New Zealand Steel Limited
Mission Bush Road, Glenbrook
Private Bag 92121, Auckland 1142
DDI +64 9 375 8393 | M +64 21 870629
E alan.eyes@bluescopesteel.com

30 March 2015

Ian Wilson
Gas Industry Company Ltd
WELLINGTON 6140

Dear Ian,

Re: Draft Recommendation on 10 October 2014 MPOC Change Request

1. Thank you for the opportunity to submit on the GIC draft recommendation. We found this a balanced paper in identifying and discussing the issues raised by submitters.

   This submission should be read in conjunction the MGUG submission and the New Zealand Steel cross submission dated 12 January 2014.

2. In principle pipeline balancing costs should be attributed to causers. The solution to balancing should be developed as a pan industry solution not from a solitary player who only operates on one section of the pipeline. Unfortunately for all involved the focus has been as much on the restrictions of the co-regulatory model as it has on the MBB CR. It is concerning that the GIC sees it is constrained by the model it has to operate under which NZ Steel believes does not allow it to provide a solution fit for purpose.

3. Section 5.9 of the draft recommendation discusses the benefit of a collaborative approach, but the CR does not embrace the principle promoted by the PEA i.e an evolutionary approach toward convergence.

4. The effect of curtailing cash outs from the current ILON process to end of the day cash out, can reduce the quality of primary balancing.

   Confidential information relating to supply contract is redacted.

   [redacted]

[redacted]

[redacted]

New Zealand Steel places considerable effort into achieving a responsible approach to gas nomination. To do this the process must provide reasonable time to correct our position before any hard close. The net impact of the MBB CR does not provide for this and should be rejected in its current form.

5. As identified in the MGUG submission, the workshop session saw questions raised as to missing elements from the cost structure of the CBA. These factors, coupled with unintended consequences could well offset the relatively small $1m benefit outlined in the CBA report. It is contended the CBA should not be used to support approval of the CR without further consideration.

6. The GIC "...principle objective is to ensure that gas delivered to existing and new consumers in a safe, efficient, and reliable manner....".
   In summary, we contend a compelling case has not been made for the GIC to approve the CR. This principally relates to process and the CR being taken from the singular perspective of MDL. A number of valid downstream issues have been raised by submitters and identified in the draft recommendation, but the work has not been done to assess the impact on end consumers and possible unintended consequences on primary balancing.

7. If the GIC decides to approve the CR, responsibility needs to be taken to monitor the implementation and consequences. This should include the flow through to energy prices. At least one retailer was suggesting at the workshop that the increased balancing risk would be reflected in increased energy prices. Implicit in any approval decision, it is requested the GIC acknowledge the need to take a proactive approach to addressing unintended and inappropriate consequences that may arise (eg from misalignment of codes as outlined in section 5.6 of the draft recommendation).

We will welcome any opportunity to discuss our submission.

Yours sincerely

Alan Eyes | New Zealand Steel
Energy Manager
Private Bag 92121, Auckland, New Zealand
Mission Bush Road, Glenbrook, New Zealand
T. +64 9 375 8393 | M. +64 21 870629

alan.eyes@bluescopesteel.com | www.bluescopesteel.com