Outage

Introduction

1. Mighty River Power welcomes the opportunity to respond to the Gas Industry Company's Review of the Gas Critical Contingency Event of 25-30 October 2011. No part of this submission is confidential and Mighty River Power is happy for it to be publicly released.

Comments

2. Our responses to the questions raised by the Gas Industry Company are attached in the table below.
3. Mighty River Power is supportive of the creation of a new Curtailment Band 7 for critical care service providers. We are also supportive of the inclusion of smaller critical care service providers being included with this new Curtailment Band 7.
4. We also support the creation of Curtailment Band 5b to provide a minimum gas supply to avoid substantial environmental damage and to maintain essential food supplies.
5. However, we are less convinced about the creation of the proposed new Curtailment Band 5a relating to economic loss. Any interruption to a customer's gas supply will ultimately result in some form of economic loss. Deciding what level of loss is sufficient to justify inclusion in this band would be difficult and the process for proving the loss and ensuring that each party is treated equitably would be near impossible. We can't see how regulations can adequately deal with this.
6. We accept that there are certain situations that mean that a customer cannot simply stop their gas consumption without incurring plant or product damage. An example of this is a customer operating a gas fired furnace with a product such as metal being processed.

7. We believe such a situation is best managed under the current Minimum Load Customer designation within Curtailment Bands 2 and 3 rather than creating a new Band 5a. At this moment we see no real justification for what appears to be the transfer of some customers from Curtailment Bands 2 and 3 into the proposed Band 5a.
8. With all of the proposed new Curtailment Bands it is essential that we have a set of clear and easy to understand definitions.
9. It would be useful in assessing the proposed new Curtailment Bands if there was an indication of the number of customers who would qualify for these Curtailment Bands and what the estimated load of these customers would be; both the load under normal operating conditions and under a contingency event.
10. One of the issues raised within the Review was the gap in the Gas Governance (Critical Contingency Management) Regulations 2008 (Regulations) with regard to the exclusion of residential customers within the Regulations and the lack of involvement of the Network Operators. If a critical contingency event gets to the point where residential customers need to be curtailed, then the CCO and TSO will need to have a coordinated approach with the Network Operators and residential customers.
11. The Review identified the need for a clear communication arrangement preferably with a single industry spokesperson. During a contingency event it is likely that the Network Operators will communicate to the Critical Contingency Operator (CCO) any actions they take to protect their networks. However, under the Regulations there is no need for them to do so. Industry wide communication arrangements are important and should therefore cover all customers, including residential, regardless of whether they are directly covered by the Regulations or not.
12. In our opinion it is important that there should be a formal two way information arrangement between the CCO and the Network Operators. Mighty River Power therefore recommends that the Gas Industry Company considers formalising the relationship between the CCO and the Network Operators in the Regulations.

Concluding remarks

13. 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 style with a horizontal line above the first few letters of "Jim".

Jim Raybould
Gas Manager

No.	Reference	Question	MRP Response
1	5.5	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?	Yes we agree that customers within Curtailment Band 2 and 3 should continue to be split into those with and those without alternative fuel supplies. We would go further and suggest that this split should be formalised into Curtailment Bands 2a, 2b, 3a and 3b
2	5.7	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, MRP agrees that the current drafting allows for too wide an interpretation of safety.
3	5.8	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	5.9	What is the best mechanism for achieving this outcome?	<p>The preferred mechanism is that these small critical care customers are required to apply for ESP status in the same manner as the larger critical care customers.</p> <p>The question of how practical this mechanism may be will be dependant on how many such customers qualify for ESP status. A few hundred would be manageable but a few thousand would not.</p>

5	5.9	<p>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?</p>	<p>We would only support this option if the administration of managing these customers within the standard application arrangements was not practical. Self selection is potentially open to abuse.</p> <p>If self selection is adopted, then the customer should advise their retailer of this selection to be consistent with the recommendation that the retailer be responsible for maintaining this field in the Gas Registry. The retailer should also have the option of disputing the customer self selection probably by referring the “dispute” to the independent body ruling on these matters. However, the retailer may not have an incentive to dispute the customers self selection to preserve their existing relationship.</p>
6	5.9	<p>What is the best mechanism for achieving this outcome?</p>	<p>We are uncertain that there is a best mechanism for achieving compliance with the Regulations. Monitoring compliance can only be achieved by visiting each customer during the contingency event to ensure that they have followed instructions to minimise their gas use and/or have completely curtailed their gas use. The problem of monitoring compliance is however not only confined to these customers.</p> <p>There may ultimately need to be some form of meaningful penalties for non compliance to encourage customers to comply with instructions issued to them under the Regulations.</p>

7	5.9	<p>What categories do you consider should be eligible for ESP designation, and how would you rank these in order of importance?</p>	<p>MRP favours the critical care types of definitions that Concept identified in its review of other jurisdictions. Hospitals and healthcare facilities plus companies that supply essential services to hospitals such as laundries and blood banks. Rest Homes of all sizes that rely on gas for heating should qualify for ESP status.</p> <p>We also agree with the inclusion of water treatment plants and certain government/law and order supplies being included. Crematoriums may also need to be considered as an ESP depending on the length of the contingency event.</p> <p>The definition of an ESP will need to be managed in a more controlled and comprehensible manner than the current Curtailment Band 5 definition.</p> <p>Priority should be given to those customers that require gas supplies to preserve health and life and these should be the last gas supplies curtailed during an emergency.</p>
8	5.9	<p>Where consumers are designated as ESPs what level of gas supply should be allowed during a critical contingency?</p>	<p>We believe that the maximum volume of gas that customers should be authorised to use during a contingency event is the equivalent volume necessary to maintain basic or minimum services.</p> <p>Customers who are essential service providers but not critical care customers should only be allowed to use sufficient gas to allow them to maintain their services but only to their customers classified as ESP customers.</p>
9	5.9	<p>What sequence of curtailing gas supplies during a critical contingency do you consider to be appropriate and why?</p>	<p>We believe that the current arrangements modified with the changes as proposed by Concept are reasonably close to being correct particularly with regards to the introduction of the new critical care band. We are however less convinced about the new Band 5a.</p> <p>We agree with the basic intent of the Regulations in that it is preferable to curtail the larger customers that are fewer in number but providing significant load reductions first, and then working down the curtailment bands to affect a larger number of customers but achieving less of an impact on gas consumption.</p>

10	5.9	What information should potential ESPs be required to provide in support of an application?	<p>Technical information should include the rating of gas plant and equipment, the purpose for which the plant and equipment is used, the minimum level of running and the estimated daily gas consumption required during a contingency event to maintain minimum services.</p> <p>The customers will also have to clearly demonstrate the danger to life or health issues that would occur if their gas supplies were curtailed, i.e. justify why they should be classified as an ESP.</p>
11	5.10	Do you agree that potential ESPs should be required to demonstrate that they have considered back-up supply arrangements?	Yes but only those customers using more than 10 TJ/year.
12	5.11	Do you agree that the flexibility to approve ESP and MLC designations during a contingency should be retained but limited to exceptional circumstances?	Yes but only in exceptional circumstances
13	5.12	What information should potential MLCs be required to provide in support of an application?	Similar to an ESP only in this case the information is required to demonstrate that a maximum volume of gas is required to maintain the minimum required output to avoid essential food shortages or minimise potential environmental damage.
14	6.1	Do you agree that potential MLCs should be required to demonstrate that they have considered back-up supply arrangements?	Yes

15	6.1	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?	Both
16	6.1	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?	In our opinion on-going is too loose a requirement. We would prefer if a specific time frame was included within the Regulations for this. As the average gas supply contract appears to be 3 years then it would not be unreasonable for retailers to be required to advise their customers on the potential consequences on a gas contingency event once every 3 years. The requirement to assist customers in applying for ESP or MLC status should be on request and also offered as part of the 3 year notification process.
17	6.1	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 references to a consumer’s designation within the Regulations all refer simply to the consumer not the designation of the consumer’s individual installations.
18	6.1	Who should maintain the “load shedding category” in the registry: distributors or retailers?	Gas Retailers
19	6.1	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?	Given concerns regarding the accuracy of the current Gas Registry we would suggest that once the current review process has been completed that an agreed timeframe is set for an independent audit of this field in the Gas Registry. We would suggest that such an audit be carried out 6 months after the completion of this review process. This should give customers, retailers and the independent body sufficient time to re-allocate customers’ load shedding categories. Thereafter this field in the Gas Registry should be subject to the standard auditing arrangements for the Registry.

20	6.2	Who should approve MLC and ESP designations and what should the role of retailers be in this process?	An independent body most probably the GIC
21	6.3	If you agree that an independent body should provide final approval, how should that body be constituted?	The Gas Industry Company with a co-opted expert if required
22	6.3	Do you agree that retailers should be required to prepare a "Gas Retailer Curtailment Plan" and have it approved?	Mighty River Power would agree to this proposal if the GIC were to provide a Curtailment Plan template. Such a template would provide for a consistency of approach to curtailment planning which is important.
23	6.3	What degree of detail should be included in a "Gas Retailer Curtailment Plan"?	<p>As a minimum we suggest that the plan details each customer's name, address, ICP number, curtailment band designation, a contact number for the customer and the preferred method of contacting the customer as well as whether the customer maintains 24 hour or business hours contact arrangements.</p> <p>Confirmation that the customers have been advised of their obligations under the Regulations and when they are required to be reminded of these obligations. An annual requirement as a minimum should be included to confirm the customers contact details and review the customers' curtailment bands.</p> <p>For the retailer, the template should include the persons/positions responsible for maintaining the curtailment plan and complying with the Regulations (at a minimum regulations 39, 43, 55 and 56).</p>
24	6.3	Who should approve a "Gas Retailer Curtailment Plan"?	The Gas Industry Company

25	7.1	What is the best means for the CCO to access consumer seasonal or daily consumption data to facilitate analysis and planning during a contingency?	<p>Gas Retailers are currently required to provide annual consumption data by curtailment band, by gas gate to the CCO each year by 31 March or following significant changes in their customer base. Given the seasonal nature of most gas loads Mighty River Power would suggest that gas retailers should provide this information but as 12 monthly estimates.</p> <p>For the provision of daily data we suggest that the Allocation Agent should be authorised to provide historical daily data to the CCO.</p> <p>For large customers such as power stations the CCO has access to daily data via OATIS.</p>
26	7.2	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?	Yes if it is agreed that the CCO is to be the industry spokesperson during a contingency event and if another party is to be the industry spokesperson then the CCO should call for a public savings campaign via the industry spokesperson.
27	7.3	Do you agree the Regulations should clarify who is responsible for coordinating communications during a critical contingency, and who should appoint a media spokesperson?	Yes. It is important that there is a single informed source of information during a contingency. In our opinion the CCO or the GIC should appoint the spokesperson who may not necessarily be part of their organisations. Previous contingency events suggest that Vector, as TSO, will most likely fill this role.
28	7.3	Who is best-placed to assume the media communication and spokesperson role?	The CCO or the Gas Industry Company supported by the CCO and/or Vector as TSO.
29	7.3	What additional powers does the CCO need during a contingency to acquire important information from TSOs and other asset owners?	We believe that this is a question for the CCO to answer, although we do have some suggestions on the relationship between the CCO and the Network Operators as described in the above covering letter.

30	7.3	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.]	The most obvious change would be to include a requirement for the CCO to act as or appoint the industry spokesperson during a contingency event
31	7.5	What processes should be established around the preparation and delivery of the CCO Performance Report?	We support the Concept proposal with regards to the CCO's reporting procedures on a contingency event. In particular we believe that it is important that if the event is particularly complex then the CCO should be given sufficient time to thoroughly investigate the event before providing a report. For more straightforward events then the current timeframe for producing reports is reasonable
32	7.4	Do you agree that the CCO should have powers to reconfigure networks during a critical contingency where this could assist in minimising overall costs?	Yes
33	8.2	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?	Mighty River Power believes that it would be beneficial for the definitions of national and regional contingency events to be revisited. It may be that the names national and regional may not be the best way to describe the different contingency events. Our simplest definition is that if a party uses another parties' gas to supply its customers then contingency imbalances should apply regardless of whether the contingency event is the result of a field or a pipeline failure.
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)?	We can only answer this question once the review of the definitions of national and regional contingency events has been concluded.

35	8.2	If you consider that contingency imbalance calculations and contingency prices should also apply to regional contingencies, how would that work	We can only answer this question once the review of the definitions of national and regional contingency events has been concluded.
36	8.2	Do you agree that it would be helpful to have an early declaration as to whether a critical contingency is regional or national?	Yes
37	8.2	Who is best-placed to determine whether a critical contingency is regional or national?	The CCO
38	8.2	Do you agree that stronger enforcement provisions are necessary to cover breaches by non-industry participant consumers?	Yes
39	9.2	Do you have any suggestions about possible mechanisms to improve consumer compliance with curtailment directions?	<p>The most obvious way to encourage customers to comply with the instructions to curtail would be the introduction of some form of penalty regime similar to the one currently in place in Victoria, Australia.</p> <p>The major issue would then be how to monitor compliance, however, the threat of a penalty itself should improve compliance levels.</p> <p>Monitoring time of use customers should be relatively simple but how to monitor the compliance of almost 14,750 customers in curtailment bands 4 and 6 with standard gas meters is not simple. The question of who carries out the monitoring of the customers would need to be addressed.</p>