

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.

A word version of this template is available on Gas Industry Co's website at: <http://www.gasindustry.co.nz/work-programme/transmission-pipeline-balancing?tab=1576>

QUESTION	COMMENT
----------	---------

Q1: Do you have any comments on the Draft Rules?

Given the GIC's decision to apply weighted average prices for the Clearing Price balancing gas the definition of Clearing Price (a) and (b) and Rules 16.4.3 and 16.5.3 appear to contradict this decision. In addition there appears to be no mechanism that implements these particular Rules in preference to 16.4.2 and 16.5.2 respectively. Mighty River Power would request some clarification on this issues.

Rule 22.4.1 The limit to restrict the payment for gas purchased to the monies that the balancing operator has received in the preceding month is in our opinion likely to deter potential sellers of balancing gas participating in the balancing gas market as there is no guarantee that they will be paid for the gas that they sell to the balancing operator.

Rule 23.1 Given the concerns with regards to users paying on time and in full the GIC should consider applying penal rate to interest e.g. the 90 day bank bill rate plus 3 or 5%.

Rule 39.2.3 states that the TSO's may amend the balancing plan proposed by the industry body, we would have thought that the TSO's would be required amend the balancing plan to accommodate any proposals made by the industry body.

Rule 45.1.2 Mighty River Power would suggest changing this rule to include the requirement to consult with "transmission system operators, users and other persons"

Rule 46.2.1 Requires any amendment to the balancing plan to be proposed by all transmission system operators together. We would suggest that this requirement may give one TSO a veto over the other and that the individual TSOs should be able to propose amendments to the balancing plan so long as they have consulted with the other TSOs prior to submitting the amendment for the industry body to consider.

Rule 52 Given that the ongoing fees for the balancing operator will ultimately be passed onto the shippers we would request that an additional sub section be added to this Rule to the effect that the industry body will publish the on-going operational costs/GJ on a monthly basis. This will assist shippers in authorising payment of these month accounts from the TSOs. This arrangement has recently been implemented for the Critical Contingency Management Regulations on going costs.

As a general comment we note that the phrase "as soon as practicable" is used several times throughout the Rules. Given that the various timelines for most actions within the industry are well known we are surprised that the GIC has not been more definitive in describing when specific actions are required.

Q2: Do you have any comment on the NZIER cost-benefit analysis attached in Appendix B?

We note that the cost-benefit analysis in B.1 includes an assumption that the introduction of the balancing rules and the development of a balancing gas market will reduce the cost of the balancing gas purchased. The assumption however then goes on to apply the potential reductions to all gas purchased within the market. In our opinion given the nature of the market this outcome is extremely unlikely and therefore we believe that the proposed saving of between \$3 and \$6 million is overstated and should be eliminated from the cost benefit calculation.

We also note that the estimates for the on going operating costs of the balancing operator appear in Figures 1 and 2 of Section 4.1 suggest a cost of \$250-300k per annum given the estimated costs for the Critical Contingency Operator which is also a 24/7 operation is \$387k for six months it would not be unreasonable to estimate the annual on going cost at \$750k, possibly higher.