



Gas Industry Company
Ian Dempster

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OMV Exploration & Production

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Submission on Review of NGOCP

Dear Ian

Please find attached OMV's comments on the GICs Review of Gas Emergency Arrangements discussion paper.

Please contact me if you want to discuss any of our comments.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'J. Hare', with a long horizontal flourish extending to the right.

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Appendix A: Recommended Format for Comments

To assist the Gas Industry Co in the orderly and efficient consideration of stakeholders' responses, a suggested format for comments has been prepared. This is drawn from the questions posed throughout the body of this Discussion Paper.

Respondents are also free to include other material in their responses.

Questions	Comments
Q1 Do you agree that mechanisms to implement arrangements for emergency or contingency situations must be mandatory? If not, please explain.	Yes
Q2 Do you agree Gas Industry Co has identified the most likely alternatives for mechanisms to implement arrangements for emergency or contingency situations? If not, please provide details of any other likely alternative mechanisms.	Yes The contingency plan should provide a change mechanism so that it can be adapted to any material changes in the gas market.
Q3 Do you agree with Gas Industry Co's analysis of a Pan-Industry Agreement as a mechanism to implement arrangements for emergency or contingency situations? If not, please explain.	Yes
Q4 Do you agree with Gas Industry Co's analysis of rules or regulations as a mechanism to implement arrangements for emergency or contingency situations? If not, please explain.	Yes
Q5 Do you believe the gas emergency arrangements are most appropriately implemented by rules or regulations recommended to the Minister if Energy? If not, please explain..	Yes

Questions	Comments
Q6 Do you agree with Gas Industry Co's analysis of the framework design for emergency management arrangements? If not, please explain.	Yes
Q7 Are there any other principles you believe should be included? If so, please provide details of those additional principles.	No
Q8 Do you agree with Gas Industry Co's approach? If not, please explain.	Yes
Q9 Do you agree that the gas emergency arrangements should be progressed now, rather than waiting for completion of the wholesale market review? If not, please explain.	Yes
Q10 Do you agree that the current definition of "Gas Contingency" should be amended? If not, please provide reasons.	Yes
Q11 If you agree that the definition should be amended: (a) do you agree that an 'effects-based' decision is most appropriate? (b) do you have any suggestion as to a basic operational minimum level to underpin the definition? (c) what, if any, degree of discretion should there be to determine that a Gas Contingency has occurred? (d) how would you define "Gas Contingency"?	<p>Yes</p> <p>We suggest that pipeline pressure levels should trigger contingency phases/actions.</p> <p>Limited discretion as the circumstances that trigger it should be well defined so that the industry has clarity regarding when a contingency will be triggered.</p> <p>Should be as a result of unplanned outages or events and not caused by excess demand or planned outages. No one should plan to take gas they are not entitled to take from the transmission system.</p>

Questions	Comments
Q12 Do you consider there should be a separate definition for regional and national contingencies, or some other split? If yes, please indicate how and why (including draft definitions)	No, regional outages are merely a subset of national outages and the same principles should apply.
Q13 Do you agree that the current definition of "Transmission System" should be amended? If not, please provide reasons. If yes, please provide a draft definition.	Yes it should be expanded to include references to the Maui pipeline and Vector Transmission system for clarity.
Q14 Do you agree that the current definition of "NGC Transmission" should be replaced with a more generic definition of "System Operator" (or similar) as proposed? If not, please provide reasons.	Yes
Q15 Do you agree with the scope of the proposed obligations to be imposed upon industry participants? If not, please provide reasons.	Yes
Q16 What, if any, other carve-outs to the proposed obligations of industry participants do you believe are necessary?	Industry participants should not be instructed to act in such a way that would cause them to breach any consents or permits.
Q17 Do you agree with the proposed approach to the liability of industry participants? If not, please provide reasons.	Yes
Q18 Is Gas Industry Co's belief that the proposed gas emergency arrangements will not require significant additional processes and systems to be developed correct? If not, please explain.	Don't know what arrangements specific companies currently have in place so not in a position to comment.

Questions	Comments
<p>Q19 Do you agree that any gas emergency arrangements should be consistent with the processes set out in the MPOC in respect of contingency and emergency situations? If not, please indicate your preferred approach and reasons.</p>	<p>Yes</p>
<p>Q20 Do you have a preference for the point at which MPOC is superseded by the gas emergency arrangements (e.g. when Phase 2 commences under NGOCP?)</p>	<p>The MPOC should be amended through the change process mechanism to incorporate the new NGOCP rules if there is conflict between the two once they have been enacted.</p>
<p>Q21 Do you consider the Emergency Operator should automatically be the technical/system operator of the transmission system or an independent person? Please provide reasons for your views.</p>	<p>The Emergency Operator should be the system operator because:</p> <ul style="list-style-type: none"> - likely to be the lowest cost - has years of experience in dealing with contingencies - will be following a clear set of rules/guidelines with limited scope for decision making
<p>Q22 Do you believe the CCT should be maintained or that the Emergency Operator, or other person, should undertake that role? Please explain your reasons.</p>	<p>The CCT should be maintained for the following reasons:</p> <ul style="list-style-type: none"> - the Emergency Operator may only release information that it considers is relevant to the situation. - it may also be very busy developing a fix for the outage or event and not have spare resources to devote to communication - the Emergency Operators view may be too narrow and not consider all implications for industry. i.e. electricity generation, retail, etc.
<p>Q23 If you wish to retain the CCT, do you believe its current make-up is appropriate?</p>	<p>Don't know its current makeup so can not comment on the appropriateness.</p>
<p>Q24 What other changes, if any, would you make to the CCT role? Please explain your reasons.</p>	<p>None</p>

Questions	Comments
<p>Q25 Do you agree with the scope of the proposed powers to be given to the Emergency Operator? If not, please provide reasons.</p>	<p>They appear to be okay as long as the Emergency Operator is following a strict set of guidelines/rules. The level of discretion needs to be limited to give the industry confidence in the arrangements and the way they will be implemented.</p>
<p>Q26 Do you agree with the proposed approach to the liability of the Emergency Operator? If not, please provide reasons.</p>	<p>Yes</p>
<p>Q27 Do you agree that the declaration process under the gas emergency arrangements should be more certain (as proposed)? If not, please indicate your preferred approach and reasons.</p>	<p>Yes</p>
<p>Q28 Do you agree that the process for moving between phases is currently clear/definite? If not, please indicate any proposed changes.</p>	<p>Yes. There are set parameters that define when a phase starts, etc. There needs to be greater onus on the Emergency Operator to keep the industry informed of the situation (line-pack, offtake, etc) at regular intervals during an event.</p>
<p>Q29 Do you agree that all industry participants (and other affected entities, such as major plant owners/operators) should be obliged to comply with directions from the Emergency Operator? If not, please provide details of reasons and any other proposed alternatives for providing certainty.</p>	<p>Yes as long as they are adequately compensated by the parties who use gas they are entitled to.</p> <p>The plan also needs to take account of the following; shutting down plant in a safe and controlled manner, the effect of shutting down all thermal generation on the electricity market, grid security, etc.</p> <p>Different times of year may require a different response from some major plant.</p>
<p>Q30 Do you consider there is any merit in a two-stage approach, with stage one allowing for voluntary response and stage two imposing binding instructions? If yes, why?</p>	<p>No</p>

Questions	Comments
<p>Q31 Should the Emergency Operator be required to maintain a detailed load shedding plan? If so, should all (relevant) industry participants be required to provide detailed supply, demand and load shedding information to the Emergency Operator?</p>	<p>Yes</p> <p>Yes but only if the information is ring fenced, kept confidential and not used for any other purpose.</p>
<p>Q32 Do you agree with the proposed obligations in relation to alternative gas suppliers? If not, please provide reasons.</p>	<p>Yes but the available volume could change on a daily basis so it should be an indicative indication only.</p>
<p>Q33 Do you agree that a back up/reserve market is not merited? If not, please provide reasons.</p>	<p>Yes</p>
<p>Q34 Do you agree that the Emergency Operator should have the ability to direct the supply of non-specification gas? If not, please provide reasons.</p>	<p>No as who will take responsibility for any damage or liabilities to third party property that could occur as a result.</p>
<p>Q35 Do you agree with the factors that an Emergency Operator must have regard to in making any such direction? If not, please provide reasons.</p>	<p>N/A</p>
<p>Q36 Are there any other factors the Emergency Operator should have regard to in making any such direction? If so, please detail those additional factors.</p>	<p>N/A</p>
<p>Q37 Do you agree with the proposed approach to restoration? If not, please provide reasons.</p>	<p>Yes</p>
<p>Q38 Do you have a view on guidelines for establishing a restoration table? Please specify.</p>	<p>Last off first back on.</p>
<p>Q39 Do you agree that a post-contingency formal reconciliation process is appropriate? If not, please provide reasons.</p>	<p>Yes</p>

Questions	Comments
<p>Q40 Do you have any comments on the proposed groups of types of communications and related obligations? Are there any other communications protocols/information flows which you consider should be taken into account as part of this review?</p>	<p>All formal notifications, instructions should be in writing – fax, email, pdf, sms. Parties should not be required to act on verbal instruction because they may have downstream contractual liabilities that they would be exposed to without a written instruction. Providing written instructions is more likely to avoid any misunderstandings or confusion regarding an instruction.</p>
<p>Q41 Do you agree with the proposed treatment of review, testing and documentation obligations under the NGOCP? If not, please provide reasons. If so, do you have any specific suggestions for how these should be dealt with?</p>	<p>Yes and it should include a change process under which participants can submit change requests for consideration.</p>
<p>Q42 Please provide any comments on how best to set line pack limits and to review these over time.</p>	<p>Having regard to the frequency, duration and type of events that occur. It should not unnecessarily restrict pipeline capacity or flexibility.</p>
<p>Q43 Do you have views as to the appropriateness of any particular compliance regime? Please specify.</p>	<p>Assuming arrangements mandated by rules and regulations the Rulings Panel is appropriate.</p>
<p>Q44 What is your view of WMWG's comment on the Farrier-Swier Consulting recommendations?</p>	<p>Agree ex post option seems more appropriate.</p>
<p>Q45 Do you agree the ex post fair price determination is a suitable model for developing emergency pricing? If not, please provide a description of your preferred approach to emergency pricing.</p>	<p>Yes</p>
<p>Q46 Do you agree these are a comprehensive set of principles and objectives? If not please provide your augmentable list(s) and reasoning.</p>	<p>Yes</p>

Questions	Comments
Q47 What is your view of the line pack being notionally allocated across shippers in proportion with their nominations? If you disagree, what would be your preferred approach and why?	It would be a fair way of rationing gas but would require agreement from the gas transmission pipeline companies.
Q48 In the absence of a transparent, short-term market for gas in New Zealand, what is your view of using an independent expert to set emergency prices ex post?	Yes but an alternative could be to use the published pipeline imbalance charges.
Q49 If you disagree with the use of an independent expert, what should be used as the basis for determining emergency gas prices and how is this superior?	Pipeline imbalance charges as they are the closest thing to a transparent market price we have.
Q50 In the event of a pipeline interruption, how do you view the pro rata allocation of line pack among shippers as a means of consistently applying the emergency pricing framework? If you disagree, what alternative arrangement would you suggest and why?	It seems the only fair way of treating shippers equally. Exception would be shippers on interruptible transmission arrangements.
Q51 Do you agree that for an emergency pricing framework to operate in a low-cost manner it will be essential for the overall emergency plan to be a mandatory arrangement (irrespective of whether that is implemented by rules, regulations or a multilateral contract)?	Yes
Q52 What is your view of requiring parties to endeavour to settle their positions in the first instance by trading among themselves?	Good idea
Q53 Do you agree that there should be a limit below which parties are not able to enter the emergency pricing framework?	Yes

Questions	Comments
Q54 What is your view of the price determination process? Do you agree that using a desktop study is the best approach?	Yes a desktop study is a good approach and it needs to be a streamlined and transparent process.
Q55 Please provide any other comments on the procedural steps.	Parties should not be left out of pocket. All parties who use gas they are not entitled to must be made to compensate the party who owned the gas. We agree a cap has merit but have difficulty in envisaging how it will be arrived at. If electricity generators shut down to preserve gas for other users and have to buy electricity from the market to meet their commitments they need to be compensated appropriately or will be reluctant to do so.
Q56 What is your view of the appropriate body to undertake the role of determining emergency pricing whilst keeping the costs to a minimum?	The Rulings Panel seems the logical choice.