



## Review of Gas Emergency Arrangements

*Powerco's submission on the  
Consultation Paper to Gas Industry Company*

*29 August 2006*

## 1 Introduction

- 1.1 Powerco thanks the Gas Industry Company Limited (“GIC”) for the opportunity to submit on the GIC’s Discussion Paper: “Review of Gas Emergency Arrangements” published by the GIC in July 2006.
- 1.2 This paper sets out Powerco’s general approach to the submission and the key points. Appendix 1 contains answers to specific questions posed in the Discussion Paper.

## 2 Powerco’s approach to this Submission

- 2.1 Powerco has approached this submission by identifying three distinct types of gas supply interruption and emergency situations. As these areas have differing levels of application to Powerco, Powerco’s comments are weighted accordingly.
- 2.2 The three types of gas supply interruptions and emergencies are outlined in paragraphs 2.3-2.9 below.

### ***True Emergency (Civil Emergency situation)***

- 2.3 A “true emergency” is where an event occurs that creates or has the potential to create a significant threat to life, property or widespread disruption to communities. This will include events such as earthquakes, fire, floods and the accidental breakage of pipes resulting from work being carried out on sites where pipes lie.
- 2.4 Under a true emergency, the Civil Defence Emergency Management Act 2002 (“CDEMA”) prescribes a number of duties for lifeline utilities (which includes Powerco as Distributor) including a requirement to function to the fullest extent possible during and after an emergency. Other than the need to increase the flow of information between the parties involved, in the event of a true emergency (i.e. between retailers, distributors and the transmission owner), Powerco has not made suggestions which add or remove anything from what is currently provided under the CDEMA.

Under the CDEMA, depending on the size and/or nature of the emergency, National, Regional or Local Emergencies can be declared. There is, therefore, no need for a similar ability to be conferred upon the body responsible for the Gas Emergency Arrangements i.e. the Emergency Operator.

- 2.5 Powerco considers that the rules proposed by the GIC should only briefly cover off the application of the CDEMA. It is critical that any arrangements relating to true emergencies:
  - a. do not create dual sets of obligations on parties;
  - b. do not conflict with statutory requirements;
  - c. are efficient, cost effective and minimise transaction costs between the parties.

***Delivery Failure - disruption to gas supply from transmission system pipeline or infrastructure facilities (Connectivity failure)***

- 2.6 In Powerco's view, a "delivery failure" occurs where there is an event which inhibits the delivery of gas from the transmission system. This type of failure may result in a Distributor being unable to maintain adequate and safe line pressure in its distribution network(s) and as a consequence it may not be able to continue to deliver gas to consumers.
- 2.7 A Delivery Failure may arise where there is a break in the transmission system pipeline due to:
- natural hazards, e.g. Pohangina Bridge – February 2004; or
  - from third party interference, e.g. Himatangi 2002 or
  - a gate station failure e.g. Waitangirua in January 2004.
- 2.8 Depending on the physical proximity of the failure in relation to a distribution network(s) there may be very little time and limited options for a network operator to react. Failures that occur far away from the distribution network may result in less disruption if adequate transmission system linepack is available. A gate station failure like Waitangirua, which was caused by contaminated gas, has an immediate impact on the downstream distribution network and requires urgent and immediate attention to ensure the safety of the distribution network(s) and its connected consumers. Distribution networks have relatively little linepack and could collapse quickly, but take months to safely restore.
- 2.9 Powerco believes the GIC needs to establish a principled set of rules for dealing with delivery failures as these are likely to be the most common scenarios to arise and can have an immediate adverse impact on the distribution network(s) and consequently consumers connected to it.

***Supply Restriction - interruption to gas supply into transmission system (Input constraint)***

- 2.10 In Powerco's view, a supply restriction occurs where:
- a. a retailer has insufficient gas to supply a customer. For example, where a retailer's entitlements under a gas purchase contract in respect of a gas field is insufficient to meet demand. This must be resolved at a generator level or Retailer level. – (Not Network issue to resolve).
- 2.11 As the GIC has identified, any rules must aim to meet the specific outcome specified at paragraph 5(a) of the Government Policy Statement on Gas Governance, October 2004:
- "Risks relating to security of supply, including transport arrangements, are properly and efficiently managed by all parties."
- 2.12 In Powerco's view, maintaining the gas distribution networks is a critical element of meeting that specific outcome as without transport arrangements, other parties are unable to utilise what gas is available to mitigate the risks associated with lack of supply. A distribution network can take months to re-commission (for example, in the

Wellington region, the gas network would take between three to four months to re-commission) during which time no gas would be able to be delivered. Any supply restriction caused by either low production, retailers not having enough gas or transmission system issues, has the potential to damage the integrity and safety of Powerco's distribution networks or even require decommissioning of the network.

- 2.13 Powerco submits that due to the costs, inefficiencies and time delay associated with the distribution networks being decommissioned and subsequently re-commissioned, it is in the industry's best interest to ensure there is sufficient gas in all distribution networks to avoid that occurring; i.e. a requirement to maintain supply to networks preferentially ahead of supply to power generators and petrochemical manufacturers.
- 2.14 One solution is that residential connections could be "ring fenced" in supply arrangements and supply contracts so that they are "guaranteed" (as much as a guarantee is possible) supply on the basis that residential connections use only a small percentage of total gas supply. This step would go a long way to protecting the gas distribution networks if suppliers and retailers must maintain this supply to residential customers in a "supply into the transmission system restriction" situation.
- 2.15 Powerco's responses to the GIC's specific questions set out in Appendix 1 must be read in light of the above division of "Emergencies".

### **3 Key Points/Executive Summary**

- 3.1 Our view is that the paper does not adequately consider the upstream and downstream relationships between producers, the transmission operator, distributors and retailers. Any rules need to ensure that there are synergies between these parties to ensure that parties acting in a gas emergency do not act to the detriment of a downstream and / or upstream party (or vice versa) and, where possible, each party acts reasonably to enable other parties to meet their obligations under the rules, or at least limit the impact of any interruption or failure.
- 3.2 The GIC needs to consider that any emergency arrangement guidelines issued by the GIC will require an assessment by distributors of their contracts with retailers as there is a risk that any such guidelines will cause distributors to be in breach of their network agreements (and also agreements between retailers and their customers).
- 3.3 It is likely that the load shedding plans of distributors are susceptible to regular change. This is partly due to the evolving structure of individual networks and the introduction of new service points on the network which require alterations to individual distributor's load shedding plans. A national load shedding plan is, therefore, required to ensure a consistent load shedding protocol across all networks. This protocol needs to be sufficiently flexible to take into account the unique characteristics which affect each distributor's ability to shed load on its networks. Note: Many networks face geographic supply limitations. If physical supply limitations occur, networks must be able to reserve their right to manage the network in the best interest of preserving the networks integrity. Due to time constraints it may not be possible to notify retailers and or end users prior to load shedding and key supplies may be required to go out first, i.e. hospitals to preserve this integrity. Networks must be able to act without risk, therefore it is essential that mandatory emergency management regulations provides for this.

- 3.4 Where legislation, for example, the Civil Defence Emergency Management Act 2002, provides for a certain course of action, or limits particular actions, this should be noted in the rules and the rules must not require the performance of obligations that contradict the statutory requirements.
- 3.5 The emphasis of the rules must be on safety and the protection of the gas infrastructure assets i.e. safety and protection must take preference over commercial considerations. This will need to be balanced with a cost benefit analysis to ensure that the cost does not outweigh the public benefit of the rules.
- 3.6 Retailer contracts must provide for emergency load shedding and management. The GIC retailer model contracts work group should be notified of the load shedding requirements as part of any model contract. Also important to cover off is that networks may not be able to provide sufficient or adequate notification of load shedding or network decommissioning, due to location and nature of incident. This needs addressing in the model contracts review. Please can you confirm back that this work group has been notified. Powerco which is not represented on this group would be grateful to meet and review these matters with the group.
- 3.7 Powerco has experienced a number of events of the type that should be contemplated and addressed in the rules. Most notably:
- a. Pohangina Bridge – February 2004 - break in the transmission system pipeline due to natural hazards, (True Emergency); and
  - b. Himatangi - 2002 - third party interference, (Delivery Failure); and
  - c. Waitangirua in January 2004 - gate station failure, (Delivery Failure).

#### 4 **Conclusion**

- 4.1 Powerco appreciates the GIC's work to date and looks forward to working with the GIC and other industry participants to develop the next stages of the project.
- 4.2 Powerco wishes to be represented on any working group established by the GIC for the purpose of progressing emergency management.

**Appendix: Answers to Specific Questions**

Questions	Comments
<p>Q1 Do you agree that mechanisms to implement arrangements for emergency or contingency situations must be mandatory? If not, please explain.</p>	<p>Yes.</p> <p>A voluntary agreement will not work due to:</p> <ul style="list-style-type: none"> <li>a) parties pulling out; and</li> <li>b) potential conflicts of interest.</li> </ul> <p>This has been proved to be the case with the NGOCP.</p> <p>Pivotal safety and security measures are encompassed by the gas emergency arrangements and these should be certain and enforceable. This is a reputational issue for the entire gas industry.</p>
<p>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.</p>	<p>Yes.</p>
<p>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.</p>	<p>Yes.</p>
<p>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.</p>	<p>Yes.</p> <p>Requirements must be practical, clear and workable. The rules must not require an operator to take actions that exposes it to adverse risk (including employees) i.e. must only be required to act as a reasonable and prudent operator.</p>

Questions	Comments
<p>Q5 Do you believe the gas emergency arrangements are most appropriately implemented by rules or regulations recommended to the Minister of Energy? If not, please explain.</p>	<p>Yes.</p> <p>Regulations are the best vehicle for the arrangements but rules or recommendations may be made by the Minister of Civil Defence as well as the Minister of Energy.</p> <p>We note that provision for existing regulations and the provision to make new regulations is provided for under the Health and Safety in Employment (Pipelines) Regulations and the Gas Act 1992 (although the CDMA covers gas pipelines to a large extent).</p> <p>The Governor General may make regulations for providing for matters contemplated in the Civil Defence Emergency Management Act 2002 (“CDEMA”) necessary for the Act’s administration or matters necessary for giving it full effect (section 115(k)).</p> <p>Lifeline utilities are covered in the CDEMA and include “an entity that produces, supplies or distributes manufactured gas or natural gas (whether it is supplied or distributed through a network or in bottles of more than 20kg of gas)”.</p> <p>Thus, regulations in relation to “true emergencies” as set out above, could be made under the CDEMA rather than the Gas Act 1992. the interrelationship between regulations made under the CDEMA and the Gas Act 1992 needs further consideration.</p>
<p>Q6 Do you agree with Gas Industry Co’s analysis of the framework design for emergency management arrangements? If not, please explain.</p>	<p>Yes, subject to the following conditions.</p> <p>The framework must be made applicable to transmission i.e. by reference to the “transmission system.” The paper currently uses “transmission system” and “transmission network” interchangeably and needs to be made consistent.</p> <p>The use of “industry participants” must be clarified. For example, are the gas</p>

Questions	Comments
	<p>producers/explorers covered by the arrangements? What right does the Minister have to make regulations that bind the transmission system owner or gas producers under the Gas Act 1992? The GIC must reconcile these issues.</p> <p>The framework must be sufficiently flexible to recognise that the emergency response required will change depending on the circumstances of the outage i.e. the response required to an outage that occurs on a Monday will be different to an outage occurring on any other day due to different rates of usage and different linepack on different days. That key procedures, i.e. notification of outage and load shedding to Retailers may not be able to occur in a timely manner due to the nature and time constraints of the event.</p> <p>As acknowledged in the paper, emergency management arrangements should generally accord with existing arrangements of participants.</p>
<p>Q7 Are there any other principles you believe should be included? If so, please provide details of those additional principles.</p>	<p>The rules need to include the principle that any emergency response obligations must be exercised with regard to the upstream and downstream impact i.e., the transmission system operator must not simply fulfil its own obligations in respect of its transmission pipeline and then cease taking actions while the distributors and retailers downstream are still dealing with the problems created by an interruption or supply issue.</p> <p>The rules need to include the principle that emergency arrangements must be sufficiently flexible to recognise the unique characteristics of individual networks i.e. Wellington Hospital will be one of the first sites to which gas will be cut in the event of an outage impacting on Powerco's Wellington network and ability to notify Retailers may not be possible prior to commencement of load shedding.</p> <p>The principles of the Civil Defence Emergency Management Act 2002 should be referred to i.e.–</p> <ul style="list-style-type: none"> <li>- Improving and promoting the sustainable management of hazards in a way that contributes to the social, economic, cultural and environmental well-being</li> </ul>



Questions	Comments
	<p>and safety of the public and also to the protection of property;</p> <ul style="list-style-type: none"> <li>- Encourage and enable communities to achieve acceptable levels of risk;</li> <li>- Provide for planning and preparation for emergencies and for response and recovery in the event of an emergency;</li> </ul> <p>(section 3(a)-(c)).</p>
<p>Q8 Do you agree with Gas Industry Co's approach? If not, please explain.</p>	<p>Yes, subject to the below.</p> <p>The NGOCP is a "good starting point", however, it was developed when the gas market was very different to how it is today (players, interests, fields, volumes etc.).</p> <p>Powerco is hesitant for the GIC to simply "adapt" the NGOCP when a new structure may be better suited in order to cover the issues raised in today's environment.</p>
<p>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.</p>	<p>Yes.</p> <p>The completion of the wholesale market review and the gas emergency arrangements are separate issues. Powerco agrees that in the interest of prudence it is important not to wait until such a time as the wholesale market has been developed and established to embark on the gas emergency arrangements.</p>
<p>Q10 Do you agree that the current definition of "Gas Contingency" should be amended? If not, please provide reasons.</p>	<p>Yes.</p> <p>Some flexibility should be provided so that where Vector Transmission has the opportunity to consult a second opinion it is required to do so. It is accepted that in most cases the circumstances will require Vector Transmission to act immediately without the opportunity to consult further.</p> <p>Paragraph 6.6 –</p> <ul style="list-style-type: none"> <li>- First bullet – Yes, there could be a restriction of the gas supply falling short of</li> </ul>

Questions	Comments
	<p>an actual outage; this needs to be reflected in the rules.</p> <ul style="list-style-type: none"> <li>- Third bullet – Yes. Vector Transmission is the most appropriate body to make the decision, as it possesses all relevant information required to form the required opinion as to whether a Gas Contingency exists. [but some circumstances where this might not be appropriate e.g. Powerco’s Waitangirua gate station – Powerco dealt with it because Vector Transmission where unable to do so in the required time.</li> <li>- Fifth bullet – “stable and safe conditions” must strike a balance between legal and commercial risk.</li> </ul> <p>Paragraph 6.7 – The definition of a “contingency event” must allow the responsible actor, i.e. Vector Transmission, to act early enough i.e., not wait until the emergency is actually occurring before Vector Transmission can act. It is Powerco’s opinion that prevention is better than the cure in these situations.</p> <p>Paragraph 6.9 – Any trigger points for emergency response should not conflict or duplicate those in the Civil Defence Emergency Management Act 2002 – i.e., the duties of lifeline utilities under section 60 of the CDEMA in that they must be able to “function to the fullest possible extent, even though this may be a reduced level, during and after an emergency”. Also the declaration under section 66 of a state of national emergency and under section 68 of a state of local emergency if emergencies” have occurred (which include in section 2 – gas leaks).</p>
<p>Q11 If you agree that the definition should be amended:</p> <ul style="list-style-type: none"> <li>a) do you agree that an 'effects-based' decision is most appropriate?</li> <li>b) do you have any suggestion as to a basic operational minimum level to underpin the definition?</li> <li>c) what, if any, degree of discretion should there be to determine that a Gas Contingency has</li> </ul>	<ul style="list-style-type: none"> <li>a) Yes.</li> <li>b) Industry agreed</li> <li>c) Reasonable discretion</li> </ul>

Questions	Comments
<p>occurred? d) how would you define "Gas Contingency"?</p>	<p>d) Industry agreed</p>
<p>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)</p>	<p>Yes, with an additional layer of definitions.</p> <p>National and Regional Contingencies should be further split into the following categories:</p> <ul style="list-style-type: none"> <li>• True Emergency or Civil Emergency situation</li> <li>• Delivery Failure (connectivity failure); and</li> <li>• Supply Restriction (input constraint).</li> </ul> <p>For an explanation of each of these categories refer to section 2 of this submission.</p> <p>Definitions for the "regions" for the regional contingencies could take their flavour from the Civil Defence Emergency Management Act 2002 (which follows the Local Government Act 2002 definitions).</p>
<p>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.</p>	<p>Yes.</p> <p>The definition needs to provide for potential future operators of the transmission system e.g. by referring to "system operators" and therefore should refer to "Transmission System[s]". This is important for the "longevity" of the rules.</p>
<p>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.</p>	<p>Yes. See our answer to Q13.</p> <p>The definition should refer to "predominant" or "leading" operator i.e. the most skilled operator and the one with the best national overview.</p> <p>It is critical the definition is referring to one operator only (or, the Minister could designate the System Operator for these purposes).</p>

Questions	Comments
Q15 Do you agree with the scope of the proposed obligations to be imposed upon industry participants? If not, please provide reasons.	Yes. It mitigates risk and liability.
Q16 What, if any, other carve-outs to the proposed obligations of industry participants do you believe are necessary?	<p>Where health and safety (risk to life or property) issues require that an obligation not be performed.</p> <p>Where the greater good to the gas industry requires ability to act without risk or repercussions.</p> <p>Where the knock-on effect requires that an obligation not be performed e.g. the risk of electricity fluctuations if a gas-fired generator e.g. Southdown is shut down. Ideally there would be some kind of arrangement between the electricity and gas industries around this; however, we acknowledge this is not possible in the short term.</p> <p>Where statutory obligations require a different or additional course of action (it is intended that such discrepancies will be dealt with in the final draft of the rules i.e. there will be no one overlap with legislative obligations).</p>
Q17 Do you agree with the proposed approach to the liability of industry participants? If not, please provide reasons.	<p>In principle, yes.</p> <p>We note that “lifeline utilities” are already covered under section 60 of the Civil Defence Emergency Management Act 2002, which requires them to:</p> <ul style="list-style-type: none"> <li>- ensure that they are able to function to the fullest possible extent, even though this may be at a reduced level, during and after an emergency;</li> <li>- make available to the Director of Civil Defence in writing on request plans for functioning during and after an emergency;</li> <li>- participate in the development of the national civil defence emergency management strategy and civil defence emergency management plans;</li> <li>- provide any technical advice to any Civil Defence Emergency Management</li> </ul>

Questions	Comments
	<p>Group or the Director that may be reasonably required (free of charge);</p> <ul style="list-style-type: none"> <li>- ensure that any information that is disclosed to the lifeline utility is used by the lifeline utility or disclosed to another person only for the purposes of the Civil Defence Emergency Management Act.</li> </ul>
<p>Q18 Is the 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.</p>	<p>Yes.</p> <p>No significant additional processes required due to the current operation and implementation of the NGOCP and CDEMA.</p>
<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>Although consistency between the MPOC and any rules is desirable, it is not imperative.</p> <p>The Rules will form a statutory obligation and will override MPOC (assuming they are rules or regulations under the Gas Act).</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>No</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>Automatically the System Operator of the transmission system.</p> <p>The System Operator is most appropriate body to be the Emergency Operator as an independent person without the required industry knowledge would be costly and inefficient.</p> <p>Rules of operation should be clear and sufficient so the commercial identity of the Emergency Operator is not so relevant.</p> <p>Powerco suggests the GIC consider an independent observer to be in the control room during an emergency as a "check" on the Emergency Operator.</p>

Questions	Comments
<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>Yes. The CCT should be maintained.</p> <p>The notification process in the event of a gas contingency is critical.</p> <p>CCT provides transparency, as an Emergency Operator does not always volunteer all the information. Representation from competing interests also assists in information disclosure.</p> <p>It is critical that the CCT is a small, efficient, representative and able body. This can be achieved through the establishment, membership and processes set for the CCT.</p>
<p>Q23 If you wish to retain the CCT, do you believe its current make-up is appropriate?</p>	<p>The CCT needs to be small and representative of all parties with a legitimate interest.</p> <p>The CCT needs the additional ability to co-opt members if required.</p> <p>See Q22 answer.</p>
<p>Q24 What other changes, if any, would you make to the CCT role? Please explain your reasons.</p>	<p>None at this stage</p>
<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>Scope is acceptable, provided there is an independent observer to oversee processes (i.e., in the control room in an emergency as provided for above at Q21).</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>The liability of the Emergency Operator should also reflect obligations regarding the knock-on effect of an outage i.e. to incentivise the Emergency Operator to consider the implications of an outage downstream i.e. on distribution networks.</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</p>	<p>Yes. More certainty is required.</p> <p>Paragraph 8.26 – this is the first time the knock-on effect on downstream parties is</p>

Questions	Comments
<p>preferred approach and reasons.</p>	<p>acknowledged in the GIC document. Powerco's view is that the rules must reflect a balance between all parties (who, at times, are competing) in the industry.</p> <p>8.27 – Powerco agrees with this point and views it as critical. It recognises that downstream parties are still affected by an outage after operator has restored their supply e.g. Waitangirua in January 2004 where there was a gate station outage.</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>This process needs to be flexible.</p> <p>The Emergency Operator should not have to wait for the holes to match up before acting i.e. should be able to heed an early warning and act on it.</p> <p>We agree with the analysis of the GIC at paragraphs 8.28 to 8.30.</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. Need a clear, step-by-step process.</p> <p>8.31 – third bullet point – need to specify categories of load shedding.</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, Powerco considers that a two-stage process will simply create increased transaction costs, delay (which could be critical) and expense.</p>
<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>The plan would only be disclosed to the relevant network operator and the Emergency Operator (i.e. commercial parties would not be able to see each other's plans).</p> <p>Powerco considers there to be a risk that competing Retailers may not provide correct information i.e. categorising of customers.</p>

Questions	Comments
<p>Q32 Do you agree with the proposed obligations in relation to alternative gas suppliers? If not, please provide reasons.</p>	<p>In some circumstances it might be appropriate to take non-specification gas where the reasons for the gas being non-specification are relatively low risk. This depends on the reason why the gas does not meet the specification. The gas supplied may be outside of the agreed wobble number but should not contain “life threatening” and harmful contaminants such as water, liquids, solids and hydrocarbons.</p> <p>However, there remains the risk of unforeseeable consequences and, therefore, this issue (including liabilities arising) must be considered further.</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.</p> <p>The ability to direct the supply of non-specification gas should not be left to a single party but should be a debated issue at the time.</p> <p>Powerco has responsibilities under the Gas Act and under its NSAs with Retailers – i.e. a direction as to the delivery of non-specification gas by one or more Retailers in emergencies may cause Powerco to breach its NSAs with remaining Retailer (s).</p> <p>See answer to Q32.</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>No. See our answer to Q34. This direction should not be left to Emergency Operator only.</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>Yes. See our answer to Q34.</p>



Questions	Comments
Q37 Do you agree with the proposed approach to restoration? If not, please provide reasons.	Yes. However, commercial interests should not override safety and security objectives i.e. the rules must avoid situations where parties attempt to influence the outcomes.
Q38 Do you have a view on guidelines for establishing a restoration table? Please specify.	A restoration table in theory is a good idea. Any table developed needs to be flexible and needs to provide clear guidelines.
Q39 Do you agree that a post-contingency formal reconciliation process is appropriate? If not, please provide reasons.	Yes.  This provides certainty and efficiency for all parties.
Q40 Do you have any comments on the proposed groups or 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?	In Powerco's view, there needs to be defined processes of communication at different levels. These processes may be dependent on whether gas contingency is a true emergency, delivery failure or supply restriction (and whether a corresponding level of urgency is required).  At the top level communication must be adequate and timely.
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?	Yes.  The arrangements must be timely, efficient and not replicate CDEMA requirements.
Q42 Please provide any comments on how best to set line pack limits and to review these over time.	This would need to be agreed as part of the operating structures
Q43 Do you have views as to the appropriateness of any particular compliance regime? Please specify.	Any compliance regime adopted must: <ul style="list-style-type: none"> <li>• Not be cumbersome;</li> <li>• Be accurate/appropriate for the purpose;</li> <li>• Be accompanied by guidelines;</li> <li>• Be cost effective; and</li> </ul>

Questions	Comments
	<ul style="list-style-type: none"> <li>• Provide users with certainty.</li> <li>• Provide effective control</li> </ul>
Q44 What is your view of WMWG's comment on the Farrier-Swier Consulting recommendations?	Powerco understands the emergency price regime will be established to deal with issues retailers have for reallocating gas. As a distributor, Powerco takes a neutral position on the regime but agrees that whatever the system is agreed upon needs to be fair and equitable to all parties and provide adequate compensation.
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.	Powerco is neutral on the adoption of an ex post fair price determination, however it supports any model which provides a fair and equitable result.
Q46 Do you agree these are a comprehensive set of principles and objectives? If not please provide your augmentable list(s) and reasoning.	No comment.
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?	No comment.
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?	Powerco has a neutral position on this issue. It is a retailer issue rather than a distribution issue.
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?	Powerco has a neutral position on the method of determining emergency gas prices. However, Powerco submits that any basis used should be fair and equitable to all retailers involved and consumers alike.
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	Powerco has a neutral position on emergency gas pricing. It is a retailer issue rather than a distribution issue. However Powerco wishes to see a fair, equitable and workable solution.

Questions	Comments
<p>emergency pricing framework? If you disagree, what alternative arrangement would you suggest and why?</p>	
<p>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)?</p>	<p>The framework needs to be fair and equitable and workable however Powerco is neutral on whether the arrangement between retailers is mandatory or voluntary.</p>
<p>Q52 What is your view of requiring parties to endeavour to settle their positions in the first instance by trading among themselves?</p>	<p>Although this does not impact directly on Powerco, its view is that this option is worth a try. However, in an emergency the time aspect may not allow as detailed consultation as required. The success of this option would depend on the ability of the parties to communicate and share information with each other in a possibly tight timeframe.</p>
<p>Q53 Do you agree that there should be a limit below which parties are not able to enter the emergency pricing framework?</p>	<p>Powerco has a neutral position on this issue. However, Powerco agrees that there should be a limit as this saves time and improves cost/benefit ratio.</p> <p>This needs further discussion/consultation as to what this limit will be and there is a need to ensure that no unfair or inequitable treatment occurs.</p>
<p>Q54 What is your view of the price determination process? Do you agree that using a desktop study is the best approach?</p>	<p>No comment.</p>
<p>Q55 Please provide any other comments on the procedural steps.</p>	<p>No comment.</p>
<p>Q56 What is your view of the appropriate body to undertake the role of determining emergency pricing whilst keeping the costs to a minimum?</p>	<p>Powerco does not have a definite view on the appropriate body to undertake the determination of emergency pricing as this is a retailer issue. However, Powerco considers a Rulings Panel may be appropriate.</p>

Questions	Comments