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Consultation on Guideline Notes for the Gas (Downstream Reconciliation) Rules 2008

With respect to the draft guidelines proposed by the GIC in relation to reconciliation matters we make the following comments:

1) Rules 65 to 75 and 80: the commissioning and carrying out of performance audits;

a) Nova Gas prefers that there is no annual requirement for audits and that audits be performed when issues arise.

Having a requirement for an annual audit when all key indicators, such as UFG, are within acceptable tolerances results in unnecessary costs.

We expect that there will be a number of audits performed in the next few years to resolve UFG issues but through time it is hoped that they will become less frequently required and when they are required, they can be targeted to specific areas.

b) Regarding the selection of auditors by a participant being audited, independence of the auditor from the participant being audited is a key requirement.

If auditors are to be selected by the participant being audited then it should be confirmed by the auditor:

- that there are no related party relationships with the participant; and
- the amount of any other income earned by the auditor from the participant in the previous months;

If an auditor that has a related party relationship or has significant other revenues from the participant then this could compromise the integrity and independence of the auditor and the GIC should not allow that auditor to be selected by the participant.

2) Rules 44 and 51: correction of allocations by allocation agent and special allocations;

With respect to the issue of which parties can request special allocations, we believe that the GIC should consider providing for participants to be able to request a special allocation to be performed at their cost at any time (subject to reaching agreement re timing with the allocation agent).

Historically, participants in the electricity industry could request a special allocation to be performed at any time at a cost of \$2,000 although this is no longer the case.

3) Rule 61: Guidelines for determinations on profiles;

Under Rule 60, a participant who challenges the registering of a static or dynamic deemed profile is entitled to receive information relating to the profile including:

- a description of the profile;
- the period for which the profile is to be applied;
- the consumer installation or class of consumer installations to which the profile will apply; the specific ICPs covered the profile and the gas gates that those consumer offtake gas from;
- the eligibility criteria for consumers to be included in the profile;
- the information specified in Rule 55.2 re the methodology and calculations that make up the profile

Development of a profile may be costly to a participant and potentially will be classed as intellectual property of that participant. Disclosure of such data may commercially disadvantage a participant and discourage development of profile as all other parties need to do to access the intellectual property re a profile is challenge it.

The GIC should consider the issue of protection of intellectual property rights and the tradeoff against the need for transparency re profiles.

Yours Sincerely



Charles Teichert