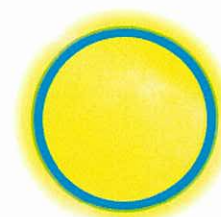


28 May 2008

Ian Dempster  
Gas Industry Co  
P.O. Box 10-646  
WELLINGTON

**POWERCO**



Dear Ian

**SUBMISSION ON GAS CRITICAL CONTINGENCY MANAGEMENT**

Thank you for the opportunity to comment on the Short Form Consultation Paper on Gas Critical Contingency Management Arrangements.

Powerco recognises that the scope of this consultation was limited to those changes outlined in the short form consultation paper. However, Powerco considers it would not be acting as a responsible industry participant if it did not signal that it has concerns over the efficiency of the proposed Gas Governance (Critical Contingency Management) Regulations, particularly in the following areas:

- Curtailment of consumer supply
- Reinstatement of gas supply
- Communications between industry participants, and between participants and other parties
- The responsibilities and consequent liabilities of industry participants under the regulations

If you have any questions on the information provided in this submission please contact Karen Frew (06 759 6562) or the author (06 759 6216).

Yours sincerely

A handwritten signature in blue ink that reads "Goodeve".

**Paul Goodeve**  
Regulation and Business Manager

# Appendix A: Recommended Format for Submissions

QUESTION	COMMENT
<p>Q1: Are the proposed threshold limits (or the ranges for those limits) set at an appropriate level?</p>	<p>Powerco does not consider the proposed threshold limits acceptable: The point of measurement is imprecise i.e. where in the gate station is the pressure measured, pressure at a point in a gate station can be less than line pressure</p> <p>The gate station names do not match those presented by the GIC in the April 2008 Determinations on the Gas (Switching Arrangements) Rules 2008 Consultation Paper i.e. there is no “Wellington” gate station and Rotowaro not listed</p> <p>The catch all “any other gate station” is limited to Vector and Maui pipelines, which presupposes that no other transmission pipeline will be built by another party in the life of the proposed Regulations.</p> <p>There are sections of the transmission system that operate at less than 2000 kPa i.e. the lines feeding Tawa A and Morrinsville DF. As such, they would breach the thresholds limits for “any other gate station”. While these operate below the statutory 2000 kPa limit they have been considered to be part of the transmission system historically and this is where ownership and operation (including disclosure reporting) have been maintained.</p>
<p>Q2: Do you consider the definitions of positive and negative contingency imbalances are appropriate? If not, please explain why.</p>	<p>Powerco has no comment on this matter</p>
<p>Q3: Do you agree that a process for correcting material errors in contingency imbalances is desirable?</p>	<p>Powerco agrees that a process for correcting material errors in contingency imbalances is desirable</p>
<p>Q4: What is your view of the proposed two-stage process for setting the critical contingency price?</p>	<p>Powerco notes that the proposed two stage process does not involve any distributors. Distributors have the option to inject gas into a distribution system from sources other than the transmission pipeline during a critical contingency, and so can materially affect the volumes of gas involved.</p>

QUESTION	COMMENT
<p>Q5: Do you consider the definition of regional critical contingency is sufficiently unambiguous? If not, how do think it should be improved?</p>	<p>A transmission system map could provide additional clarity, noting the differences between the legal and historical definitions of a transmission system outlined above</p>
<p>Q6: Do you agree with the appeal process for the designation of consumers as minimal load consumers and essential service providers?</p>	<p>Powerco notes that the appeal of designation of consumers as minimal load consumers and essential service providers involves only the retailer, the industry body and consumer. It does not involve the party responsible for maintaining the load shedding information in the Registry, or who manages load shedding for purposes other than critical contingency management i.e. the distributor.</p> <p>Powerco also notes that there appears to be no penalty for providing incorrect information i.e. assigning consumers as minimal load or essential service providers, or a requirement to correct it other than the proposed interim injunction. Details of the Gas Governance (Compliance) Regulations do not appear to be available for stakeholder review and so their efficacy cannot be confirmed.</p> <p>Powerco further notes that with the NGOCP ceasing to have effect (r13) upon go live, a distributor is not bound by any arrangements made under these Regulations</p>

QUESTION	COMMENT
<p>Q7 Are there any other changes to the proposed Regulations that you wish to comment on?</p>	<p>The interim injunction provision discussed on page 16 of the Consultation Paper is based on the industry body seeking an injunction in relation to a participant. In addition to being unclear if this is an industry participant under Clause 43D of the Act or a registry participant under the Gas (Switching) Rules 2008, the term does not reflect the parties detailed in the proposed Regulations. Obligations to curtail involve the consumer, who is not a participant in most cases. A distributor or a GMS owner are participants under both definitions, but play no active parts under the proposed Regulations. The term participants should be changed to reflect only those parties who are required to act or not act under the proposed Regulations. At a minimum distributors and GMS owners should be excluded from and consumers included in the parties that are restrained from or required to act by an injunction sought be the industry body.</p> <p>Authority of the CCO (r47 (2)) should clarify who the CCO can issue directions to, outside the scope of a critical contingency management plan. This should be limited to a transmission system owner to maintain consistency with the rest of the proposed Regulations.</p> <p>Other curtailment arrangements (r50(2)) should clarify that the CCO can only issue directions to a transmission system owner to maintain consistency with the rest of the proposed Regulations</p>

QUESTION	COMMENT
	<p>Restoration of supply to consumers (r25 (1)(g)) In order to meet the requirements of regulation 7 of the Gas Regulations, a network operator must restore supplies in a safe way when consumers' supplies have been interrupted. Powerco notes that there is no provision in the proposed Regulations for the involvement of the distributor in the restoration of supply to consumers. Any issues relating to restoring supply (including gaining authority to work, safety of the gas networks and gas supply as well as ensuring the competency of workers) must then fall on the CCO and transmission system owner. Powerco also notes that as a gas operator, Powerco could be exposed to claims for compensation under Clause 51 of the Act should Powerco act at the request of the CCO or a transmission system owner. Therefore a process for a formal request for a distributor to act from the CCO or transmission system owner should be a requirement. The CCO and/or transmission system operator should be liable for all claims for damages relating to activities arising from these regulations.</p> <p>The change of definition of consumer (r5) to exclude domestic consumers does not adequately define what a domestic consumer is, and no definition of domestic consumer exists in the Act, leading to an ambiguity. Any definition of domestic consumer should mirror that used in other regulations.</p>
<p>Q8 Are there any other areas related to implementation that should be included within the terms of reference of CMIG?</p>	<p>Powerco has no comment on this matter</p>