

Appendix A Format for submissions

To assist Gas Industry Co in the orderly consideration of stakeholders' responses, a suggested format for submissions has been prepared. This is drawn from the questions posed throughout the body of this consultation document.

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

QUESTION	COMMENT
Q1: Do you agree with Gas Industry Co's decision to pursue the ICD process? If not, why?	<p>Mighty River Power fully supports the ICD process as we believe that regulation should be the option of last resort for resolving industry issues. We also believe that the ICD process presents the most cost effective solution to pipeline balancing issues.</p> <p>We are however concerned that the GIC has not specified those hurdles that the ICD process has to clear in order to replace the proposed regulatory process as laid out in this Statement of Proposal.</p>
Q2 Do you agree with Gas Industry Co's proposal to pursue the participative regulation option? If not, why?	<p>Within the context of this Statement of Proposal Mighty River Power agrees that the prescriptive option is the best of the regulated options. We are however of the opinion that a regulated option should only be pursued once all the non regulated options have been exhausted.</p>

QUESTION	COMMENT
<p>Q3: Do you agree that the draft rules adequately address the balancing issues raised throughout this review? If not, why?</p>	<p>We would offer the following comments which are limited due to time constraints:-</p> <p>We do not believe that the phrase “unified balancing plan” is appropriate. Our understanding from discussions at the ICD meetings is that a more appropriate description would be a “co-ordinated balancing plan”.</p> <p>Clause 4.1.3 The outline which states that the function of the balancing agent is to “manage” line pack is too open to interpretation. Does “manage” mean simply the purchase and sale of balancing gas or does it also include the actual operation of the pipeline which would impinge on the sovereignty of the transmission system operators to operate their pipelines? This needs to be clarified.</p> <p>Clearing Price: Mighty River Power opposes the use of Marginal Prices in the purchase of balancing gas as this will effectively increase industry costs when the ultimate objective is surely to minimise industry operating costs. In the end any increase in operating costs are bourn by our customers therefore the application of marginal pricing is contrary to the GPS which requires downward pressure on prices. Marginal pricing being optimal is an economic theory which requires perfect competition. Clearly the balancing gas market does not fit this given the size of the market and restricted participation.</p> <p>Allocation Clause 19. As previously submitted on these matters Mighty River Power believes that an essential part of being able to effectively manage our mismatch position is the introduction of a daily allocation process along the lines proposed by the D+1 process being pursued by the GIC. In a similar vein without a daily allocation process the allocation of balancing gas transactions will be delayed until the early part of the following month once the initial allocation process has been completed.</p> <p>The rules are currently silent on any timeframes with regard to when a dispute can be raised concerning balancing gas invoices. Can a shipper raise a dispute after the interim allocation is completed or even once the final allocation is completed 13 months after the balancing gas actions have been completed? This needs to be clarified.</p> <p>In addition to the payment arrangements stated in Clause 21 the Balancing Agent must include within the invoice sufficient supporting information to allow the shipper to be able to confirm that the invoice is correct and can then authorise it for payment.</p>

QUESTION	COMMENT
<p>Q4: Do you agree with Gas Industry Co's decision not to include curtailment, damages and tolerances? If not, why?</p>	<p>Yes</p>
<p>Q5: Do you agree with the detail of the balancing plan? If not, why?</p>	<p>Mighty River Power agrees that initially the GIC should not be prescriptive with regards to the development of the Balancing Plan which in the first instance should be developed by the Transmission System Operators in line with the draft Rules. We cannot however comment on the Balancing Plan until such time as this is produced for review and comment.</p>
<p>Q6: Do you agree with the detail of the balancing plan, including the processes for approval as well as proposing changes? If not, why?</p>	<p>We can only agree with the proposed process for the development and amendment of the Balancing Plan at this time as the actual Balancing Plan has yet to be produced and reviewed.</p>
<p>Q7: Do you have any other comments on any aspects of the proposal?</p>	<p>Mighty River Power has consistently argued that the balancing situation within New Zealand cannot be effectively resolved simply by addressing upstream activities. In our opinion it is also necessary to address a number of downstream issues and in particular if we are to continue with a uniform daily balancing process then the industry needs to establish some form of daily allocation process.</p> <p>We are encouraged by the progress that the GIC and M-Co have made with the D+1 allocation methodology. If the regulated option requires a move to back to back balancing and a potential reduction and/or possible elimination of tolerances on the pipelines then it is our position that these changes cannot be implemented without a move to a D+1 allocation methodology for non time of use customers at the same time.</p> <p>Mighty River Power believes that an open and participative balancing market is a crucial part of any unified or coordinated balancing plan. It is a necessary step to ensure that all shippers can mitigate balancing costs and reduce balancing cost to the industry.</p> <p>In addition to the above there are a number of other developments that may assist in reducing balancing costs such as the extended nominations and virtual welded point concepts.</p> <p>In summary the GIC proposal is really on part of a potential solution to the current areas of concern with regard to pipeline balancing.</p>

QUESTION	COMMENT
<p>Q8: Do you agree with the proposed next steps? If not, why?</p>	<p>Within the context of this Statement of Proposal, yes.</p> <p>However as stated previously Mighty River Power believes that the ICD process should be given priority in trying to resolve pipeline balancing issues and only if that process fails should the GIC adopt a regulatory approach. In our opinion it is premature for the GIC to be incurring the costs that it is currently incurring by actively pursuing a regulatory option at this stage.</p>