Amending the Gas Governance (Critical Contingency Management) Regulations 2008

STATEMENT OF PROPOSAL

March 2024

Gas Industry Co.

Executive summary

Gas Industry Co proposes to amend the Gas Governance (Critical Contingency Management) Regulations 2008 (Regulations) to improve the efficiency and effectiveness of the Regulations following consultation with stakeholders.

When an unforeseen gas supply interruption occurs, it reduces or stops the flow of gas into or through the affected pipeline. The remaining gas pressure in the transmission and distribution systems will cause the gas to keep flowing to delivery points or customer premises, at least until the pressure is no longer sufficient to maintain the flow.

When this occurs, in the absence of a requirement that consumers stop or reduce their use of gas, there is a risk that pressure in the gas transmission and gas distribution systems could fall to a level where gas is unable to flow. If sufficient pressure is not maintained in downstream networks, recovering a distribution network serving a large urban area could take many months and would be very costly. Falling system pressures may also impact the delivery of gas to certain designated consumers who require gas for certain essential and critical care services or providing time for an orderly shutdown of a plant to prevent or mitigate major plant or environmental damage.

The purpose of the Regulations is to achieve the effective management of these critical gas outages and other security of supply contingencies without compromising long term security of supply.

The most significant gas supply event to date is the five-day Maui pipeline outage that occurred in October 2011. An extensive review, subsequent experience with the Regulations, and feedback on other contingency events and exercises have highlighted opportunities for improvement of the Regulations.

This SOP draws on an earlier SOP (initial SOP), released in May 2020[1], along with submissions received on the initial SOP and advice from external experts on certain elements[2].

Gas Industry Co proposes amendments intended to increase the efficiency and effectiveness of the Regulations. The proposals in this SOP relate to various elements of the Regulations, including:

- Critical contingency price setting methodology
- Curtailment band definitions and curtailment instructions
- Information provided to the critical contingency operator
- Critical contingency management plans
- Critical care and essential services designations

[1] https://www.gasindustry.co.nz/assets/WorkProgrammeDocuments/Consultation-Paper-SOP-for-amending-CCM-Regulations-220520.pdf

[2] https://www.gasindustry.co.nz/assets/WorkProgrammeDocuments/Summary-of-Submissions-and-Next-Steps-for-Amending-the-Critical-Contingency-Management-Regulations.pdf

- Critical contingency threshold limits
- Asset owner information obligations
- Minor amendments to clarify meanings and update drafting.

Apart from some minor adjustments in some areas, two proposals in this SOP are materially different to the initial SOP and the Summary of Submissions Paper and require consideration and feedback. Therefore, we structured the SOP as follows:

Part 1: Minor changes and intended recommendations to the Minister

Part 1 of the SOP deals with proposed minor changes that Gas Industry Co intends to recommend to the Minister. These changes are mainly updating the wording, removing ambiguity and refining processes.

Gas Industry Co considered the intended changes to the critical contingency price settings, specifically the introduction of a price floor and calculation methodology and concluded that a change in the current uncertain environment would not be appropriate to manage the issue accordingly and to provide an enduring legislative framework.

Part 2: Firstgas's proposed changes to Schedule 1

In October 2021, following this first consultation, Firstgas requested further changes to the Regulations governing how critical contingency pressure thresholds for the transmission system are set to have more operational flexibility. Due to the complexity of the issue and the potential impact on gas customers we ask affected parties to carefully analyse the impact on them and to provide feedback.

Part 3: Ex-post consultation for the urgent Regulation change related to the Taupo/Broadlands gas gate (Schedule 1)

In relation to Firstgas's threshold change request, the injection of biomethane into the First Gas transmission pipeline at Broadlands near Reporoa is expected to commence from March 2024. The injected biomethane will blend with natural gas to provide a blended gas product to supply homes on First Gas's Taupo distribution system. To blend, Firstgas needs to operate the section of the transmission pipeline between Reporoa and Taupo at less than 20 bar which is below the current minimum operating pressure. This change is subject to an urgent Regulation change, and therefore an ex-post consultation is required. Due to the complexity of the issue and the potential impact on gas customers we ask affected parties to carefully analyse the impact on them and to provide feedback.

Achieving the regulatory objective

Based on experience and feedback on contingency events and exercises, opportunities for improvement of the Regulations were identified and proposed in the initial SOP. Stakeholders generally agreed the Regulations could be amended to improve the effective management of critical gas outages and other security of supply contingencies without compromising long-term security of supply.

Developing governance arrangements under the Gas Act 1992 (Gas Act) ties back to the regulatory objective. We consider that the regulatory objective should be as stated in the purpose of the Regulations:

> *"The purpose of these regulations is to achieve the effective management of critical gas outages and other security of supply contingencies without compromising long-term security of supply" (regulation 3)*

The proposed amendments to the Regulations in this SOP are intended to further achieve this objective.

Options to address the proposed changes

The amendments proposed in this SOP involve refinement of the existing Regulations. Given that the regulatory framework is already in place, amending the Regulations is the most practicable option to achieve the regulatory objective. This approach is supported by stakeholders.

Next steps

We invite interested parties to submit on the issues raised in this paper that materially differ from the initial SOP and the *Summary of Submissions Paper*.

Following consideration of submissions, Gas Industry Co will recommend to the Minister to amend the Regulations accordingly.

Submissions

Written submissions on this paper should be provided to Gas Industry Co by 26 April 2024. Submissions may be amended at any time prior to the closing date. Please email your submission to consultations@gasindustry.co.nz. All submissions will be published automatically on the website after the closing date.

Details of the submissions process are as follows:

1. No email confirmation will be sent out acknowledging receipt of submissions.
2. Submissions close at 5:00 pm on 26 April 2024. Please note that submissions received after that time may not be able to be fully considered.
3. All submissions will be published on Gas Industry Co's website. Submitters should discuss any intended provision of confidential information with Gas Industry Co prior to submitting the information.

Gas Industry Co offers to meet with any stakeholder who wishes to discuss the proposals in more detail.

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Purpose and Background

The Regulations provide for the effective management of critical gas outages and other security of supply contingencies without compromising long-term security of supply.

Purpose and Background

When an unforeseen gas supply interruption occurs, it reduces or stops the flow of gas into or through the affected pipeline. The remaining gas pressure in the transmission and distribution systems will cause the gas to keep flowing to delivery points or customer premises, at least until the pressure is no longer sufficient to maintain the flow.

When this occurs, in the absence of a requirement that consumers stop or reduce their use of gas, there is a risk that pressure in the gas transmission and gas distribution systems could fall to a level where gas is unable to flow. If sufficient pressure is not maintained in downstream networks, recovering a distribution network serving a large urban area could take many months and would be very costly. Falling system pressures may also impact the delivery of gas to certain designated consumers who require gas for certain essential and critical care services or providing time for an orderly shutdown of a plant to prevent or mitigate major plant or environmental damage.

The most significant gas supply event to date is the five-day Maui pipeline outage that occurred in October 2011. Extensive review, subsequent experience with the Regulations, and feedback on other contingency events and exercises have highlighted opportunities for improvement of the Regulations. The main tools, processes, and operators to manage those rare events are:

- The appointment of the critical contingency operator (CCO) and funding arrangements in relation to the regulations
- The development of critical contingency management plans (CCMP)
- Processes for determining and managing a critical contingency event
- Processes for determining gas imbalances resulting from a critical contingency and setting a price to apply to those gas imbalances

This SOP proposes amendments to increase the efficiency and effectiveness of the Regulations. The proposed amendments in this SOP have been updated following feedback received in submissions on the initial SOP.

Structure of the SOP

Main structure of the SOP

We have structured the SOP into three parts to each with a different area of focus:

Part 1: Minor changes and proposed recommendations to the Minister

Part 1 of the SOP deals with proposed minor changes and changes that Gas Industry Co will recommend to the Minister. These changes mainly update the wording, remove ambiguity or refine processes and would not require further consultation as they are mainly uncontroversial.

We also considered the proposed idea to change the critical contingency price settings, specifically the introduction of a price floor and calculation methodology and concluded that a change in the current uncertain environment combined with the infrequency of these events would not be appropriate to manage the issue accordingly. In addition, the current legislative framework doesn't allow for the introduction of a flexible methodology providing the required level of discretion and flexibility.

Part 2: Firstgas's proposed changes to Schedule 1

Following the publication of the Summary of Submissions Paper in November 2021, Firstgas Group requested further adjustments to Schedule 1 thresholds to potentially improve operational flexibility. As this request might materially affect participants' operation of their assets, risk management, and curtailment procedures, further amendments to the Regulations would be required. Therefore, Gas Industry Co asks for participants' feedback particularly on this matter. Gas Industry Co had asked Firstgas to liaise with affected customers to present their approach to them prior to the publication of this SOP. This matter also requires specific feedback from the CCO, large consumers and distributors.

Part 3: Ex-post consultation for the urgent Regulation changes related to the Taupo/Broadlands gas gate (Schedule 1)

The injection of biomethane into the First Gas transmission pipeline at Broadlands near Reporoa is expected to commence from March 2024. To blend, Firstgas needs to operate the section of the transmission pipeline between Reporoa and Taupo at 10 bar which is significantly less than the 20 bar minimum operating pressure in Schedule 1. The required change is subject to an urgent Regulation change which was approved by the Gas Industry Co's Board in October 2023. This urgent Regulation change requires an ex-post consultation. This matter also requires specific feedback from the CCO and Gas Industry Co is interested in stakeholders' views.

Other structural elements

Summary table of submissions to the initial SOP and Gas Industry Co's Comments

We have included the summary of submissions tables and Gas Industry Co's comments for each proposal from the Summary of Submissions Paper to minimise backtracking for the reader to other related documents. The references in these tables relate to the references in the Summary of Submissions Paper and not to this SOP.

Suggested legislative changes

Where possible we have adjusted the wording of the specific regulation to reflect the changes/proposals. We think that the suggested wording illustrates the intention of the regulation change much better than a description only.

However, all suggested wording changes to the Regulations are indicative only to support the Parliamentary Council Office's drafting. We also did not consider potential cross-referencing at this stage.

We avoided suggesting legislative changes to the wording of the Regulations, where we thought that the matter is too complex at this stage Gas Industry Co to suggest a drafting, or

the regulations provide for more than on option to address the regulatory objective of this change proposal

Summary of proposals

The table below provides a summary of all proposals, whether the proposal is included in this SOP and highlights proposed material changes compared to the Summary of Submissions Paper [3].

Proposal as outlined in the Summary of Submissions Paper	Included in this SOP	Material changes based on Gas Industry Co assessment/reconsideration of initial SOP and submissions review
Legislative context		
Amend the CCM Regulations	Yes	No
Setting a critical contingency price		
Remove the restriction to only base price on wholesale electricity prices for events where only bands 0-2 are curtailed	Yes	No
Produce a floor for contingency prices	Yes	Yes, no introduction of a floor price
Compliance regulations and offence provisions		
Update the CCM Regulations to: (a) replace regulations 82A and 82B with civil pecuniary penalties for knowingly providing false or misleading information and for failing to comply with curtailment directions; and (b) apply the prescribed defence (formerly provided in regulation 82B(2)) to the civil pecuniary penalty for failing to comply with curtailment instructions	No, already implemented	
Curtailment band definitions		
Remove the distinction between large consumers that have alternative fuel capability and those that do not	No. Instead amend the definition of band 2 to consumers who consume greater than 15 TJ per day but less than 100 TJ, and band 1 as consumers who use greater than 100 TJ per day.	No

[3] https://www.gasindustry.co.nz/assets/WorkProgrammeDocuments/Summary-of-Submissions-and-Next-Steps-for-Amending-the-Critical-Contingency-Management-Regulations.pdf

Proposal as outlined in the Summary of Submissions Paper	Included in this SOP	Material changes based on Gas Industry Co assessment/reconsideration of initial SOP and submissions review
Reserve band 2 for large consumers who are electricity generators who export electricity to the grid	No. Instead amend the definition of band 2 to consumers who consume greater than 15 TJ per day but less than 100 TJ.	
Create an annual threshold of 4,000 TJ per year for large consumers	No	
Split the current band 3 into 3A and 3 using 300 TJ per year as the lower threshold for 3A (and upper threshold for 3)	Yes	No
Define all annual threshold volumes by taking the average consumption over the previous three years	Yes	No
Define the daily threshold volumes by using the previous three years to determine consumption	Yes	No
Amend definition of "consumer installation" to include a gas installation with multiple points of connection to a distribution system or transmission system	Yes	No
Curtailment Instructions		
Proposal to require gas wholesalers to be responsible for issuing critical contingency notices to their retailers and to receive and forward compliance updates to the transmission system owner	Yes	No
Proposals to clarify that: (a) directions for partial curtailment must be made with regard to consumption rates at the time a critical contingency is declared (b) that designated shutdown profiles apply to consumption rates at the time a critical contingency is declared	(a) Yes (b) Yes, except for consumers with designated shutdown profiles who require their full shutdown profile to safely shutdown.	No
Proposals to require consumers in curtailment bands: (a) 1 and 2 (including those with approved shutdown profiles) to completely curtail	No, but will progress a recommendation to require all customers with approved shutdown profiles to curtail	

Proposal as outlined in the Summary of Submissions Paper	Included in this SOP	Material changes based on Gas Industry Co assessment/reconsideration of initial SOP and submissions review
before consumers in band 3 (or band 3A, if created) are directed to curtail (b) 3A (if created) and 3 (including those with approved shutdown profiles) to completely curtail before consumers in band 4 are directed to curtail (c) 4 and 5 (including those with approved shutdown profiles) to completely curtail before consumers in band 6 are directed to curtail	fully before band 4 is directed to curtail	
Information provided to the CCO		
Amend schedule 4 of the CCM Regulations to update the types of transmission system information the TSO is required to provide the CCO	Yes and update Regulation 10 to reflect the "Commencement Date" is no longer relevant	No
Modify regulations 38A to require the provision of outage information as soon as practicable after an asset owner or large consumer becomes aware of it	No	
Provide the CCO with the ability to request numbers from Gas Industry Co of ICPs by curtailment band and by gas gate, as recorded in the gas registry	Yes	No
Consumer information: Update Regulation 39 so that instead of referencing gas gates where retailers' trade, it will reference gas gates where retailer's consumers are connected	Yes, not in initial SOP but added after consultation	No
Clarify that approved shutdown profiles are to be provided by the industry along with notice of an approved designation to the parties listed in regulation 46k	Yes	No
Critical contingency plans		
Amend the CCM Regulations to clarify that a reference to an authoritative data source is an acceptable means of including contact details in a CCMP and that CCMPs must outline the process by	Yes	No

Proposal as outlined in the Summary of Submissions Paper	Included in this SOP	Material changes based on Gas Industry Co assessment/reconsideration of initial SOP and submissions review
which a TSO will manage and maintain contact details		
Provide the industry body with three options for when CCMP amendments are submitted for approval: (a) Approve, for proposals that it agrees are immaterial and appropriate; (b) Send a proposed amendment back to the TSO, for proposals that it does not agree are immaterial, or where it feels that industry input is warranted; or (c) Follow the current expert adviser process, for proposals that it deems require the scrutiny of the standard approval process	Yes	No
Specifically allow for a go-live date for a proposed amended CCMP	Yes	No
Remove the requirement in Regulation 74 to refer to the Reconciliation Rules when calculating contingency imbalances	No	
Require retailers to provide their retailer curtailment plans to the industry body on an annual basis	Yes	Include the requirement that retailer curtailment plans should specify the primary contact for the CCO and retailer curtailment plans be provided to the CCO
Require that annual test exercises incorporate retailer curtailment plans	Yes	No
Require retailers to participate in annual test exercises	Yes	No
Include communications that occur in monitoring the system prior to a critical contingency and in declaring a critical contingency in the communications plan	Yes	No
Critical care and essential services designations		
Reduce the consumption criterion for essential service designations to above 250 GJ per year	Yes	No

Proposal as outlined in the Summary of Submissions Paper	Included in this SOP	Material changes based on Gas Industry Co assessment/reconsideration of initial SOP and submissions review
Remove the requirement for critical care and essential services consumers to have a ToU meter	Yes	No
Allow the declaration form for critical care providers and essential service providers to be signed by a chief executive or equivalent position	Yes	No
Critical contingency threshold limits		
Proposal to update Schedule 1 of the CCM Regulations to capture the following: (a) replacement of the Central (North) pipeline measurement point from Westfield to the Henderson Compressor Station inlet and adjustment of the boundaries to 35 (±2.5) bar g, with a time range of 3-10 hours; (b) standardisation of the Whangarei boundary conditions to a minimum operating pressure range of 30 (±2.5) bar g, with a time range of 3-6 hours; and (c) updates of naming conventions to align with current practice	Yes	Yes, change request from Firstgas after submission review and Gas Industry Co assessment
Other Matters		
Proposal to amend definition of "retailer" to clarify that retailer means any person who supplies gas to another person, or other persons, for any purpose other than resupply by the other person, or persons, as long as that gas is transported through the transmission system	Yes	No
Proposal to amend the CCM Regulations to allow for short-term transient breaches of a pressure threshold without requiring a critical contingency declaration	Yes	No
Amend the CCM Regulations to allow for planned outages to not trigger a critical contingency declaration	Yes	No

Proposal as outlined in the Summary of Submissions Paper	Included in this SOP	Material changes based on Gas Industry Co assessment/reconsideration of initial SOP and submissions review
Amend regulation 54A to include unexpected interruptions to asset operation	Yes	No
Require retailers and large consumers to use a specified compliance reporting template	Yes	No
Amend the determination of "publish" to include publication on the Industry Notifications page on the Gas Industry Co's website	Yes	Yes, keep status quo
Amend the CCM Regulations to clarify that: (a) the CCO has 20 business days after the termination of a critical contingency to produce a draft performance report; (b) stakeholders have a minimum of 5 business days to make a submission; and (c) the CCO must prepare a final performance report no later than 10 business days following receipt of submissions and to specify that the CCO must have regard to the submissions on its draft report when preparing the final report	Yes	No
Update the definition of business day to also exclude Matariki	Yes	No
Update amendments		
Update references in the CCM Regulations that refer to transmission arrangements or ownership	Yes	No
Proposed minor amendments		
Update the CCM Regulations in a number of areas to correct minor drafting errors and redundant clauses	Yes	No
Further matters raised by submitters to initial SOP		
Provide further consideration for environmental impacts in the CCM Regulations	No	

Proposal as outlined in the Summary of Submissions Paper	Included in this SOP	Material changes based on Gas Industry Co assessment/reconsideration of initial SOP and submissions review
Provide further consideration for economic impacts in the CCM Regulations	No	
Update the CCM Regulations for scenarios where a customer has two retailers	No	
Update the CCM Regulations for scenarios where (a) a consumer only gets gas from a gas market or where (b) retailers do not have a contractual relationship with the TSO	(a) No (b) Yes, now included in section "Curtailment Instructions"	(b) No
Update Regulation 39 reference gas gates where retailer's consumers are connected instead of referencing gas gates where retailers' trade.	Yes	No, but merged with another change to regulation 39 (4.2.7)

Legislative context

Gas Act and GPS

Section 43F of the Gas Act provides the Governor General, on the recommendation of the Minister of Energy and Resources, with the power to make regulations for specified purposes, including (section 43F(2)(e)):

> *providing, in relation to wholesale or any other markets for gas, for arrangements relating to outages and other security of supply risks, including imposing requirements in connection with those matters on any industry participant or consumer (other than a domestic consumer):*

The Minister's power to recommend regulation under section 43F of the Gas Act is subject to section 43J of the Act. That section provides that, in relation to the section 43F regulation making powers, the Minister may only recommend regulation if the recommendation gives effect to a recommendation from Gas Industry Co and does not differ from Gas Industry Co's recommendation in any material way.

Section 43ZN(a) of the Gas Act sets out the principal policy objective for Gas Industry Co., when recommending rules or regulations for wholesale market, processing facilities, transmission, and distribution of gas, as follows: *"To ensure that gas [is] delivered to existing and new customers in a safe, efficient, and reliable manner."*

Section 43ZN(b)(v) of the Gas Act sets out the other objective Gas Industry Co has to take into account when recommending regulations: *"risks relating to security of supply, including transport arrangements, are properly and efficiently managed by all parties:"*

These objectives are reflected in the Government Policy Statement on Gas Governance 2008 (GPS) which sets out the specific objectives and outcomes for Gas Industry Co to pursue, including in relation to the proper and efficient management of risks relating to security of supply and the management of critical gas contingencies (clauses 11(e) and 13 of the GPS).

The required threshold change to the Taupo and Broadlands gas gate is subject to an urgent amendment to the Regulations[4] under section 43P to enable the change to the Regulations and CCMP to be in place prior to the commencement of biomethane blending planned for March 2024, but is also subject to the ex-post consultation process required under section 43P.

Regulatory objective

The Regulations came into force on 21 January 2010. The purpose of the Regulations is to achieve the effective management of critical gas outages and other security of supply contingencies without compromising long-term security of supply.

[4] Recommendation to the Minister Urgent Amendments to CCM Regulations published on 7 December 2023 https://www.gasindustry.co.nz/our-work/work-programmes/critical-contingency-management/#recommendation-to-minister-of-energy-and-resources

Gas Industry Co recommended that the Minister of Energy make the regulations following a lengthy period of industry consultation that included consultation on a Statement of Proposal that identified and assessed regulatory and non-regulatory options.[5]

The Regulations were reviewed following an extended supply disruption on the Maui Pipeline in 2011. Amendments strengthening and clarifying aspects of the regulatory arrangements took effect on 1 March 2014.

We consider the objective of the proposed amendments in this SOP to be as stated in the purpose of the Regulations:

> *"The purpose of these regulations is to achieve the effective management of critical gas outages and other security of supply contingencies without compromising long-term security of supply" (regulation 3)*

Section 43N of the Gas Act requires Gas Industry Co to identify and assess "all reasonably practicable options for achieving the objective of the regulation".

The proposed amendments in this SOP refine the existing Regulations. Given that the regulatory framework is already in place, parties submitting to the initial SOP agreed that there are no other reasonably practicable options, or that the regulatory objective can be better achieved by a means other than an amendment to the Regulations.

Other process requirements

Sections 43L and 43N of the Gas Act require Gas Industry Co to complete the following steps before making a recommendation to the Minister for regulation:

1. Seek to identify all reasonably practicable options for achieving the regulatory objective;
2. Assess the options by considering the costs and benefits of each option and the extent to which the objective would be promoted or achieved by each option;
3. Ensure that the regulatory objective is unlikely to be satisfactorily achieved by any reasonably practicable means other than the making of regulation;
4. Prepare a statement of proposal containing a statement of the proposal, the reasons for the proposal and an assessment of the reasonably practicable options:
5. Consult with persons that it considers to be representative of the interests of persons likely to be substantially affected.
6. Consider submissions on the SOP.

This paper is intended to meet the above requirements. The required CBA is attached as **Appendix A:** Gas Industry Co: Cost-Benefit Analysis (Sapere)

[5] The "Recommendation to the Minister of Energy on Arrangements for the Effective Management of Critical Contingencies" and the "Statement of Proposal – Gas Outage and Contingency Management Arrangements" are available at: https://www.gasindustry.co.nz/our-work/work-programmes/critical-contingency-management/#background

PART 1: MINOR CHANGES AND INTENDED RECOMMENDATIONS TO THE MINISTER

1. Setting a critical contingency price

1.1 Current requirements

The Regulations provide for the setting of a price that will apply to contingency imbalances after an event. The intent of a critical contingency price is to encourage behaviours during an event that increase gas injections to, or decrease gas withdrawals from, the gas system. The critical contingency price is determined by the industry expert after an event and the Regulations specify what needs to be considered when making this assessment.

The Regulations provide two different sets of considerations depending on the type of event. The first (Regulation 71(3)(a)) is for an event where the CCO only curtails customers in bands 0 – 2 (gas storage and large industrial consumers). For these types of events, the industry expert must base the price on the wholesale market for electricity during the critical contingency event.

However, for all other scenarios under Regulation 71(3)(b), the industry expert must consider the wholesale market for electricity during the critical contingency but also the economic cost of the loss of gas supply to those consumers who had their gas supply curtailed, and any other relevant matters.

1.2 Proposals

1.2.1 Proposal to remove the restriction to only base price on wholesale electricity prices for events where only bands 0-2 are curtailed

Overtime, the way the gas market interacts with the electricity market has changed. When the Regulations were first drafted, gas was used to provide steady baseload electricity generation. However, now gas thermal generation is used to operate on short notice to cover periods of high demand during the day. Considering only the wholesale market for electricity when setting a contingency price is very restrictive and not suitable to respond to the changing market dynamic.

Gas Industry Co proposes removing subpart (a) from regulation 71(3) to remove the restriction to base price on wholesale electricity prices for events where only bands 0-2 are curtailed. The proposed change would increase flexibility for the industry expert to look at all aspects of the event to make the assessment and to determine the critical contingency price.

With this change, all instances of contingency price-setting would need to take account of all three elements listed in regulation 71(3)(b): prices in the wholesale market for electricity, cost of loss of gas supply to affected consumers, and any other matters that the industry expert

considers relevant. This change would reduce the level of prescription in price setting, giving the industry expert some flexibility to determine a critical contingency price.

1.2.2 Summary table of submissions and Gas Industry Co's comment

Submissions summary	Gas Industry Co Comment
Of the parties that submit, seven parties agree with the proposal to require the industry expert to take into account a wider set of considerations when determining a critical contingency price. One further party, while not specifically disagreeing, does consider that there could be merit in considering alternative options for different types of events. Greymouth suggests using the approach as described in the Consultation Paper for events caused by damage to a pipeline, but for events caused by loss of supply, then require the industry expert to look at the specific question, "what gas spot price is sufficient to encourage offers to come to market?".	Gas Industry Co remains in favour of removing subpart (a) from regulation 71(3) to remove the restriction to base price on wholesale electricity prices for events where only bands 0-2 are curtailed. Gas Industry Co agrees with Greymouth that in events caused by loss of supply, it could be useful for the industry expert to look at the specific question "what gas spot price is sufficient to encourage offers to come to market?". However, Gas Industry Co sees the proposed change would provide enough flexibility for the industry expert to look at this question and we would be hesitant to specifically require it. In a dynamic and changing market, it is important that the industry expert has sufficient flexibility when making its assessment. Making a specific question a requirement would narrow down the options available to the industry expert, potentially reducing flexibility.

1.2.3 Suggested legislative changes[6]

67 Purpose of applying critical contingency price to contingency imbalances

The purpose of regulations 68 to 71 is to determine a critical contingency price to be applied to the contingency imbalances sustained by interconnected parties and shippers during a critical contingency to –

(a) Avoid shippers instructing their suppliers of gas to reduce supply during a critical contingency when those shippers' consumers have been curtailed; and

(b) Signal to suppliers and consumers of gas that it is a scarce and valuable product during a critical contingency; and

(c) Provide incentives before a critical contingency, particularly for retailers who supply gas to consumers who are unlikely to be curtailed, to make alternative arrangements to minimize the financial consequences of a critical contingency.

[6] All suggested wording changes to legislation are indicative only to support the Parliamentary Council Office's drafting.

71 Determining critical contingency price

(1) The industry expert must determine the critical contingency price in dollars per gigajoule of gas

(2) The industry expert must seek to set the critical contingency price at a level that reflects the price that would be established by an efficient short-term market that allocated scarce gas resource to the highest value users during the critical contingency.

(3) ~~If –~~

~~(a) Only consumers in curtailment bands 0 and 1, or 0, 1, and 2 were curtailed during the critical contingency, the industry expert must base his or her determination on the prices in the wholesale market for electricity during the critical contingency except where that would be contrary to subclause (2); and~~

~~(b) Any other circumstances apply, t~~The industry expert must take into account the following matters:

~~(i)~~ (a) The prices in the wholesale market for electricity during the critical contingency; and

~~(ii)~~ (b) The economic cost of the loss of gas supply to those consumers who had their gas supply curtailed; and

~~(iii)~~ (c) Any other matters that the industry expert considers relevant to achieving subclause (2).

1.2.4 No introduction of a price floor

In the initial SOP Gas Industry Co proposed the idea of introducing a floor to the critical contingency price. In Covec's report[7] it advised that the critical contingency price should be both relatively high and predictable by market participants. The proposal of a relatively predictable price floor was to provide more certainty to industry participants that the critical contingency price would always be set at a level high enough to signal scarcity, be above or at the floor, and to set an incentive to curtail.

Submitting parties agreed that a price floor should exist, but there were very different views on how the price should be set. To support Gas Industry Co decision making, the New Zealand Institute of Economic Research (NZIER) developed a floor price setting which recommended the floor price setting methodology is the minimum of:

- *The 7-day moving average of the volume weighted average prices (7-day VWAP) of gas in the emsTradepoint system (excluding balancing trades) adjusted to remove the allowance for carbon prices.*
- *The willingness to pay for gas of the Huntly Unit 5 plant based on the wholesale electricity price when the CCE is declared and using the methodology and assumptions described in section 5.1.3*[8]*:…*

NZIER's full report as Appendix B: NZIER report *'Signalling Scarcity'*.

Gas Industry Co considered the creation of an enduring price floor methodology to be difficult while there are indications of major structural change in the gas and electricity industries. The

[7] https://www.gasindustry.co.nz/work-programmes/critical-contingency-management/critical-contingency-events/system-imbalance-event-may-2017/document/5576

[8] You can find the full report to Gas Industry Co *'Signalling Scarcity'* in Appendix B.

NZIER's recommendation is based on the outlook over five years, which in Gas Industry Co's view is highly uncertain at this stage. Recommendations beyond this point would also include high levels of assumptions which would undermine the intended outcome of predictability.

Gas Industry Co initially considered introducing a price floor in the Regulations, but the calculation methodology would have been outside the Regulations to give Gas Industry Co discretion for the floor price determination process to adjust the floor price if needed within a rapidly transitioning energy market environment. Gas Industry Co considered that this would be the most pragmatic solution.

It's since become apparent that the Regulations could not grant Gas Industry Co discretion to determine the price floor methodology outside the Regulations. Section 43S(1)(a) of the Gas Act only allows Gas Industry Co to carry out functions in relation to those regulations or rules (i.e. publish data, inspect disclosures etc.). In relation to this section Gas Industry Co can only act in an administrative function.

This effectively means that Gas Industry Co would need to prescribe the methodology for determining the floor within the Regulations. Given the challenges associated with determining an enduring price floor methodology highlighted in the NZIER report, we do not consider it to be desirable to "hard wire" the price floor methodology into the Regulations. This would not provide for the regulatory discretion required to be flexible enough to adjust a floor price calculation in a dynamic and uncertain environment.

1.2.5 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Eight of the submissions received comment on the proposal to produce a price floor. All are in agreement that a price floor should be created. However, many of these submitters raise issues that they would like Gas Industry Co to address before progressing any change. The method proposed in the Consultation Paper is to use a VWAP for the 7 days prior to, and including the critical contingency day, calculated from trades on eTp. This calculation would include prices from all trades on eTp, including the TSO's balancing purchases which often can be significantly higher than non-balancing trades. Vector is concerned that this could result in a price floor that is too high. However, eTp considers that the proposal would be beneficial to setting a price floor as the price needs to be sufficiently high to reflect scarcity. Other issues that submitters wish to be considered by Gas Industry Co include the impact of the carbon element associated with	While all parties who submit on the introduction of a price floor are in agreement that a floor should exist, many valid concerns about how it should be set are raised. To aid in our decision making, Gas Industry Co engaged the New Zealand Institute of Economic Research (NZIER) to recommend a floor price setting. Figure 1 below is a summary of the recommendation from the NZIER report. You can find the full report to Gas Industry Co 'Signalling Scarcity' in Appendix A [now B in this SOP]. The NZIER paper and its resulting recommendation make it clear that the creation of an enduring price floor methodology is difficult while there are indications of major structural change in the industry. The recommendation they make is based on the outlook over the next five years. Recommendations beyond this point would include high levels of assumptions. With this in mind, Gas Industry Co intends to work with the Ministry of Business, Innovation and

Submissions Summary	Gas Industry Co Comment
eTp's price; whether the relevant price data needs to be made public during a critical contingency event so that the contingency price can be publicly known; whether there is merit in having multiple price floor calculations and using the one that comes out the highest on the day; and whether a reserve price, similar to what is used in the electricity market, could be used. In addition to the above issues, a number of parties propose alternative calculations for a price floor that they see would create a floor more reflective of scarcity. Vector largely agrees with the proposed calculation method but would like to see greater weight being given to the day-prior to an event. Nova suggests a 75th percentile of VWAP over the previous 21 days. It also suggests using only short-term spot trades to better reflect short-term supply restraints. OMV proposes a calculation that is based on known periods of gas scarcity, and MGUG suggests using an average of peak prices from eTp. Other issues that submitters wish to be considered by Gas Industry Co include the impact of the carbon element associated with eTp's price; whether the relevant price data needs to be made public during a critical contingency event so that the contingency price can be publicly known; whether there is merit in having multiple price floor calculations and using the one that comes out the highest on the day; and whether a reserve price, similar to what is used in the electricity market, could be used. In addition to the above issues, a number of parties propose alternative calculations for a price floor that they see would create a floor more reflective of scarcity. Vector largely agrees with the proposed calculation method but would like to see greater weight being given to the day-prior to an event. Nova suggests a 75th percentile of VWAP over the previous 21 days. It also suggests using only short-term spot trades to better reflect short-term supply restraints. OMV proposes a calculation that is based on known periods of gas scarcity, and MGUG suggests using an average of peak prices from eTp.	Employment (MBIE) before taking this to a final Statement of Proposal, to consider our ability to include the requirement of a price floor in the CCM Regulations without defining the specific method. Much like the critical contingency price itself, clear sets of parameters would be provided, but the final calculation would be completed outside the Regulations.

2. Curtailment band definitions

2.1 Current requirements

The objective of the curtailment bands is to promote the effective management of critical gas outages by facilitating curtailment in an efficient and pragmatic way. There are seven curtailment bands (excluding gas storage), five of which are defined by consumer consumption volumes; the remaining two are designations for essential services and critical care providers.

Table 1 Curtailment bands (Schedule 3)

Curtailment band	Consumer installation's gas consumption in gigajoules (GJ or terajoules (TJ)	Description
0	N/A	Any consumer installation, to the extent that gas is used for injection into gas storage
1	More than 15 TJ per day	Any consumer installation supplied directly from the transmission system and that has an alternative fuel capability
2	More than 15 TJ per day	Any consumer installation supplied directly from the transmission system and that does not have an alternative fuel capability
3	More than 10 TJ per annum and up to 15 TJ per day	Large industrial or commercial consumer installation
4	More than 250 GJ per annum and up to 10 TJ per annum	Medium-sized industrial or commercial consumer installation
5	More than 2 TJ per annum	Any consumer installation (whether or not in any of curtailment bands 0 to 4), to the extent that an essential services designation applies to the installation
6	250 GJ or less per annum	Small commercial consumer installation
7	Any	Any consumer installation (whether or not in any of curtailment bands 0 to 6), to the extent that a critical care designation applies to the consumer installation

2.2 Proposals

2.2.1 Proposal to amend the definition of band 2 to consumers who consume greater than 15 TJ per day but less than 100 TJ, and band 1 as consumers who use greater than 100 TJ per day

Gas Industry Co considered that the current band definitions can cause both inefficient levels of curtailment and confusion for affected parties. The initial SOP proposed ways to increase the efficiency of curtailment for the CCO and reduce the current level of ambiguity.

To improve the efficiency of curtailment for the CCO, the initial SOP looked to remove the distinction that is currently used to separate large consumers into bands 1 and 2 whether a consumer has alternative fuel capability or not.

Re-defining of bands 1 and 2 puts greater load in band 1 and provides greater load reduction availability to the CCO and increases the chance of curtailing demand in band 1 without curtailing band 2 to avoid over curtailment.

All other curtailment bands, except for consumer designations, are based exclusively on volume to align with the idea that load curtailment should go in order from the few large consumers to the many small consumers. Efficient curtailment occurs when the CCO can send instructions to just a few consumers but remove considerable load from the system.

Therefore, bands 1 and 2 should be defined by size as well. The lower threshold of band 2 should remain as consumers who use more than 15 TJ per day. However, instead of defining band 1 as those consumers who meet this threshold but have alternative fuel, we propose a volume threshold of consumers who use more than 100 TJ per day. This will not increase the number of consumers in band 1 but will more than double the volume of gas consumption within it. This will provide the CCO with a band of considerable load and therefore reduce the chances of both bands 1 and 2 being curtailed together.

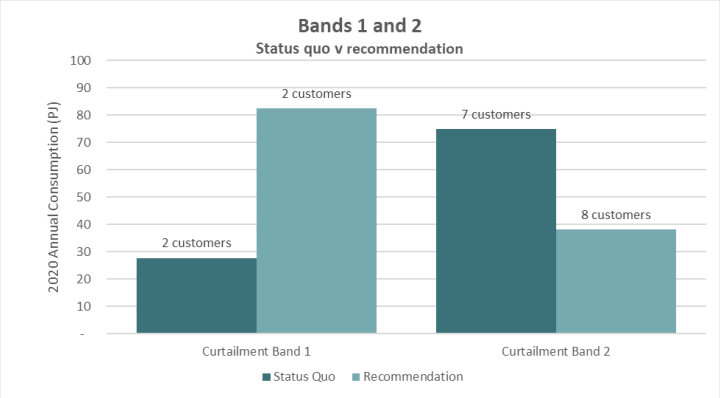
The removal of the alternative fuel source requirements does affect the treatment of gas fired electricity generation. However, the CCO already has flexibility to give priority to thermal generation when assessing curtailment in a critical contingency event. Under 53(2)(a) of the Regulations the CCO may direct curtailment of a subset of load within a curtailment band to enable remaining gas fired electricity generation within a curtailment band to assist with voltage support or electricity system stability, or both. This assessment is required to be made in consultation with the electricity system operator.

2.2.2 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Five parties submit on the proposal to remove the distinction between large consumers with, and without, alternative fuel capability and have mixed views. Vector, Nova and Firstgas are supportive of the proposal. However, both Methanex and MGUG believe the current situation is more economically efficient. Methanex believes the suggestion in the	While we agree with Methanex and MGUG that in occasional scenarios it may be that only band 1 would be required to curtail, we still see that the reduced volume in band 1 means only curtailing band 1 provides limited ability for the CCO to reduce load from the system, and so often bands 1 and 2 will be curtailed together. We see that a re-defining of bands 1 and 2 in a way that would put

Submissions Summary	Gas Industry Co Comment
Consultation Paper, that currently both bands 1 and 2 are likely to be curtailed together because there is limited load in band 1, is not a foregone conclusion and should not be used as a basis for justifying the proposal. Both Methanex and MGUG highlight that the current band 1 has significant load and a good outcome has been reached previously in an event where band 1 (large customers with alternative fuel) was fully curtailed and band 2 (large customers without alternative fuel) was partially curtailed. They see this was a good outcome because there are less economic costs for customers who are required to curtail but are able to switch to an alternative fuel. The Consultation Paper notes that if a strict interpretation of alternative fuel is taken, and consumers with private natural gas pipelines are considered to have alternative fuel, then almost all large consumers would be allocated to band 1, deeming the distinction irrelevant. Both Methanex and MGUG believe that private natural gas pipelines should not be considered an alternative fuel. They consider that the use of these private pipelines during an event should not be encouraged as it could have detrimental effects when the gas from these pipelines comes from the same fields that fuel the transmission system. Further to this, they consider the argument made in the Consultation Paper, that the current definition may disincentive investment in alternative fuel, is overstated. Nova, while agrees with the proposal, also shares this latter view.	greater load in band 1, would provide greater load reduction availability to the CCO and increase the chances of curtailing demand in band 1 without curtailing band 2 i.e., avoidance of over- curtailment. Gas Industry Co has considered the feedback we received on the proposal to remove the distinction between large consumers that have alternative fuel capability and those that do not, as well as the proposal to reserve band 2 for large consumers who are electricity generators who export electricity to the grid (as discussed in 5.2.2 below). These proposals would re-define band 1 and 2 consumers using a combination of size and type of gas usage. As discussed above, we remain of the view that bands 1 and 2 should be re-defined. All other curtailment bands (with the exception of consumer designations) are based exclusively on volume to align with the idea that load curtailment should go in order from the few large consumers to the many small consumers. Efficient curtailment occurs when the CCO is able to send instructions to just a few consumers but remove considerable load from the system. We therefore, on reflection, see that bands 1 and 2 should only be defined by size as well. We see that the lower threshold of band 2 should remain as consumers who use more than 15 TJ per day. However, instead of defining band 1 as those consumers who meet this threshold but have alternative fuel, we propose a volume threshold of consumers who use more than 100 TJ per day. Chart 1 below shows that this will not increase the number of consumers in band 1 but will over double the volume of gas consumption within it. We see that this will provide the CCO with a band of considerable load and therefore reduce the chances of both bands 1 and 2 being curtailed together.

Chart 1: Options for bands 1 and 2[9]



2.2.3 Proposal to split the current band 3 into 3A and 3 using 300 TJ per year as the lower threshold for 3A and upper threshold for 3

Efficient curtailment occurs when few consumers can curtail a substantial amount of load. Therefore, Gas Industry Co proposes to split the current band 3 into smaller bands as per scenario 1 below to provide greater curtailment flexibility for the CCO.

The intention of redefining band 3 is to provide the CCO with a new band that would hold substantial load but with fewer consumers. Band 3A would be curtailed after band 2 but before band 3. In this way, nothing would change for the band 3A consumers: they would still be directed to curtail in instances where a critical contingency required demand curtailment greater than that achieved by curtailing bands 0 through 2.

Band 3 holds considerable load but also many consumers. Chart 2 below shows what consumer numbers and volumes would look like under four different scenarios. Under status quo, around 300 customers are using about 27 PJ per annum, and all would be required to curtail to remove this load from the system. Under scenario 1 only 19 customers would be required to curtail to reduce about half of the load that is currently in band 3.

Smaller consumers who remain in band 3 would potentially benefit, as they may not be needed for demand curtailment in instances where otherwise, the whole of band 3 would have been directed to curtail. The new band 3A would provide the CCO with another band that represents a relatively large volume but contains relatively few consumers – one that should be able to respond quickly to a curtailment direction. This should facilitate the efficient management of a critical contingency.

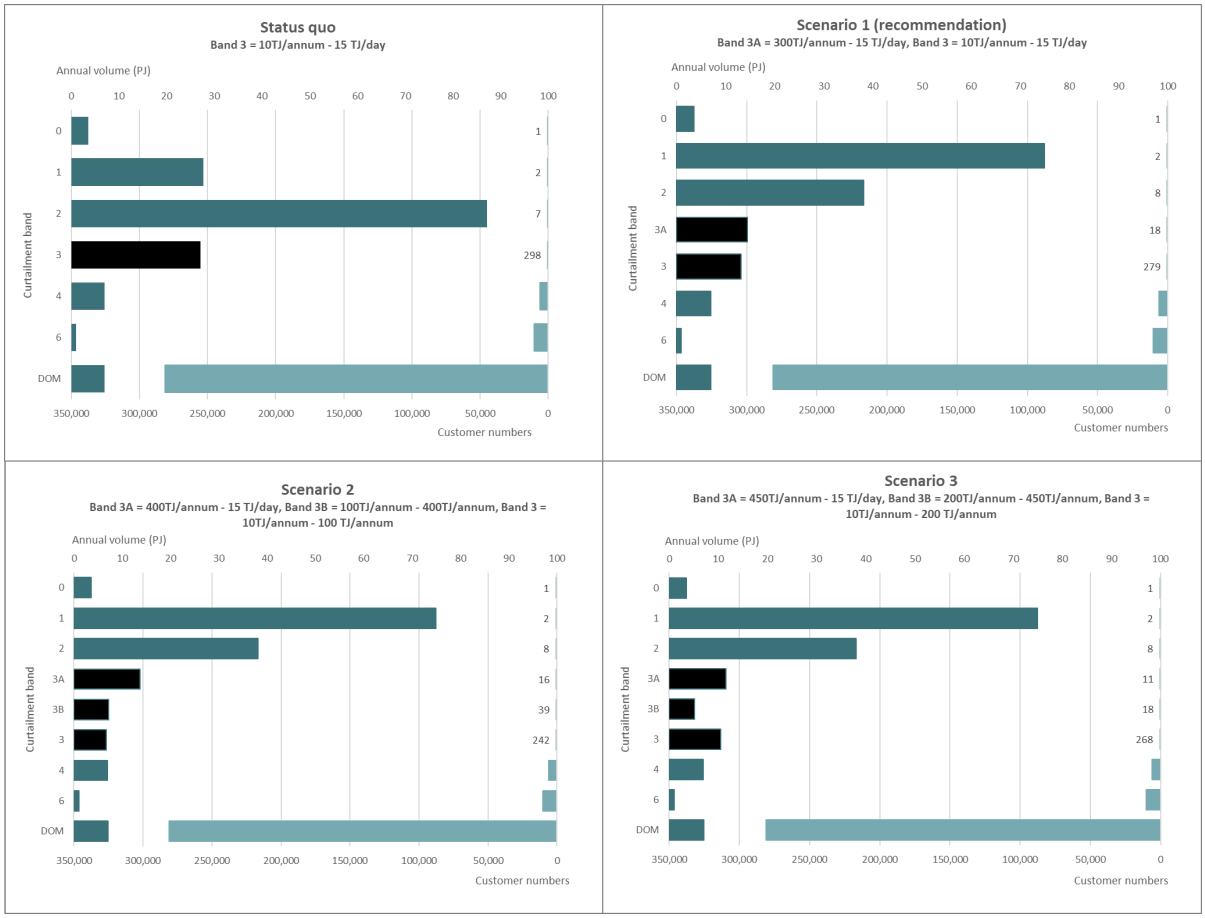
2.2.4 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Firstgas, Nova and Vector agree with the proposal as presented in the Consultation Paper. Whilst Fonterra and MGUG agree with the creation of a new band they have alternative views on how the threshold should	Gas Industry Co remains of the view that the current band 3 needs to be split into smaller bands to provide greater curtailment flexibility for the CCO. The intention of redefining band 3 is to provide the CCO with a new band (or

[9] Chart 1 is based on the analysis conducted for the 2020 initial SOP. The available volume for Band 2 has changed (Waitara Valley, Marsden Point not available for curtailment at this stage and TCC scheduled to retire in 2024)

Submissions Summary	Gas Industry Co Comment
be defined. MGUG encourages further analysis by Gas Industry Co as it considers there could be merit in splitting band 3 into 3 bands, not 2. MGUG is also of the view that any new curtailment band should not be named "3A", rather, keep all curtailment bands numerical, and in order, for consistency. Fonterra would like the new band reserved for dairy consumers to reflect the perishable nature of milk products and the associated negative environmental impacts. No submitting parties disagree with the proposal to create a new band however, six parties are silent on the issue.	bands) that would hold substantial load but with few consumers. Efficient curtailment occurs when few consumers are able to curtail a substantial amount of load. Currently band 3 holds considerable load but also a large number of consumers. Chart 2 below shows what consumer numbers and volumes would look like under four different scenarios. Under status quo, around 300 customers are using about 27 PJ per annum, and all would be required to curtail to remove this load from the system. Under scenario 1, as proposed in the Consultation Paper, only 19 customers would be required to curtail to reduce about half of the load that is currently in band 3. We remain of the view that this is more efficient and intend to progress this to a final Statement of Proposal. We considered MGUG's suggestion that there could be merit in splitting band 3 into 3 unique bands instead of the proposed two. Scenarios 2 and 3 below show possible alternatives however, while they would provide a further band with few customers to curtail, we do not consider that the amount of load they contain justifies an additional band. We also considered MGUG's preference not to use "3A" and rather keep the bands numerical. While we see there may be positives in doing this, it would require other bands to be renamed and we are concerned that this could overall cause greater confusion. We are not supportive of Fonterra's suggestion to create a separate band for dairy consumers. While we appreciate its concerns relating to the negative environmental impacts that may be faced if dairy consumers are required to curtail gas usage, we are comfortable this can be appropriately managed through the current designation process. Currently under the CCM Regulations consumers can apply for a critical processing designation where gas is required to mitigate serious environmental damage.

Chart 2: Options for band 3



2.2.5 Proposal to define all annual threshold volumes by taking the average consumption over the previous three years

To remove ambiguity of how annual consumer consumption is measured in the curtailment band definitions Gas Industry Co proposes to use the average of a consumer's consumption for the three years immediately preceding the current one to determine the consumer's curtailment band.

For new customers where three years of data is not available, the calculation will be based on the expected annual consumption until three years of data becomes available.

This calculation will not apply to bands 1 and 2 because of daily thresholds.

2.2.6 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Firstgas, Greymouth, Nova and Vector agree with the proposal to calculate annual thresholds using the average of a consumer's previous three years consumption rates. However, Firstgas, Nova and Vector would like some discretion available to Gas Industry Co for instances where the calculation is not	For bands defined by annual threshold volumes we intend to clarify that it should be calculated by taking the average consumption over the previous three years. We agree with parties that it needs to be made clear how to calculate new customers where three years of data is not available. For these customers we

Submissions Summary	Gas Industry Co Comment
available i.e., new customers. MGUG agrees that guidance on calculating consumption is required but would like thresholds to be defined by meter size as it sees this is a more appropriate reflection of gas usage. Methanex does not support the proposal for bands 1 and 2 on the principle that it is in favour of maintaining the current daily thresholds for large consumers. It is ambivalent about the method being used to calculate the thresholds for smaller consumers.	propose that it is based on the expected annual consumption until three years of data becomes available. As discussed in section 5.2.3 above we will not be progressing MGUG's suggestion to base thresholds on meter size. In 5.2.3 we also note that we will be retaining daily thresholds for bands 1 and 2 and therefore this calculation will not apply to them.

2.2.7 Proposal to define the daily threshold volumes by using the previous three years to determine consumption

To remove ambiguity of how daily consumer consumption is measured in the curtailment band definitions Gas Industry Co proposes that "daily" means a customer who over the last three years has meet the daily usage threshold from time to time, or in the case of new customers, is expected to meet the daily usage threshold from time to time.

2.2.8 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
To calculate the threshold for the proposed band 2 (large consumers who are electricity generators exporting electricity to the grid) the Consultation Paper lays out a proposed approach for determining a consumer's daily volume. It proposes to use the previous three years to determine whether consumption has been at least 15 TJ per day, from time to time. Both Firstgas and Vector agree with this proposal but similar to their submissions on calculating annual thresholds, would like to make sure a process is in place for when there are new customers without consumption history. Greymouth, Methanex and Nova disagree with the proposed method and believe that the calculation should be based on capacity as this is what thermal generators' consumption is defined by. MGUG also disagrees with this proposal and is concerned that for thermal generators there could be large variances between any three years. It proposes the calculation be defined by a	In 5.2.1 above we note that we will not be changing the definitions for bands 1 and 2 as detailed in the Consultation Paper. Instead, we intend to amend the definition of band 2 to consumers who consume greater than 15 TJ per day but less than 100 TJ, and band 1 as customers who use greater than 100 TJ per day. These new definitions still use daily thresholds, and we therefore intend to clarify that "daily" means a customer who over the last three years has meet the daily usage threshold from time to time, or in the case of new customers, is expected to meet the daily usage threshold from time to time. We have been advised that for some customer sites there is a significant difference between installed capacity and actual usage patterns. To use capacity may result in some customers being unnecessarily curtailed.

Submissions Summary	Gas Industry Co Comment
consumer's meter size to better reflect its consumption capacity.	

2.2.9 Suggested legislative changes

Curtailment band	Consumer installation's gas consumption in gigajoules (GJ or terajoules (TJ)	Description
0	N/A	Any consumer installation, to the extent that gas is used for injection into gas storage
1	More than ~~15~~ 100 TJ per day	Any consumer installation supplied directly from the transmission system. ~~and that has an alternative fuel capability~~ "TJ per day" means a consumer who over the last three years has meet the daily usage threshold from time to time, or in the case of new consumers, is expected to meet the daily usage threshold from time to time.
2	More than 15 TJ and less than 100 TJ per day	Any consumer installation supplied directly from the transmission system ~~and that does not have an alternative fuel capability~~ "TJ per day" means a consumer who over the last three years has meet the daily usage threshold from time to time, or in the case of new consumers, is expected to meet the daily usage threshold from time to time.
3A	More than 300 TJ per annum and up to 15 TJ per day	Large industrial or commercial consumer installation. For new consumers the calculation will be based on the expected annual consumption until three years of data becomes available.
3	Up to 300 ~~More than 10~~ TJ per annum and up to 15 TJ per day	Large industrial or commercial consumer installation. For new consumers the calculation will be based on the expected annual consumption until three years of data becomes available.
4	More than 250 GJ per annum and up to 10 TJ per annum	Medium-sized industrial or commercial consumer installation For new consumers the calculation will be based on the expected annual consumption until three years of data becomes available.

Curtailment band	Consumer installation's gas consumption in gigajoules (GJ or terajoules (TJ)	Description
5	More than 2 TJ per annum	Any consumer installation (whether or not in any of curtailment bands 0 to 4), to the extent that an essential services designation applies to the installation
6	250 GJ or less per annum	Small commercial consumer installation
7	Any	Any consumer installation (whether or not in any of curtailment bands 0 to 6), to the extent that a critical care designation applies to the consumer installation

2.2.10 Proposal to amend definition of "consumer installation" to include a gas installation with multiple points of connection to a distribution system or transmission system

Curtailment band definitions in the Regulations refer to "consumer installations." Consumer installation is defined as

> *"1 or more gas installations that have a single point of connection to a distribution system or the transmission system and for which there is, or previously has been, a single consumer."*

This definition does not include gas consumers with more than one gas connection that supplies a single location.

There is a risk that consumption at one of the ICPs may decrease to the point where it would be classified into a different curtailment band, a situation that could lead to uncertainty regarding the overall plant's place in the curtailment order. One or more points of connections to one processing site should be considered a single consumer installation for the purposes of assigning a curtailment band and directing curtailment during a critical contingency event.

To meet the objective of the Regulations Gas Industry Co proposes that the definition of *"consumer installation"* be amended to include a gas installation that has multiple points of connection to a distribution system or transmission system feeding the same manufacturing process to clarify consumers curtailment order.

2.2.11 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
All parties who submit on this particular issue agree with the proposal made in the Consultation Paper to amend the definition of "consumer installation". However, a number of parties raise areas that they believe require further consideration by Gas Industry Co. Both Fonterra and MGUG highlight that an	Gas Industry Co remains of the view that the definition of "consumer installation" needs to be amended to reflect situations where one gas consumer has more than one gas connection (e.g., Ballance is supplied by both BAL09626 and BAL08201 welded points). Gas Industry Co is comfortable that for

Submissions Summary	Gas Industry Co Comment
exception may need to be made for Fonterra's Whareroa site which has multiple ICPs with quite distinct gas uses. Nova notes that further consideration may need to be given to situations where part of a consumer installation is an essential service or critical care provider. Finally, Greymouth would like to ensure that any definition remains consistent with both the Gas (Downstream Reconciliation) Rules 2008 (Reconciliation Rules) and the Gas (Switching Arrangements) Rules 2008 (Switching Rules).	examples like Whareroa, where gas uses are distinct, the amended definition is broad enough to have the separate connections defined as unique gas installations. We see this is the same for situations where only one part of a site is considered an essential service or critical care provider (though we note that there are currently no examples of this). We do not agree with Greymouth's suggestion that the definition of "consumer installation" needs to be consistent across the various gas industry rules and regulations. The purposes of each are unique and we are therefore comfortable that the definitions can be unique.

2.2.12 Suggested legislative changes

Regulation 5

consumer installation means 1 or more gas installations that have ~~a single~~ one or multiple point**s** of connection to a distribution system or the transmission system and for which there is, or previously has been, a single consumer

3. Curtailment instructions

3.1 Current requirements

During a critical contingency, the CCO issues curtailment instructions to the transmission system owner (TSO), which transmits those instructions to large consumers and retailers. Retailers then instruct their affected consumers. In effect, instructions cascade down from the CCO to the TSO, to retailers, and then to consumers.

This system has worked in the past because the parties who were required to pass on curtailment instructions were those who had contractual relationships with the parties who were receiving the instructions. In other words, large consumers and retailers all had a contract with the transmission system owner for the shipment of gas.

Recently, some retailers have entered the gas market who are not shippers and do not have a relationship with the TSO. The question is how to ensure that these retailers receive curtailment notices so that they can instruct their own consumers.

This change will clarify that when partial curtailment is instructed, or shutdown profiles commence, the consumption rates apply from the time the critical contingency is declared, not from a consumer's maximum capacity, or maximum in a shutdown profile. This is to avoid the opportunity for consumers to increase their consumption during an event.

In addition, there are several changes to how consumers with critical processing designations are treated. The proposed amendments reflect the importance of the critical processing designations to the consumers who hold them at the same time as ensuring fairness to all consumers across the system.

The proposed modifications include requiring all large industrial consumers (bands 1 and 2) to be directed to fully curtail before the next tranche of industrial consumer (bands 3A(proposed new) and 3); and all industrial consumers to curtail fully before commercial consumers (band 4).

This also includes all consumers with critical processing designations. For example, a band 2 consumer with an approved shutdown profile would be required to stop using gas as soon as possible before band 3 could be instructed to curtail. Currently, a band 2 consumer with an approved shutdown profile can follow its profile until band 4 is curtailed.

3.2 Proposals

3.2.1 Require gas wholesalers to be responsible for issuing critical contingency notices to their retailers and to receive and forward compliance updates to the transmission system owner

The initial SOP introduced ways to update how curtailment orders are both instructed and applied. Currently, during a critical contingency event, the CCO issues curtailment instructions to the TSO, transmits those instructions to large consumers and retailers. Retailers then instruct their affected consumers. Although this process has been working well, new retailers that are not shippers have recently entered the market who do not have a relationship with the TSO and so the proposal re-defines who is responsible for issuing critical contingency notices.

Gas Industry Co considers retaining the existing construct in the Regulations that notices are passed down through existing relationships. To that end, it seems sensible to require the TSO to issue directions to gas wholesalers as well as to retailers who are shippers and to large consumers. Gas wholesalers then would have an obligation to issue directions to their smaller retailers.

Retailers' obligations would remain the same: to instruct their consumers and to provide updates of their own and their consumers' compliance with the directions. Compliance updates for retailers who are not shippers would go through their gas wholesaler to the transmission system owner; while compliance updates for shipper retailers would go directly to the transmission system owner, as happens now.

3.2.2 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Six of the eleven submitting parties comment on this proposal. Firstgas, Methanex and Nova agree with this proposal as it is written and Firstgas highlights further clauses in the CCM Regulations that could be similarly updated. Greymouth and Vector, for efficiency reasons, would prefer all notices to come from the CCO (or TSO), though Vector concedes that this may not be a practicable option. Greymouth considers that this could be made practicable by full automation.	Gas Industry Co is comfortable that the proposal to require gas wholesalers to be responsible for issuing critical contingency notices to their retailers is appropriate and should be progressed. In response to the further clauses that Firstgas sees could be similarly updated, we have summarised our views for each: • *Regulation 39* requires retailers to annually provide information to the CCO relating to their consumers at each gas gate. Firstgas wonders whether there is merit in this type of information being provided to the CCO at shipper level, rather than retailer level (i.e., provided by gas wholesales on the behalf of 'white label' retailers). Gas Industry Co is of the view that this information should remain at retailer level and the responsibility of retailers. This regulation provides an ability to provide 'best estimate' data for when actual data is not available. We see that retailers are the best placed to calculate, for example, best estimates of a new consumer's consumption. • *Regulation 43* requires all retailers to prepare a retailer curtailment plan. Firstgas would like Gas Industry Co to consider whether 'white label'

Submissions Summary	Gas Industry Co Comment
	retailers should be required to prepare a plan. We see that it is important for all retailers, including 'white-label' retailers, to have a curtailment plan. It is the retailers who have the relationship with the end consumer and therefore need to have a plan in place to communicate any curtailment instructions or be involved in media appeals. • *Regulation 55* requires retailers and large consumers to provide the TSO with regular updates of compliance with the directions of the TSO. Firstgas wonders whether these compliance updates should be aggregated to the Shipper level before being forwarded to Firstgas. While we appreciate this could benefit the TSO by having to receive fewer compliance updates, we are concerned that it could result in the delay of some notices being provided. For example, we do not think it would be a good outcome if a wholesaler had to wait to provide its compliance update until it had received updates from all its 'white-label' retailers. • *Regulation 75* lays out the calculation methodology for contingency imbalances. Firstgas believes it makes sense for Shippers, rather than 'white label' retailers to be responsible for critical contingency imbalances. Gas Industry Co agrees with the sentiment of Firstgas's comment however, is confident that the current calculation is already at the shipper level and no updates are required. We do not see that Greymouth's and Vector's desire for all curtailment instructions to come from the CCO is practicable. The CCO's core responsibility during an event is to monitor the

Submissions Summary	Gas Industry Co Comment
	system so that it can effectively issue curtailment instructions. Ensuring instructions are received can take time and it is most efficient that retailers and transmission owners, who have contractual relationships with their consumers, deliver these instructions. While automation of processes may make parts of this process easier it would come at a cost and monitoring confirmations, and failures, of notification delivery remains time consuming.

3.2.3 Proposal to clarify that

a) **directions for partial curtailment must be made with regard to consumption rates at the time a critical contingency is declared**

b) **designated shutdown profiles apply to consumption rates at the time a critical contingency is declared, except for consumers with designated shutdown profiles who require their full shutdown profile to safely shutdown**

At times, the CCO, in monitoring flows and pressures on the transmission system, determines that only partial curtailment of a band would be sufficient to balance the transmission system. Regulation 53(2) provides for the CCO to direct curtailment of a subset of load within a curtailment band for this reason.

It has come to Gas Industry Co's attention that there is perhaps some ambiguity in the way the Regulations are drafted with respect to partial curtailment. Regulation 53(2)(c) provides for subsets defined by a percentage of maximum consumer load, but on any given day, one or more consumers are likely not to be at their maximum load.

Since the CCO is working to manage actual transmission conditions, it seems sensible to allow for subsets to be defined by actual consumption rates on the day. Gas Industry Co proposes that "on the day" in this case be the period immediately prior to the critical contingency being declared. This would prevent any perverse incentives for consumers to increase consumption after a contingency is declared.

This proposal would allow the CCO to direct curtailment of a percentage of the load in a band, using the gas demand immediately before the contingency as the base. For example, a consumer may have a maximum hourly demand of 100 GJ, but on a day just prior to a critical contingency, it was using 50 GJ per hour. If the CCO directs that band to curtail its usage by 50%, then that consumer would be expected to reduce its gas usage down to 25 GJ per hour.

To clarify the calculation of a consumer's consumption on a day we propose using the consumption volume for each customer at the time a critical contingency is declared. If required, this would retrospectively be monitored by using the process for identifying gas usage that is contrary to curtailment directions as outlined in regulation 66A.

However, the regulation change would allow customers with designated shutdown profiles to use extra gas, regardless of their consumption rates at the time, to safely shutdown.

GIC proposes to clarify that when partial curtailment is instructed, or shutdown profiles commence, the consumption rates apply from the time the critical contingency is declared, not from a consumer's maximum capacity, or maximum in a shutdown profile. This is to avoid the opportunity for consumers to increase their consumption during an event.

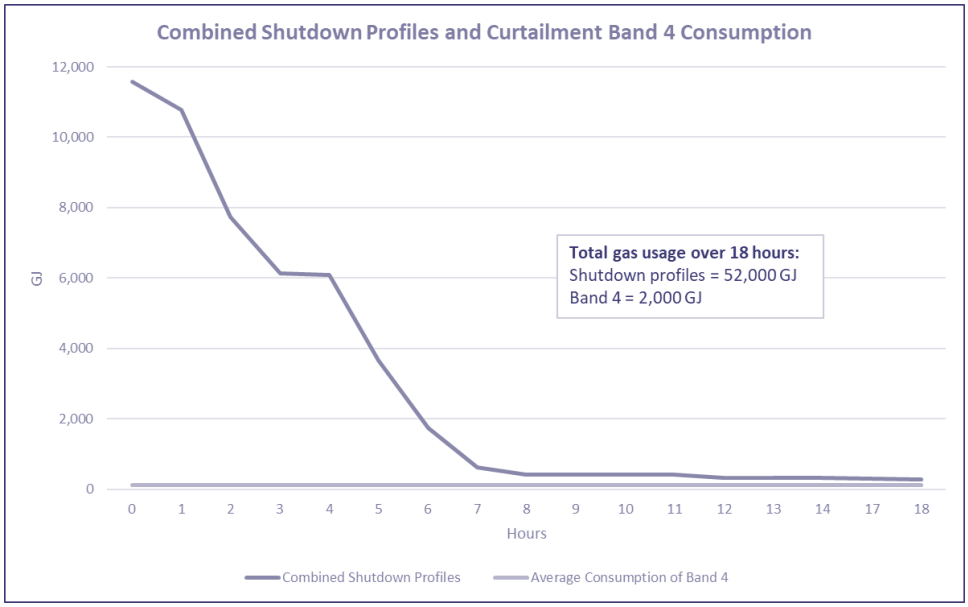
3.2.4 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Six parties directly submit on this area and the submitters are largely in agreement with these proposals. However, a number of submitters seek clarification from Gas Industry Co on how the CCO will determine a consumer's consumption on a day. Greymouth also highlights that for shutdown profiles it might not be as simple as starting the shutdown profile from the current consumption rate as consumers may have different shutdown profile requirements for different levels of consumption rates.	Though parties are largely supportive of these proposals they requested clarity on how a consumer's consumption on a day would be calculated. We propose using the consumption volume for each customer at the time a critical contingency is declared. If required, this would retrospectively be monitored by using the process for identifying gas usage that is contrary to curtailment directions as outlined in Regulation 66A. We have considered Greymouth's concern that customers with designated shutdown profiles may require the extra gas, regardless of their consumption rates at the time, to safely shutdown. We agree with Greymouth's concern and intend to allow for this situation.

3.2.5 Require all customers with approved shutdown profiles to curtail fully before band 4 is directed to curtail

It is inefficient to require the CCO to curtail down to band 4 (the curtailment of over 6,000 customers) to remove the load from all large users in this band. Chart 3 below assumes that all critical processing designations are curtailed at the same time and shows that the consumption required by all the approved shutdown profiles is considerably greater than that of all consumers within curtailment band 4.

Chart 3: Combined Shutdown Profiles



To retain a balance between the value of critical processing designations and inefficient curtailment all critical processing designations will be required to curtail fully before band 4 is curtailed.

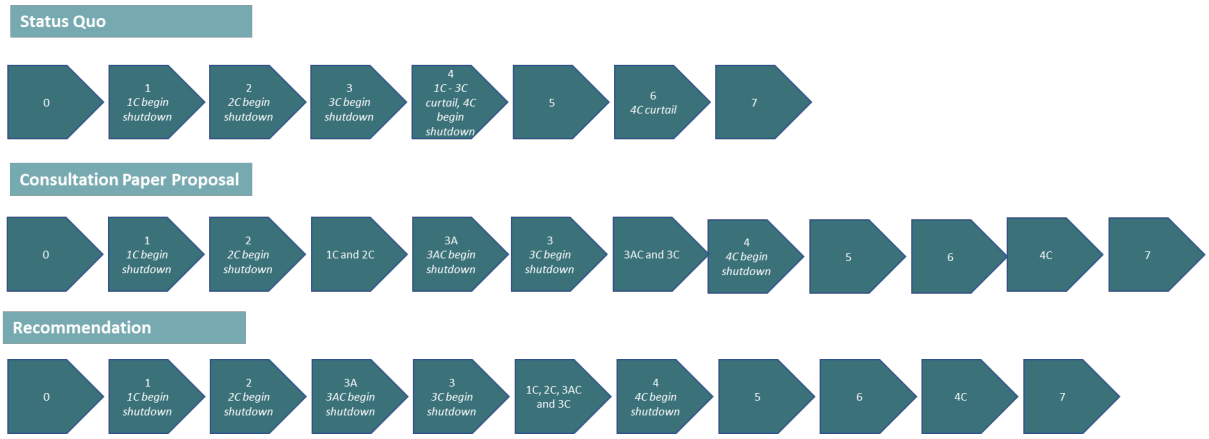
This would allow approved shutdown profiles for 1C, 2C, 3AC and 3C customers to continue up until this point.

3.2.6 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Seven parties submit on these changes to the curtailment order and the views are mixed. Firstgas, Nova and Vector agree with these proposals. Firstgas notes that the changes would make the curtailment process faster and more efficient. However, Fonterra, Greymouth, Methanex and MGUG disagree. Greymouth sees the curtailment order as being too complex and prescriptive and Fonterra, Methanex and MGUG are concerned that it would undermine the value of critical processing designations. Fonterra considers that the risk of not being able to follow an approved shutdown profile negates the value of any critical processing designation. MGUG also disagrees and notes that often the last part of a shutdown profile uses the least amount of gas and so it does not seem efficient to require that small gas usage to be fully curtailed before band 3	Gas Industry Co remains of the view that it is inefficient to require the CCO to curtail down to band 4 (the curtailment of over 6,000 customers) to remove the load from all large users. Chart 3 below assumes that all critical processing designations are curtailed at the same time and shows that the consumption required by all the approved shutdown profiles is considerably greater than that of all consumers within curtailment band 4. However, we understand the concerns raised by parties that believe these proposals would undermine the value of critical processing designations and associated approved shutdown profiles. We see that a balance between retaining the value of critical processing designations and inefficient curtailment can be reached if we require all critical processing designations to curtail fully before band 4 is curtailed. This would allow approved shutdown profiles for 1C, 2C, 3AC and 3C customers to continue up

Submissions Summary	Gas Industry Co Comment
customers, who may be using more gas. Methanex, who holds a critical processing designation, recognises that in some circumstances it will not be able to follow its approved shutdown profile, but it is concerned that the proposed changes will increase the chances of these circumstances occurring. It highlights that there is a risk that if it is not able to follow its approved shutdown profile, and is forced to shut down abruptly, then gas load across the system could also collapse abruptly, causing issues wider than the impact on Methanex's plant. It believes that if it is able to shut down in an orderly manner, using its approved shutdown profile, then there is a better chance it will be able to immediately restart after an event. Given it is the largest gas consumer, it sees that its ability to restart quickly is crucial to help restore normal levels of gas production after an event. Because of this, Methanex does not see that an objective of the GPS, *ensuring risks relating to security of supply, including transport arrangements, are properly and efficiently managed by all parties*, will be met by these proposals.	until this point. Figure 2 below shows how the recommended approach compares with the status quo and what is proposed in the Consultation Paper. We intend to take this recommendation through to a final Statement of Proposal.

Figure 2: Summary of curtailment band order



*C: customers with approved shutdown profiles

3.2.7 Suggested legislative changes

No suggested wording due to complexity of the required regulatory changes.

4. Information provided to the CCO

4.1 Current requirements

Good information on the configuration and use of the transmission system is essential for the CCO to perform its role effectively. As well as needing to monitor system conditions in real time, the CCO needs information to validate and update the load models that are used during a critical contingency. Although the Regulations were amended in 2013 to identify the types of transmission system information that the TSO is required to provide to the CCO, there have been instances where the CCO has been frustrated in its requests for system information.

4.2 Proposals

4.2.1 Amend schedule 4 of the Regulations to update the types of transmission system information the TSO is required to provide the CCO and update Regulation 10 to reflect that the "Commencement Date" is no longer relevant

There is unanimous industry support to amend Schedule 4 of the Regulations as per suggested legislative changes below and to remove the reference to the "commencement date" in Regulation 10 which is no longer relevant.

4.2.2 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Firstgas, Nova and Vector agree with this proposal and no parties disagree. Firstgas, as TSO, notes this proposal largely reflects the current situation. However, it also highlights that if any future information requests come through from the CCO, for information that is not readily available, or requires a high degree of customisation or expense to produce, it would lean on regulation 38(2)(a). This regulation refers to information being obtained or derived without unreasonable difficulty or expense. While raising this, Firstgas also emphasises that it is committed to working constructively with the CCO to ensure the CCO has access to all the information required under Schedule 4. Firstgas also notes that regulation 10 may need to be revisited as well to reflect that the "commencement date" referred to has passed. Regulation 10 requires the TSO to provide Gas Industry Co with the information in Schedule 4,	Of the submitting parties, there is unanimous support to amend Schedule 4 of the CCM Regulations. Gas Industry Co therefore will be progressing this through to a final Statement of Proposal. Gas Industry Co agrees with Firstgas that the reference to the "commencement date" in Regulation 10 is no longer relevant and should be updated.

Submissions Summary	Gas Industry Co Comment
no later than five business days after the commencement date. The remaining parties are silent on this proposal.	

4.2.3 Suggested legislative changes

10 Publication of transmission system

(1) ~~No later than 5 business days after the commencement date, e~~Each transmission system owner must provide the industry body with the information specified in Schedule 4.

Schedule 4
Transmission system information

The information referred to in regulations 10(1) and 38(1)(d) in respect of a transmission system is as follows:

(a) a high-level map indicating the geographic location of the network and the critical contingency thresholds:

(b) ~~a diagram~~, engineering drawings in paper and electronic format with any cross-referenced information contained in an accompanying schedule, of each transmission system of the pipeline owner showing the following details:

(i) all assets in the system with notations showing—

(A) internal, external, or nominal pipe diameters used (identifying whether internal, external, or nominal pipe diameters are used), pipe wall thickness; and

(B) pipe design pressure ratings and operating pressure; and

(C) all stations, main line valves, intake and offtake points, flow control valves, system isolating valves and non-return valves, including a unique identifier for each item; and

(D) the distance between the items referred to in sub-subparagraph (C): and

(E) pipeline route maps in paper and electronic format.

(ii) if applicable, the points where a significant change has occurred since the previous disclosure of the information referred to in subparagraph (i), including—

(A) a clear description of every point on the network that is affected by the change; and

(B) a statement as to whether the capacity of the network, at the points where the change has occurred or other points (as the case may be), has increased or decreased or is not affected; and

(C) a description of the change.

4.2.4 Provide the CCO with the ability to request numbers from Gas Industry Co of ICPs by curtailment band and by gas gate, as recorded in the gas registry

Regulation 39 requires that retailers provide the CCO with numbers of consumers and aggregate annual consumption by curtailment band. Although this information is critical, it does not always give a complete picture of the total numbers of consumers in a band or at a particular gas gate.

Gas Industry Co proposes that the CCO be able to request from the industry body numbers of ICPs by curtailment band and by gas gate, as recorded in the gas registry. This information can then be used as a means of validating the data provided by retailers.

4.2.5 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Nova and Vector agree with this proposal and no other parties submit on this issue.	Gas Industry Co intends to progress this proposal to a final Statement of Proposal

4.2.6 Provision of consumer information

Regulation 39 in the Regulations also requires retailers to provide information to the CCO relating to consumer installations and consumption information for each gas gate that a retailer trades.

During the consultation process of the initial SOP an issue was raised whereby supply to a retailer's customer can occur upstream of a gas gate and therefore would not be captured by the regulation 39 of "for each gas gate at which the retailer trades".

Gas Industry Co propose to update regulation 39 so that instead of referencing gas gates where retailers trade, it will reference gas gates where retailers' consumers are connected.

4.2.7 Suggested legislative changes

39 Retailers to provide consumer information

(1) Each retailer must, as required by subclause (2), provide a notice to the critical contingency operator setting out, for each gas gate at which the retailer ~~trades~~ where retailers' consumers are connected and in relation to that retailer,—

(a) the number of consumer installations in each curtailment band and aggregate annual consumption for those consumer installations; and

(b) the number of domestic consumers and aggregate annual consumption for those consumers.

(2) A retailer must comply with subclause (1)—

~~(a) not later than 25 April 2014; and~~

~~(b)~~ annually, not later than 6 weeks after being asked by the critical contingency operator to provide the notice.

(3) If the retailer does not possess, or cannot reasonably obtain, a consumer's or domestic consumer's actual total annual consumption, the retailer may provide its best estimate

of that consumer's or domestic consumer's total annual consumption as part of the aggregate total annual consumption required by subclause (1).

(4) The critical contingency operator can request from the industry body numbers of ICPs by curtailment band and by gas gate, as recorded in the gas registry.

~~(4)~~ (5) To avoid doubt, for the purposes of this regulation, a gas gate does not include a point of connection between a distribution system and a gas measurement system downstream of that distribution system.

4.2.8 Approved shutdown profiles are to be provided by the industry along with notice of an approved designation to the parties listed in Regulation 46k

Regulation 46K(2) requires the industry body to give notice of approved designations to the CCO, the responsible retailer, and the responsible distributor. It is not clear from the drafting whether the notification includes the consumer's approved shutdown profile, but the shutdown profile is a necessary piece of information that the CCO needs to model responses to curtailment directions.

Gas Industry Co proposes amending this regulation to clarify that approved shutdown profiles are to be provided along with notice of an approved designation to the parties listed in regulation 46K.

4.2.9 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Nova and Vector agree with this proposal and no other parties submit on this issue.	Gas Industry Co intends to progress this proposal to a final Statement of Proposal.

4.2.10 Suggested legislative changes

46K When designation becomes effective

(1) If the industry body approves a designation, the designation is effective only after—

(a) the industry body has provided the consumer with a declaration form that complies with regulation 46L; and

(b) the declaration form is signed by a person who, in relation to the consumer, is a director, or occupies a position equivalent to that of a director, of a body corporate; and

(c) the signed declaration form is returned to the industry body; and

(d) the applicant has paid to the industry body, in full, the costs of the technical expert in preparing the report (see regulation 46H(7)); and

(e) the responsible retailer or, in the case of a large consumer, the transmission system owner has confirmed that the consumer installation has a time-of-use meter that enables gas consumption to be recorded daily.

(2) On receiving the signed declaration, the industry body must give notice of the approved designation and, if applicable, the approved consumer shutdown profile to—

(a) the critical contingency operator; and

(b) the responsible retailer or, in the case of a large consumer, the transmission system owner; and

(c) the responsible distributor, as recorded in the registry, for the designated consumer installation.

(3) A responsible distributor must, within 5 business days after being notified under subclause (2), update the load shedding category information in the registry for the designated consumer installation.

5. Critical contingency plans

5.1 Current requirements

Under the Regulations there are currently requirements for TSOs to prepare and maintain critical contingency management plans (CCMPs), retailers to prepare and maintain retailer curtailment plans and the CCO to maintain the published communications plan. The consultation paper proposes several amendments in relation all three of these plans.

The intent of the proposals relating to CCMPs is to ensure they remain fit-for-purpose and to provide for more efficient processes to maintain a CCMP. These include clarifying acceptable data sources of contact details; provide greater flexibility within the CCMP amendment process for immaterial changes; provide for future go-live dates of CCMPs; and remove the reference to the Reconciliation Rules for critical contingency imbalance calculations.

The proposals relating to retailer curtailment plans came about in response to our concerns regarding the comprehensiveness of these plans and whether the requirement to keep them current is something that retailers have had difficulty incorporating in their usual business processes. To address these concerns, the consultation paper proposes requiring retailers to submit their plans to Gas Industry Co annually; increasing the scope of annual test exercises to include these plans; and requiring retailers to participate in these exercises.

The communications plan is a CCO-maintained document that outlines communication protocols between the CCO and TSO. The consultation paper proposes widening the scope of this plan to include communications that occur in monitoring the system prior to a critical contingency and in declaring a critical contingency.

5.2 Proposals

5.2.1 Amend the Regulations to clarify that a reference to an authoritative data source is an acceptable means of including contact details in a CCMP and that CCMPs must outline the process by which a TSO will manage and maintain contact details

The CCMPs published contact details have included contact details for the TSO and the CCO, generally in the form of a generic email address and a 24/7 phone number. For contact details of the other parties, the situation is a bit more complicated. There are approximately 36 different parties on the list of stakeholders. Some parties are counted more than once because different parts of their business have different functions; for example, Huntly Power station (owned and operated by Genesis Energy) is a large consumer; Genesis is also a gas retailer. It has proven impractical to include contact details for specific people representing all 36 possible recipients of critical contingency messages. Instead, the CCMP lists the names of the individual organisations and states that the contact details of the relevant personnel in each of those organisations can be obtained on OATIS when necessary.

5.2.2 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Firstgas, Nova, OMV and Vector agree with these proposals as written. MGUG notes that it does not believe a change in the CCM Regulations is required and that the intended outcome can be reached by its current drafting. Greymouth's preference is for all notifications to come directly from the CCO which would increase efficiency and mean a CCMP would not be required at all. The remaining five parties do not comment on this proposal.	Gas Industry Co does not agree with MGUG that a change in the CCM Regulations would not help clarify that an authoritative data source is an acceptable means of including contact details in a CCMP and that CCMPs must outline the process by which a TSO will manage and maintain contact details. The CCM Regulations do not explicitly include these currently and we therefore see that clarification is required to remove ambiguity. As discussed in 6.2.1, we do not consider it appropriate to require the CCO to issue notifications directly to consumers as suggested by Greymouth. Gas Industry Co therefore intends to progress this proposal to a final Statement of Proposal.

5.2.3 Suggested legislative changes

No suggested wording as there are potentially more than one option available in the regulations to regulate this obligation. (potentially changes to regulations 25 and 33)

5.2.4 Provide the industry body with three options for when CCMP amendments are submitted for approval:

a) **Approve, for proposals that it agrees are immaterial and appropriate;**

b) **Send a proposed amendment back to the TSO, for proposals that it does not agree are immaterial, or where it feels that industry input is warranted; or**

c) **Follow the current expert adviser process, for proposals that it deems require the scrutiny of the standard approval process.**

Regulations 33(4), 34(6), and 65(3) provide that a TSO must consult on a proposed amendment to a CCMP, unless the TSO and the CCO agree that the proposed amendment is immaterial, and then submit the amendments to the industry body for approval. Under regulation 27, the industry body must appoint an expert advisor to review any proposed amendment to a CCMP.

The expert advisor process is appropriate for significant proposed changes to a CCMP, because it ensures consultation with the CCO and scrutiny by the expert adviser to ensure that it meets regulatory requirements.

However, there are no exceptions under regulation 27 for immaterial amendments. This means that amendments that the TSO and the CCO agree are immaterial (and thus not subject to consultation) still trigger the expert adviser process, which does not seem warranted in all situations.

On the other hand, without some sort of approval process, there could be incentives for the TSO and the CCO to adopt a broad definition of immaterial as a way of avoiding consultation and scrutiny by the expert adviser.

Gas Industry Co therefore proposes a hybrid process for CCMP amendments that the TSO and CCO have agreed are immaterial. The amendments would still be submitted to the industry body for approval. This change would also include that any proposed amendment that is related to safety would not be considered immaterial and therefore would be required to go through the scrutiny of the standard approval process.

5.2.5 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Firstgas, MGUG, Nova and Vector agree with this proposal as it is presented in the Consultation Paper. Greymouth disagrees with this proposal as it sees that all changes relating to safety should be consulted on. The remaining six parties do not comment on this proposal.	Gas Industry Co agrees with Greymouth that any changes relating to safety should be consulted on, but we do not see that this is a reason to not progress this proposal. Any proposed amendment that is related to safety would not be considered immaterial and therefore would be required to go through the scrutiny of the standard approval process. Gas Industry Co intends to progress this proposal to a final Statement of Proposal.

5.2.6 Suggested legislative changes

27 Appointment of expert adviser

(1) For each proposed critical contingency management plan, and for each proposed material amendment to a critical contingency management plan submitted under regulation 33(4)(c), 34(6)(c), or 65(3)(c), the industry body must appoint an expert adviser to review the proposed plan or amendment,—

(a) in the case of a proposed plan, within 30 business days of the commencement date; and

(b) in the case of a proposed amendment, within 5 business days of receiving the proposed amendment from the transmission system owner.

(2) If the transmission system operator and the critical contingency operator agree that a proposed amendment submitted under regulation 33(4)(c), 34(6)(c), or 65(3)(c) to the industry body is immaterial -

(i) the industry body can approve immateriality of the proposed amendment, and subparagraph (1) doesn't apply; or

(ii) the industry body may send the proposed amendment back to the transmission system operator in case the industry body disagrees that the proposed amendment is immaterial or if it considers industry consultation is warranted; or

(iii) the industry body deems the proposed amendment requires the scrutiny of the standard approval process.

(3) To avoid doubt, any proposed amendment that is related to safety constitutes a material change.

5.2.7 Specifically allow for a go-live date for a proposed amended CCMP

Under the procedures for amending a CCMP provided for in regulation 33, there is no provision for an amended CCMP to take effect on a certain date. That is, the drafting assumes that once a CCMP is approved, it is published and takes effect. This is a reasonable outcome in many cases, where the CCMP needs to be amended because it has become out of date.

However, there are scenarios in which it would be desirable to specify when an approved amended CCMP will go into force, especially if it has been changed to meet future new regulatory requirements.

Regulation 25(2) states that a proposed CCMP must be consistent with the transmission code, so, implicitly, a CCMP that is consistent with a new code cannot be implemented until that transmission code is.

There is nothing in the Regulations that disallows the specification of a go-live date for a CCMP, a go-live date could be part of the CCM amendment itself.

Gas Industry Co considers that the Regulations should explicitly allow the specification of a go-live date for an amended CCMP. This specification could be a date, or it could refer to another event, such as the go-live date of a new transmission code.

5.2.8 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Firstgas, MGUG, Nova and Vector agree with this proposal as it is presented in the Consultation Paper. Greymouth, however, is unsure and considers further thought is required on the timing of go-live, specifically if it is tied to a future agreement that could change. The remaining six parties do not comment on this proposal.	Gas Industry Co intends to progress this proposal to a final Statement of Proposal. We recognise Greymouth's point but are comfortable this type of situation can be dealt with either through the drafting of the Regulations or the timing of submission of the proposed amendment.

5.2.9 Suggested legislative changes

25 Content of critical contingency management plan

(1) A proposed critical contingency management plan must be consistent with these regulations and must provide for the following:

[…]

(k) any other things, including a specific effect date if required, that the transmission system owner considers appropriate to give effect to the purpose of these regulations.

5.2.10 Require retailers to provide their retailer curtailment plans including the primary contact for the CCO to the industry body and to the CCO on an annual basis

The obligation for retailers to prepare and keep current retailer curtailment plans under regulation 43 was added to the Regulations in 2013. The requirement arose from a recommendation in the post-Maui review, which found that several retailers were unprepared to carry out the actions required of them during the Maui outage. The rationale for retailer curtailment plans was to ensure that retailers had planned for, and were prepared to carry out, all the obligations that they have under the Regulations. The plans are required to be kept up to date, and copies are to be provided to Gas Industry Co as the industry body.

However, Gas Industry Co reviewed the plans and found that some plans were missing elements required under the Regulations as well as containing outdated information.

Ultimately, though, the purpose of the curtailment plans is to ensure that retailers are sufficiently prepared so that they can respond quickly and effectively during a critical contingency. The question is what steps are needed to ensure that the plans are as effective as possible and are updated on a timely basis.

We propose retailers provide their retailer curtailment plans to the industry body on an annual basis by 1 March of each year and include the requirement that the plans should specify the primary contact for the CCO. This would ensure that the latest retailer curtailment plan can be incorporated in the annual CCO led industry exercise usually held between April and May of each year.

We also propose that the retailer curtailment plans are provided to the CCO to be incorporated in the CCMP.

5.2.11 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Firstgas, Nova and Vector agree with this proposal as it is presented in the Consultation Paper. MGUG agrees that the CCO needs to be confident in retailer curtailment plans but it does not believe this proposal goes far enough and suggests that retailers not only supply a plan but also a statement that includes a summary of their own internal testing of their plan. It sees that such a statement could include proof that they have carried out their	Those parties who disagree with this proposal either think it is too onerous or not onerous enough. Gas Industry Co sees that the proposal as drafted in the Consultation Paper strikes an acceptable balance between these two opposing views and therefore intends to progress it to a final Statement of Proposal. We also intend to include the requirement that retailer curtailment plans should specify the

own annual test exercise. Greymouth sees this proposal adds more work for retailers without adding any extra value. Greymouth would prefer all notices come from the CCO so retailer curtailment plans would not be required at all. The remaining six parties do not comment on this proposal.	primary contact for the CCO and this should be communicated on an annual basis or if there are any changes. This further requirement is in response to recommendations made by the CCO in its latest exercise report. As discussed in 6.2.1, we do not consider it appropriate to require the CCO to issue notifications directly to consumers and will therefore not be proposing this.

5.2.12 Suggested legislative changes

43 Retailer curtailment plans

(1) Each retailer must prepare a retailer curtailment plan (the plan) in accordance with subclauses (2) to (4).

(2) For every retailer, the plan must contain the following information:

(a) its process for keeping the plan up to date; and

(b) staff training details; and

(c) the retailer's primary contact for the critical contingency operator.

[…]

(5) The retailer must provide the plan annually by 1 March to the industry body and to the critical contingency operator, together with a certificate in the form set out in Schedule 6 signed by a person who, in relation to the retailer, is a director or occupies a position equivalent to that of a director of a body corporate.

5.2.13 Require that annual test exercises incorporate retailer curtailment plans

Gas Industry Co's review of the retailer curtailment plans was also triggered by the CCO's concerns raised in numerous exercise performance reports that it is not clear whether the current retailer curtailment plans are being regularly maintained or tested by retailers.

Gas Industry Co proposes to introduce a positive obligation for retailers to provide a retailer curtailment plan to be incorporated in the annual test exercise to ensure that the retailer curtailment plans are up to date and fit for purpose.

5.2.14 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Firstgas and Nova agree with this proposal to incorporate retailer curtailment plans into annual test exercises. However, Greymouth and Vector disagree and MGUG is unsure how this proposal will improve retailer involvement. Greymouth believes this proposal adds more	Retailer curtailment plans were included into the CCM Regulations in 2013 after it was found that a number of retailers were unprepared to carry out the actions required of them during the 2011 Maui Outage. Whilst this requirement is now in place the CCO has raised concerns in

Submissions Summary	Gas Industry Co Comment
work for retailers without adding sufficient value and Vector does not think that retailers who only supply residential consumers, or a few smaller commercial customers, should be covered by this requirement. The remaining six parties do not comment on this proposal.	numerous exercise performance reports that it is not clear whether these plans are being regularly maintained or tested by retailers. As issues have occurred in the past and while concerns still remain, Gas Industry Co does not agree with the retailers that see this proposal would (a) not improve retailer involvement or (b) be too onerous for parties. We believe this proposal would provide a positive obligation for retailers to participate in the annual test exercises, in the same way the TSO is required to participate. We see that the testing of these plans should already be part of retailers' annual processes and greater priority should be given to them to reflect their importance. We intend to progress this to a final Statement of Proposal.

5.2.15 Suggested legislative changes

Potentially new stand-alone regulation required

34 Testing critical contingency management plan and retailer curtailment plans

(1) The critical contingency operator must, after consultation with transmission system owners, instigate exercises to test that—

(a) the critical contingency management plans comply with regulation 25 and give effect to the purpose of these regulations; and

(b) the retailer curtailment plans submitted under regulation 43(5) are up to date; and

(~~b~~ c) the contact details included in critical contingency management plans in accordance with regulation 25 are current; and

(~~c~~d) the list of emergency contact details maintained by retailers in accordance with regulation 43 is current.

5.2.16 Retailers to participate in annual test exercises

Gas Industry Co proposes to introduce an obligation for retailers to participate in the annual test exercises, in the same way the TSO is required to participate. The purpose of this obligation would be to test the quality of their previously submitted curtailment plans and retailers' processes to reflect their importance. This would ensure retailers would have an annual prompt to consider updates and improvements to their plans.

5.2.17 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Firstgas and Nova agree with this proposal for retailers to participate in annual test exercises. MGUG and Vector also agree but see there should be some exceptions. MGUG sees that retailers who can demonstrate their retailer curtailment plans work well should not be required to participate. Again, Vector thinks retailers who only supply residential consumers, or a few commercial customers, should not be required. The remaining seven parties do not comment on this proposal.	As discussed in 8.2.6 above, Gas Industry Co remains of the view that greater participation from retailers is required to ensure comfort that they are prepared for contingency events. We continue to see that requiring retailers to participate in the annual test exercises is an appropriate way to address this and will therefore be progressing this to a final Statement of Proposal.

5.2.18 Suggested legislative changes

No suggested wording as there is potentially more than one option available in the Regulations to regulate this matter. Potentially a new stand-alone regulation describing the obligation.

5.2.19 Include communications that occur in monitoring the system prior to a critical contingency and in declaring a critical contingency in the communications plan.

Regulation 35 requires communications to govern the communications between the CCO and the TSO during a critical contingency. However, coordinated communications prior to the declaration of a critical contingency to avoid the declaration of a critical contingency.

Critical contingencies are often precipitated by a production station or pipeline outage, and the CCO's primary source of information about these events, at least initially, is the TSO. The system operator function of the TSO continuously monitors pipeline conditions and pressures, and the CCO often liaises with control room operators in assessing whether a situation warrants a critical contingency declaration. Of course, there are also situations where a critical contingency does not eventuate, but good communication between the CCO and the TSO is nevertheless important in these situations as well.

Gas Industry Co proposes to amend regulation 35 that the communications plan explicitly includes communications protocols that would apply prior to and including a critical contingency declaration.

5.2.20 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Firstgas, Nova and Vector agree with this proposal however, MGUG does not see the	Gas Industry Co intends to progress this proposal to a final Statement of Proposal.

Submissions Summary	Gas Industry Co Comment
benefit of including this information in the CCM Regulations as these additional communications are already occurring in practice. The remaining seven parties do not comment on this proposal.	While we have no concerns about how these communications are occurring currently, we wish to secure the current levels of information for the future.

5.2.21 Suggested legislative changes

35 Publication of communications plan

(1) The critical contingency operator must maintain a published communications plan prepared in consultation with transmission system owners.

(2) The communications plan will govern the communications between the critical contingency operator and the transmission system owners before and during a critical contingency.

(3) The communications plan must apply to communications from the critical contingency operator to the transmission system owners, and from the transmission system owners to the critical contingency operator, relating to—

(a) implementing curtailment of demand; and

(b) revising curtailment of demand; and

(c) restoring gas supply; and

(d) terminating a critical contingency; and

(e) identifying persons who did not comply with curtailment or restoration directions.

(4) The critical contingency operator may, after consultation with transmission system owners, amend and publish a revised communications plan.

6. Critical care and essential services designations

6.1 Current requirements

The Regulations include provisions for a number of categories of gas consumer that are entitled to extended shutdown periods in order to provide critical care, provide essential services, complete critical processing, and to secure the supply of electricity. The criteria for these designations can include minimum annual consumption volumes, metering configuration, and Board certification, depending on the specific designation category.

The critical care designation process was added and the essential service designations significantly revised in 2013, but now require further refinements.

6.2 Proposals

6.2.1 Reduce the consumption criterion for essential services designations to above 250 GJ per year

Essential services designation holders are allocated to curtailment band 5. The intention of this designation is that a gas consumer in bands 1 through 4 who provides essential services would only need to curtail its gas consumption if the CCO's curtailment of band 1 to 4 consumers was insufficient to manage a critical contingency. That is, essential services consumers would get curtailed later and less frequently than otherwise would be the case.

One criterion for essential services designation holders is to consume more than 2 TJ of gas per year, a threshold that is not aligned with the lower bound of curtailment band 4. This means that the protections of an essential service provider are unavailable for consumers using between 250 GJ and 2 TJ of gas, an unintended outcome of the 2013 revisions.

Gas Industry Co proposes changing the consumption criterion for essential service providers to above 250 GJ per year, consistent with the lower bound of curtailment band 4.

6.2.2 Remove the requirement for critical care and essential services consumers to have a Time-of-Use (ToU) meter

Regulation 46K requires that consumers with designations have ToU meters. Under the Downstream Reconciliation Rules, ToU meters are required for gas consumers using more than 10 TJ of gas per year, so that daily quantities for these large customers can be logged accurately. The requirement of ToU meters under the Regulations ensures that there is a means of assessing compliance with curtailment instructions after a critical contingency.

This rationale exists for critical processing and electricity supply designation consumers, but it does not apply equally well to critical care and essential services consumers. Many critical care and essential services consumers are non-profit organisations who are relatively small users of gas and do not already have a ToU meter installed. In these instances, the additional expense of the ToU meters does not seem warranted.

Gas Industry Co proposes to change regulation 46K and remove the requirement for critical care and essential services consumers to have a ToU meter.

6.2.3 Allow the declaration form for critical care providers and essential service providers to be signed by a chief executive or equivalent position

Regulation 46K also provides that a designation is not effective until the industry body receives a declaration form signed by a director of the gas consumer receiving the designation. However, critical care providers and essential service providers are not necessarily body corporates. For example, some of these consumers, such as water and wastewater treatment plants, are owned by local government. As the other end of the spectrum, some residential care homes are owned and operated by corporations with dozens of facilities in their portfolios. In these cases, it can be unnecessarily difficult for the manager of a specific residential care home to obtain a director's signature.

Gas Industry Co considered whether Board signatures should still be sought where they are available. However, this doesn't solve the difficulties associated with the residential care home providers example described above. Gas Industry Co's experience from administrating these designations is that the Board approval requirement is too onerous for many organisations and often acts an inhibitor to having these designations granted.

Gas Industry Co proposes that the declaration form for critical care providers and essential service providers can be signed by a chief executive or equivalent position.

6.2.4 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Four parties submit on these proposals and all agree with the Consultation Paper. However, MGUG's preference is that all thresholds should be based on the size of a consumer's meter rather than volumes. MGUG also highlights that, while it agrees with a declaration form being signed by a chief executive for when a Board does not exist, it is of the view that if a Board signature is available, then it should be required. Nova also raises a suggestion that does not relate to these specific proposals but relates to the categories of consumers eligible to be classified as an essential service. It would support the inclusion of gas required for electricity generation into the criteria of essential service providers. MGUG raises a suggestion to review the essential services category entirely in response to the essential service definitions defined by Government during its COVID-19 response.	As discussed in 5.2.3 above we do not see it is appropriate to define thresholds by meter size and will not be progressing this suggestion. Gas Industry Co therefore intends to progress proposal (a) as described in the Consultation Paper. All submitting parties are in agreement to remove the TOU meter requirement for critical care and essential services (proposal (b)) and we will be progressing this through to a final Statement of Proposal. We considered MGUG's view that Board signatures should still be required where they are available however, from our experience with administrating these designations we see that this requirement is too onerous for many organisations and often acts as an inhibitor to having these designations granted. Many of the consumers eligible for critical care or essential services designations are small gas users and can have difficulty raising the issue with their Board members. We see for these

Submissions Summary	Gas Industry Co Comment
	types of customers that chief executive level is more appropriate. We intend to progress the proposal (proposal c) as detailed in the Consultation Paper. In response to Nova's suggestion to classify electricity generation as an essential service we see that sufficient priority is already given to electricity in the CCM Regulations as discussed in 5.2.2 above. As a result of the Government's definitions created during its COVID-19 response, MGUG suggests a further review of the essential service providers under the CCM Regulations. In light of COVID-19, we ran an internal process that confirmed our comfort with the CCM Regulation's current definition and do not see that any changes are required.

6.2.5 Suggested legislative changes

46B Essential services designations

(1) A consumer may apply for an essential services designation for a consumer installation at which 1 or more of the following services **(essential services)** are provided:

(a) mortuary services:

(b) cremation of human remains:

(c) heat treatment of biohazards to make them safe for disposal where there is no other safe means of disposal:

(d) processing and supply of municipal drinking water:

(e) treatment and processing of municipal sewage:

(f) police, fire, and other emergency services.

(2) The industry body must approve an essential services designation only if the industry body is satisfied that the annual gas consumption for providing the essential services at the consumer installation—

(a) was greater than 250 ~~tera~~gigajoules in any 12-month period within the 2 years before the consumer's application; or

(b) will be greater than 250 ~~tera~~gigajoules in the 12-month period after the consumer's application.

46K When designation becomes effective

(1) If the industry body approves a designation, the designation is effective only after—

(a) the industry body has provided the consumer with a declaration form that complies with regulation 46L; and

(b) the declaration form is signed by a person who, in relation to the consumer, is a ~~director~~ chief executive, or occupies a position equivalent to that of a ~~director~~ chief executive, of a body corporate; and

(d) the applicant has paid to the industry body, in full, the costs of the technical expert in preparing the report (see regulation 46H(7)).~~; and~~

~~(e) the responsible retailer or, in the case of a large consumer, the transmission system owner has confirmed that the consumer installation has a time-of-use meter that enables gas consumption to be recorded daily.~~

7. Other Matters

7.1 Current requirements

There are number of proposals to address a variety of matters to clarify, reduce ambiguity and improve processes. These include re-defining "retailer" and "publish" to better reflect current practices and systems; allowing transient breaches of pressure and planned outages to not trigger contingencies where it is clear there are no security risks; increasing the scope of what constitutes a failure of an asset to include unexpected interruptions to asset operation; requiring a template to be used by retailers and large consumers when providing the TSO with compliance updates during an event; and clarifying the timeframes associated with post-event performance reports.

7.2 Proposals

7.2.1 Amend the definition of "retailer" to clarify that retailer means any person who supplies gas to another person, or other persons, for any purpose other than resupply by other person, or persons, as long as that gas is transported through the transmission system

The definition of "retailer" in regulation 5:

retailer

(a) means any person who supplies gas to another person or other persons through the transmissions system, or through a distribution system where gas has been transported through the transmission system, for any purpose other than resupply by the other person or persons; but

(b) does not include a gas producer in respect of the supply of gas to a large consumer.

This definition is more specific than the one included in the Gas Act, which states in Section 2:

> ***gas retailer*** *means any person who supplies gas to another person or other persons for any purpose other than for resupply by the other person or persons.*

The exclusion of gas that is not transported through the transmission system makes sense for the purposes of the Regulations, which focus on security of supply contingencies that affect the transmission system. However, it does not matter for the purposes of the regulations whether it is the seller of the gas who arranges transport of the consumer's gas, or whether other arrangements apply.

There are some supply agreements where the point of sale is located upstream of the consumer's ICP, and a third party has responsibility for the transport of the purchased gas. In these cases, there is potential for the Regulations definition of retailer to create ambiguity.

Gas Industry Co proposes to clarify the definition that retailer means any person who supplies gas to another person or other persons for any purposes other than for resupply by the other person or persons, as long as that gas is transported through the transmission system. The existing exclusion of gas producer would remain. This

proposal was largely supported by those parties who provided feedback on this issue during the consultation process of the initial SOP.

7.2.2 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Five parties submit on this proposal. Four of the submitting parties agree but Greymouth would like clarification that the gas supply referred to in this proposed definition refers to the title transfer of gas.	Gas Industry Co intends to progress this proposal to a final Statement of Proposal. In response to Greymouth's request for clarification, the proposed definition is based on the definitions outlined in the Gas Act 1992.

7.2.3 Suggested legislative changes

retailer—

(a) means any person who supplies gas to another person or other persons ~~through the transmission system, or through a distribution system where that gas has been transported through the transmission system,~~ for any purpose other than for resupply by the other person or persons, as long as that gas is transported through the transmission system; but

(b) does not include a gas producer in respect of the supply of gas to a large consumer

7.2.4 Amend the CCM Regulations to allow for short-term transient breaches of a pressure threshold due to supply and demand imbalances without requiring a critical contingency declaration

Regulation 48 requires the CCO to make a determination of a critical contingency if a threshold breach has occurred or is unavoidable. In determining whether a breach of a threshold is unavoidable, the CCO must assume that any trends in pressure reduction will continue at a constant rate.

However, the Regulations are silent if the opposite occurs; that is, if a threshold breach has occurred, but pressure is increasing. For example, there can be short term transient breaches of a threshold due to short-term normal high demand on the system or short-term issues such as a malfunctioning pipeline valve that closes unexpectedly rather than a system event. When it is evident that pipeline pressures will shortly recover to above-threshold levels without the need for demand curtailment a critical contingency should not be declared because the pressure threshold breaches are not indicative of a critical gas outage nor a security of supply contingency; rather, they are merely a sign of a short-term issue that has no detrimental effect on security of supply.

Gas Industry Co proposes to amend regulation 48 to allow for the pragmatic management of short-term transient breaches of a pressure threshold without requiring a critical contingency declaration.

This proposal was largely supported by those parties who provided feedback on this issue during the consultation process of the initial SOP.

7.2.5 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Six parties submit on this proposal and the majority are in agreement with the position laid out in the Consultation Paper. However, Greymouth disagrees and MGUG does not consider a regulation amendment is required. Greymouth is not concerned with critical contingencies being declared when they are not required, as curtailment instructions would not be directed in these instances. It would prefer these types of situations over leaving declarations up to the discretion of the CCO. MGUG thinks that the wording of regulation 48 (the regulation that lays out when the CCO must determine a critical contingency) already provides sufficient flexibility to the CCO.	Gas Industry Co has considered Greymouth's view that it would prefer an event to be declared even if the situation is transient. It sees that if no curtailment is instructed then there is no impact and so it would be safer to declare then provide any level of discretion to the CCO. We disagree with Greymouth that there is no impact. Once an event is declared organisation's internal CCM processes are triggered and furthermore, after an event, incident and performance reports are required to be produced. We see that the discretion that would be available to the CCO is limited and is overall more efficient. We do not agree with MGUG that regulation 48 is already able to deal with these situations. Regulation 48 requires the CCO to make a determination of a critical contingency if a threshold breach has occurred or is unavoidable. It does not make allowances for short-term transient breaches or breaches that are a result of a planned project. Gas Industry Co intends to progress this proposal to a final Statement of Proposal.

7.2.6 Amend the CCM Regulations to allow for planned outages to not trigger a critical contingency declaration

Gas Industry Co considered that planned outages also should be excluded from triggering a critical contingency. At times, a particular part of the transmission system may be isolated to allow for hot tapping or other work to occur on the isolated section lowering the pressure at a single gas gate so that work can be done on the pipework downstream of that gate.

In such a situation, the pressure at the affected gas gate may be reduced below the threshold limit specified in Schedule 1, but the delivery of gas to the non-isolated parts of the transmission system would not be affected. Delivery of gas to the isolated section of the system would be managed as part of the project plan, Gas Industry Co considers that the purpose of the Regulations would not be served by a critical contingency declaration in such a case.

Gas Industry Co proposes to amend Regulation 48 allowing for planned outages, with the following conditions:

- prior to the planned outage commencing, that the TSO and, if required, the relevant distribution owner consult on their plans with the CCO; and
- the planned outage does not affect the wider transmission system.

This change would not affect the CCO's responsibilities to declare a critical contingency if threshold breaches are a result of an unforeseen event.

This proposal was largely supported by those parties who provided feedback on this issue during the consultation process of the initial SOP.

7.2.7 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Five parties (Firstgas, MGUG, Nova, OMV and Vector) submit on this proposal and are largely in agreement with Gas Industry Co. MGUG, although it agrees with the intention of the proposal, believes regulation 48 could already satisfy this situation.	Gas Industry Co intends to progress this proposal to a final Statement of Proposal. As discussed in 11.2.2 above we do not agree with MGUG that the CCM Regulations already deals with these types of situations.

7.2.8 Suggested legislative changes

No suggested wording as there is potentially more than one option available to regulate this obligation. It could be confusing (and difficult) to incorporate this requirements/obligation into regulation 48.

7.2.9 Amend regulation 54A to include unexpected interruptions to asset operation

The purpose of Regulation 54A is to "ensure that transmission system owners, retailers, and consumers are informed about the cause of any critical contingency." The regulation applies if "a component of the gas supply chain is damaged or fails" and the damage or failure causes or contributes to a critical contingency. This wording doesn't cover the unexpected unavailability of essential assets due to external events such as a power failure on a local network which would not constitute a failure under this provision.

Gas Industry Co considers that it is important for members of the public and participants to be informed by affected asset owners during a critical contingence regardless of whether the cause of that interruption was internal or external to the asset itself.

Gas Industry Co propose to amend Regulation 54A to clarify that asset owners have an obligation to communicate information about their assets when they have experienced an unexpected interruption to the asset's operation. Subpart (2) would still apply; that is, the asset owner would only need to provide information if the interruption caused or contributed to a critical contingency.

This proposal was largely supported by those parties who provided feedback on this issue during the consultation process of the initial SOP.

7.2.10 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Regulation 54A relates to asset owners communicating information about failed assets to ensure TSOs, retailers, and consumers are informed about the cause of any critical contingency. This proposal seeks to clarify that a failure of an asset can be the result of both internal and external factors. Seven parties submit on this proposal and Firstgas, Greymouth, Haast, Nova, OMV, and Vector agree. MGUG believes this issue has arisen from an over prescription in the CCM Regulations and would like this regulation completely re-drafted. Haast supports this proposal. However, it would like the amendment to go further and require these disclosures to be made in a timely manner to ensure all affected stakeholders receive information at the same time. It sees that some market participants currently have undue information advantages over other market participants.	Submitters largely support this proposal and Gas Industry Co will therefore be progressing an amendment to regulation 54A to a final Statement of Proposal. We disagree with MGUG's comments that there is an over prescription in the CCM Regulations and are not looking to completely re-draft. Haast would like causes of contingency events to be publicly published in a timelier manner. Gas Industry suggests that Haast's concerns relate to information disclosure more generally and is being dealt with via our current information disclosure workstream.

7.2.11 Suggested legislative changes

54A Asset owners to communicate information about failed or unexpected interruptions to assets

(1) The purpose of this regulation is to ensure that transmission system owners, retailers, and consumers are informed about the cause of any critical contingency.

(2) Subclause (3) applies if a component of the gas supply chain is damaged, ~~or~~ fails, or an unexpected interruption occurs and that damage, ~~or~~ failure, or unexpected interruption—

(a) has contributed to the critical contingency by reducing gas delivered into or from the transmission system by 5 standard cubic metres per second (a rate equivalent to 720 gigajoules per hour) or more; or

(b) has caused the critical contingency. (3) The owner of the damaged, ~~or~~ failed, or otherwise unavailable component must publish information as required by clause 2 of Schedule 5.

(3) The owner of the damaged, ~~or~~ failed, or otherwise unavailable component must publish information as required by clause 2 of Schedule 5.

Also requires an update of Schedule 5 (cross-reference)

7.2.12 Require retailers and large consumers to use a specified compliance reporting template

Regulations 55 and 56 provide that, during a critical contingency, retailers and large consumers must provide the TSO with regular updates of compliance with curtailment instructions. The TSO collates the information received and forwards it to the CCO; who uses it to determine whether further curtailment directions are necessary.

There is an Excel-based template for retailers and large consumers to use in reporting compliance. The template is published on both OATIS and the CCO's website; and the TSO's CCMP states that the template should be used for compliance updates. Nevertheless, Gas Industry Co is aware that the template is not consistently used by all retailers and large consumers.

This template is to streamline the data collection and flow. Once the TSO has competed templates, it is a simple matter to run a script to collate the information into a consolidated report that can be forwarded to the CCO. Getting information in different formats slows down this process, to the detriment of efficient management of a critical contingency event.

Gas Industry Co proposes to amend Regulations 55 and 56 to require that the compliance data forwarded to the TSO is in the form specified in the CCMP. This proposal was largely supported by those parties who provided feedback on this issue during the consultation process of the initial SOP.

7.2.13 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Firstgas, MGUG, Nova and Vector agree with this proposal. Greymouth disagrees at it believes the CCO should be contacting customers directly. The remaining six parties do not comment on this proposal.	Submitters are largely supportive of the proposal to require the use of a specified compliance reporting template and Gas Industry Co intends to progress it to a final Statement of Proposal. As discussed in 6.2.1 above we disagree with Greymouth's view that the CCO should be contacting customers directly.

7.2.14 Suggested legislative changes

55 Retailers and large consumers must follow directions

(1) Retailers and large consumers must, as soon as possible, comply with the directions of a transmission system owner given under these regulations during a critical contingency.

(2) Retailers and large consumers must provide a transmission system owner with regular updates in the form specified in the critical contingency management plan by the transmission system owner and the critical contingency operator of—

(a) the retailer's or large consumer's compliance with the directions of the transmission system owner; and

(b) consumers' compliance with the retailer's directions issued in accordance with the directions of the transmission system owner.

(3) The transmission system owner must forward to the critical contingency operator, when required to do so by the critical contingency operator, any information provided to the transmission system owner under subclause (2).

56 Retailers to instruct consumers

[…]

(3) Retailers must provide a transmission system owner with regular updates in the form specified in the critical contingency management plan by the transmission system owner and the critical contingency operator, at intervals determined by the transmission system owner and communicated by the transmission system owner to retailers, of—

(a) the retailer's compliance with the directions of the transmission system owner; and

(b) the consumers' compliance with the retailer's directions given in accordance with the directions of the transmission system owner

7.2.15 Proposal not to amend the determination of "publish" to include publication on the Industry Notifications page on the Gas Industry Co's website"

The interpretation section of the Regulations includes a definition of the word "publish", which has two parts: one that applies to information to be published by the industry body or CCO; and one for all other information. For the second category, "publish" means "to make available to the intended recipient in such manner as may be determined by the industry body from time to time".

Gas Industry Co's current determination[10] on this matter is:

> **For the purposes of asset owners publishing information under Regulation 54A and Schedule 5, Gas Industry Co determines publish means to make available in a prominent way on a publicly available website, such as the asset owner's public website or on the public website of an agent, such as the asset operator's public website.**

Following the initial consultation on the initial SOP, Gas Industry Co had proposed to amend the determination of "publish" to include publication on the Industry Notifications page of the Gas Industry Co's website This proposal was largely supported by submitting parties.

However, the Industry Notifications page participants used to disclose asset outages under the voluntary *Upstream Gas Outage Information Disclosure Code 2020 (Upstream Disclosure Code)*, which was a simple pdf-upload platform, doesn't exist anymore because the mandatory ***Gas (Facilities Outage Information Disclosure) Rules 2022*** superseded the Upstream Disclosure Code. Mandatory outage disclosures are now being published the on Gas Industry Co's web based Outage Disclosure Platform (ODP).

Gas Industry Co considered options to add a publication functionality to ODP but decided not to pursue this matter any further. Critical contingency events are extremely rare. Gas Industry Co considered the potential development cost for such a functionality in ODP and concluded

[10] Determination by the Industry Body (Gas Industry Co) under the Gas Governance (Critical Contingency Management) Regulations 2008, 28 February 2014. Available at https://www.gasindustry.co.nz/work-programmes/critical-contingency-management/current-arrangements/determinations/

that the amount and frequency of information required to be published is too insignificant to justify the investment. Therefore, asset owners are required to publish relevant information aligned with the Gas Industry's current determination.

7.2.16 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Seven parties submit on this proposal and all parties agree. MGUG notes that the amendment should go further and replace all publishing choices with the Industry Notifications page. It considers the current situation provides too much choice.	Given the level support for this proposal Gas Industry Co intends to progress this proposal to a final Statement of Proposal. We note MGUG's view that the amendment should go further by removing the other publish options however, we disagree as the proposed amendment to the drafting future-proofs the CCM Regulations.

7.2.17 Proposal to amend the CCM Regulations to clarify that:

(a) the CCO has 20 business days after the termination of a critical contingency to produce a draft performance report;

(b) stakeholders have a minimum of 5 business days to make a submission; and

(c) the CCO must prepare a final performance report no later than 10 business days following receipt of submissions.

and to specify that the CCO must have regard to the submissions on its draft report when preparing the final report

Regulation 65 requires that the CCO produce a performance report after the termination of a critical contingency as a way of assessing the effectiveness of the arrangements and identifying any possible improvements.

Subclause (2A) was added as an amendment in 2013 to require the production and publication of a draft performance report that is released for submissions. This amendment ensured that stakeholders had an opportunity to provide input into the performance report prior to its finalisation. However, the amendment left some ambiguity in terms of process and timing.

Timing

Gas Industry Co proposes that the Regulations be amended to clarify that:

- The CCO has 20 business days after the termination of a critical contingency to produce a draft performance report;
- Stakeholders have a minimum of 5 business days to make a submission; and
- the CCO must prepare a final performance report no later than 10 business days following receipt of submissions.

Process

Gas Industry Co also considered the suggestion that 5 business days is too short to provide meaningful submissions. We note that the 5 days is a minimum and so the CCO may provide a submission time of longer where it sees it is appropriate.

7.2.18 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Firstgas, Nova, OMV and Vector agree with these proposals. However, Greymouth, Methanex and MGUG disagree. Greymouth would like to see Gas Industry Co writing the report. It considers the CCO to be conflicted and is not likely to recommend actions that impose costs on itself. Methanex believes 5 business days for stakeholders to make meaningful submissions is too short and would like the same 10 business days as the CCO. MGUG also sees a minimum threshold for stakeholders and a maximum threshold for CCO confusing. It would like stakeholders to have the same 10 business day threshold that the CCO has as well. The remaining four parties do not submit on this proposal.	Gas Industry Co has considered the concerns relating to the possibility that the CCO is too conflicted to prepare the performance reports and whether it should be a Gas Industry Co responsibility. We remain of the view that these reports are best prepared by the CCO. It is the CCO who is managing these events and who experiences what is working well and what is not. The Gas Industry Co does not have a role during an event and is therefore less informed about any lessons. Gas Industry Co is, however, responsible for forming a view on any changes to regulations or processes as a result of the event. We do not believe that the CCO is incentivised to hold back recommendations due to cost concerns. Further to this, we have no historical examples that have raised any conflict-of-interest concerns. Gas Industry Co has considered Methanex's and MGUG's view that 5 business days is too short to provide meaningful submissions. We see that given the CCO only has 30 business days from the termination of a critical contingency to publish a final performance report, 5 business days is appropriate. We also note that it is a minimum threshold and so the CCO may provide a submission time of longer than 5 days.

7.2.19 Suggested legislative changes

65 Performance report

(1) No later than ~~30~~ 20 business days after making a determination to terminate a critical contingency under regulation 60, or as otherwise agreed between the critical contingency operator and the industry body, the critical contingency operator must prepare and publish a draft performance report that—

(a) assesses the effectiveness of the critical contingency management plans, the communications plan, and the information guide; and

(b) assesses the extent to which it considers that these regulations, the critical contingency management plans, the communications plan, and the information guide achieve the purpose of these regulations; and

(c) identifies, where applicable, any amendments to these regulations, the critical contingency management plans, the communications plan, and the information guide that it considers would better achieve the purpose of these regulations.

(2) ~~In~~ After preparing the draft performance report under subclause (1), the critical contingency operator must consult with—

(a) each transmission system owner; and

(b) any other person it considers necessary.

(2A) The critical contingency operator must—

(a) publish ~~a~~ the draft of the performance report no later than 20 business days after the determination to terminate a critical contingency under regulation 60, together with the following information:

(i) information on how to make a submission to the critical contingency operator; and

(ii) the deadline for making submissions (~~which must not be earlier than~~ with a minimum of 5 business days after the date the draft report is published); and

(iii) a statement that all submissions will be forwarded to the industry body for publication on the industry body's Internet site; and

(b) notify the industry body of the draft report and information referred to in paragraph (a); and

(c) as soon as practicable after the deadline for making submissions, send to the industry body a copy of all submissions received.

(2B) As soon as practicable after being notified under subclause (2A)(b), the industry body must publish on its Internet site the draft report and information referred to in that paragraph.

(2C) As soon as practicable after receiving submissions under subclause (2A)(c), the industry body must publish the submissions on its Internet site.

(2D) The critical contingency operator must prepare a final performance report with regard to the submissions received no later than 10 business days following receipt of submissions.

(3) If the performance report identifies an amendment to a critical contingency management plan, the relevant transmission system owner must—

(a) prepare a proposed amendment to the critical contingency management plan that is consistent with the amendment identified in the performance report; and

(b) consult on the proposed amendment in accordance with regulation 26, except if the transmission system owner and the critical contingency operator agree that the proposed amendment is immaterial; and

(c) submit the proposed amendment to the industry body for approval in accordance with regulations 27 to 30.

(4) If the performance report identifies an amendment to the communications plan or information guide, the critical contingency operator must amend and publish a revised communications plan in accordance with regulation 35 or a revised information guide in accordance with regulation 37, as applicable.

(5) The performance report must also state whether the assessment in subclause (1) is such that the critical contingency management plans have met the test criteria in regulation 34(1).

7.2.20 Amend the definition for "business day" to exclude Matariki

The definition of business day (regulation 5) does not include Matariki. Matariki became a national public holiday in 2022.

Gas Industry Co proposes to update the definition of business day to also exclude Matariki.

This proposal was not included in the initial SOP but in the Summary of Submissions paper.

7.2.21 Suggested legislative changes

Regulation 5

business day means any day of the week except—

(a) Saturday and Sunday; and

(b) any day that Good Friday, Easter Monday, Anzac Day, the Sovereign's birthday, Labour Day, Christmas Day, Boxing Day, New Year's Day, the day after New Year's Day, ~~and~~ Waitangi Day, and Matariki are observed for statutory holiday purposes; and

(c) any other day that the industry body has determined not to be a business day as published by the industry body

8. Update amendments

8.1 Current wording

The Regulations currently refer to specific transmission arrangements (e.g. the Maui Pipeline Operating Code (MPOC) and Vector Transmission Code (VTC)). Gas Industry proposes amendments to future proof the Regulations for any future transmission arrangements. The transmission pipelines have also undergone changes in ownership and so proposals are made to reflect this.

8.2 Proposals

8.2.1 Update references in the CCM Regulations that refer to transmission arrangements or ownership

Regulation	Change proposed	Reason
5	**affected party**, in relation to any part of the transmission system affected by a critical contingency, means – ~~(a) if the part of the transmission system is governed by MPOC, an interconnected party that has a contingency imbalance; and~~ ~~(b) for all other parts of the transmission system,~~ an interconnected party or shipper that has a contingency imbalance	Update to reflect any transmission arrangements
5	**gas producer** has the same meaning as in section 43D(1) of the Act~~, but in respect of Maui gas means the Crown~~	Update to reflect current ownership
5	**OATIS** means the online interactive open access transmission information system, or any other replacement information system, that is used to facilitate information exchange in respect of the open access regime under a transmission system code ~~MPOC and VTC~~	Change to reflect any transmission arrangements
5	Delete definitions of MPOC and VTC	Obsolete references

Regulation	Change proposed	Reason
13(2)	~~MPOC, VTC, and a~~Any ~~other~~ transmission system code must be read subject to these regulations.	Change to reflect any transmission arrangements
25(2)	A proposed critical contingency management plan must be consistent with ~~MPOC, VTC, or~~ any ~~other~~ transmission system code except to the extent necessary to comply with these regulations.	Change to reflect any transmission arrangements
81(1)	A payment made under these regulations in relation to a contingency imbalance discharges in full any payment obligation or liability under ~~MPOC, VTC, or~~ any ~~other~~ transmission system code in respect of the same contingency imbalance.	Change to reflect any transmission arrangements
85	The critical contingency operator's role under these regulations is distinct and independent from any other role or capacity, including as a transmission system owner or system operator, that the critical contingency operator may have under ~~the MPOC, VTC~~ ~~(or other~~ any transmission system code~~)~~, or any contractual agreement.	Change to reflect any transmission arrangements

8.2.2 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Firstgas, Greymouth, Nova and Vector agree with this proposal. Before agreeing to this proposal, MGUG would want to make sure that the new references are made to generic transmission codes and transmission information systems. The remaining six parties do not submit on this issue.	There is considerable agreement amongst submitting parties that these update amendments should be progressed. Keeping in mind MGUG's view relating to generic naming, Gas Industry Co intends to progress this proposal to a final Statement of Proposal.

9. Proposed minor amendments

9.1 Proposals

There are several areas where it is proposed to tidy up the Regulations by correcting minor drafting errors and deleting redundant clauses.

9.1.1 Update the CCM Regulations in a number of areas to correct minor drafting and errors and redundant clauses

Regulation	Proposed change	Reason
18(5)	"~~As soon as practicable after the publication of those estimated critical contingency ongoing costs, the industry body must notify every person to whom regulation 17(3) applies of the estimated critical contingency ongoing costs, and that ongoing fees will be payable by that person in that year or part year in accordance with~~ In calculating ongoing costs, the industry body must use the following formula…"	Delete redundant drafting
18(5)	"…α equals the critical contingency ongoing costs estimated in accordance with ~~subclause (4)~~ subclause (6)…"	Correct the cross-reference
18(7)	"On the first business day of each month ~~following the notification in subclause (5)~~ the industry body must invoice…"	Wording referred to go-live provision that has since been revoked
40(1)	"Each large consumer must, as required by subclause (2), provide a notice to the critical contingency operator setting out, for the consumer installation, the total annual consumption, maximum daily consumption, curtailment band, and any ~~critical processing~~ designation."	The notification to the CCO should include any designation applicable to the ICP, not just critical processing designations.
66A(2)(a)	"the date on which the allocation agent receives the data from allocation participants or on which the transmission system owner	To correct a drafting error

Regulation	Proposed change	Reason
	receives the data ~~from~~ on large consumers (as applicable); and	

9.1.2 Summary table of submissions and Gas Industry Co's Comment

Submissions Summary	Gas Industry Co Comment
Firstgas, Nova and Vector agree with these proposed minor amendments. The remaining eight parties are silent on this proposal.	Of the submitting parties, there is unanimous support for the proposed minor amendments. Gas Industry Co intends to progress these proposals.

PART 2: FIRSTGAS' PROPOSED CHANGES TO SCHEDULE 1

1. Firstgas' proposed changes to Schedule 1

1.1 Current requirements

Schedule 1 of the Regulations provides the pressure threshold limits for the TSO's CCMP. The minimum operating pressure and timeframe for the minimum operating pressure to be breached in the CCMP act as a trigger point for the critical contingency operator's declaration of a critical contingency event. Schedule 1 defines the minimum operating pressure ranges for the points of measurement that reflect the contingency situations of the different parts of the system. Schedule 1 also determines the limits for the maximum and minimum time before a minimum operating pressure is reached.

The most significant gas supply event to date is the five-day Maui pipeline outage that occurred in October 2011. There have also been several shorter-term gas supply events.

1.1.1 Managing a critical contingency event

The Critical Contingency Operator (CCO), an independent service provider appointed under the Regulations, must declare a critical contingency in relation to a critical gas outage or security of supply event if the timeframes for the transmission system to reach certain pressure thresholds specified in a critical contingency management plan (CCMP) are breached. The declaration of a critical contingency event signals industry participants and large gas consumers that supply may be impacted and allows the CCO to issue mandatory curtailment directions. Curtailment is to preserve available line pack in the gas transmission system with to avoid loss of pressure on downstream networks.

The timeframes and pressure thresholds in the CCMP are proposed by the TSO, reviewed by an expert advisor, and are subject to Gas Industry Co approval.

Schedule 1 of the Regulations specifies the permissible limits for the thresholds in the critical contingency management plan and the points on the transmission system where the minimum operating pressure is measured. The permissible limits in Schedule 1 have remained unchanged since the Regulations were made in 2008.

The current settings are:

Schedule 1 r 25

Critical contingency threshold limits

In accordance with regulation 25(1)(a), the permissible limits for the thresholds specified in a critical contingency management plan that apply to the following parts of the transmission system (as identified on the map published in accordance with regulation 10) are:

Pipeline	Maximum time before minimum operating pressure is reached	Minimum time before minimum operating pressure is reached	Minimum operating pressure range	Point of measurement*
Maui pipeline				
Rotowaro	5 hours	2 hours	32 (±2.5) bar g	Rotowaro Compressor Station
Vector pipeline				
South	10 hours	3 hours	35 (±2.5) bar g	Waitangirua WTG06910
Hawkes Bay lateral	6 hours	3 hours	30 (±2.5) bar g	Hastings HST05210
Frankley Rd to Kapuni	6 hours	3 hours	35 (±2.5) bar g	Kapuni (GTP) KAP09612
Bay of Plenty	6 hours	3 hours	30 (±2.5) bar g	Gisborne GIS07810
Bay of Plenty	6 hours	3 hours	30 (±2.5) bar g	Taupo TAU07001
Bay of Plenty	6 hours	3 hours	30 (±2.5) bar g	Tauranga TRG07701
Bay of Plenty	6 hours	3 hours	30 (±2.5) bar g	Whakatane WHK32101
Morrinsville lateral	6 hours	3 hours	30 (±2.5) bar g	Cambridge CAM17201
Central (North)	6 hours	3 hours	40 (±2.5) bar g	Westfield WST03610
North	6 hours	3 hours	25 (±2.5) bar g	Whangarei WHG07501
For any other gas gate on the Maui or Vector pipeline	6 hours	3 hours	30 (±2.5) bar g	Gas gate not specified elsewhere

*The codes specified in the fifth column of this table refer to the gas gate codes determined under the Gas (Switching Arrangements) Rules 2008.

1.2 Background for the revised threshold change proposal

In 2019 and 2020, Firstgas reviewed the critical contingency thresholds limits and locations resulting in recommended changes to update Schedule 1 of the Regulations. Those recommended changes were supported by Gas Industry Co and incorporated into the initial SOP released in May 2020 for industry consultation.

Since then, Firstgas has seen significant changes in policy settings, the gas supply/demand balance, and projected customer demand for natural gas. As a result, Firstgas now considers that the initially proposed threshold parameters may no longer be suitable in the coming years.

Therefore, in December 2021, Firstgas requested Gas Industry Co to consider an expanded minimum operating pressure range to enable lower thresholds than the pressure thresholds proposed during the initial consultation process to have more operational flexibility.

Gas Industry Co requested Firstgas to provide more details about the operational nature of the issue and to engage with customers and stakeholders to explain the potential impact on and risks of the requested threshold changes. Firstgas provided the following relevant information:

> Appendix C: Firstgas Proposed Changes to Critical Contingency Pressure Threshold Ranges (October 2022)
>
> Appendix D: Firstgas Proposed Changes to Critical Contingency Pressure Threshold Ranges (July 2023)
>
> Appendix E: Firstgas CBA

Gas Industry Co also commissioned Logicamms to review the changes.

Appendix F: Logicamms Report 'Review of the Proposed Changes to Schedule 1 of the Gas Governance (Critical Contingency Management) Regulations 2008'

1.3 Details of the requested changes to Schedule 1

1.3.1 General considerations

The Regulations provide for the minimum operating pressure range in Schedule 1 to be reflected in the minimum operating pressure in the CCMP. If the operation of the system is to change, then Schedule 1 of the Regulations should be reconsidered to determine whether the minimum operating pressure range continues to be appropriate. The alternative is a threshold for declaration of critical contingency event that has little or no relationship to the physical reality of the transmission system.

For the Taupo/Broadlands change discussed in Part 3 below it is clear that Schedule 1 needs to be consistent with First Gas's intended operation of the transmission system and that the current pressure thresholds at Broadlands and Taupo no longer meet the purpose of the Regulations. The system will be operated below the minimum operating pressure in Schedule 1 of the Regulations resulting in an unnecessary declaration of contingency events.

There is an open question arising from this proposed amendment concerning the appropriate balance between incremental security of supply risks and transmission costs.

The costs associated with a loss of supply to Taupo are the costs associated with recommissioning the distribution network and the costs for a consumer and the wider economy associated with an extended outage of the Taupo distribution network. The likelihood of this situation arising will increase as a result of First Gas's proposal to reduce the pressure on this section of the transmission system (not as a result of the removal of the Broadlands or Taupo points of measurement).

However, the situation for the other gas gates in Schedule 1 is different to the Taupo/Broadlands changes, where the change follows a clear intention on how the transmission system will be operated in the future to enable the injection of biomethane. Gas Industry Co was able to use this operational intention to model the effects by using different event scenarios. In the case of other proposals to reduce the operating pressure on other sections of the transmission system, the absence of benefits such as the injection of biomethane may mean that it is less clear that a change in operating pressure is appropriate or what the operating pressure will be.

While Logicamms modelling showed that lowering the thresholds for the gas gates in Schedule 1 generally do not materially change the response time for the CCO to manage critical contingency events, there is potentially less line pack available for downstream supply. Curtailment speed and order need to reflect the reduced line pack when changing the CCMP.

Firstgas potentially operating other gas gates <20 bar g would remove these parts of the transmission system from the Regulations. and decreasing available line pack to manage events. The pressure change doesn't affect the likelihood of an event happening, but it increases the risk of a loss of supply.

We consider that this change needs to be carefully considered to find a balance between a level of security of supply with the additional costs of serving consumer demand.

Therefore, Gas Industry Co is of the opinion that there is a case for putting a process in place to ensure that there is a balance between investment costs and security of supply risk with

costs to consumers and whether consumers have adequate means for providing a view on this balance.

Our analysis showed that a specific risk assessment for each gas gate is necessary to maintain an acceptable level of security of supply before lowering the operational pressure to <20 bar g.

The loss of supply is potentially impacted by the following factors:

1. The location on the transmission system.
2. The nature of events that created a risk for that section of the transmission system.
3. The current and proposed operating pressure for that section of the transmission system.
4. The nature of consumer load on that section of the transmission system (e.g. consumer numbers, profiles and curtailment band)

A blanket rule that gas gates operated below 20 bar g should be excluded from Schedule 1 does not consider the other factors mentioned above that may impact timeframe to loss of supply. Therefore, we are concerned that this type of exclusion may result in situation where line pack could be rationed through curtailment directions to preserve supply to downstream networks but there is no longer an ability to curtail demand under the Regulations to preserve that line pack.

1.4 Proposal

1.4.1 Firstgas proposed changes to Schedule 1

Schedule 1

Critical contingency threshold limits

In accordance with regulation 25(1)(a), the permissible limits for the thresholds specified in a critical contingency management plan that apply to the following parts of the transmission system (as identified on the map published in accordance with regulation 10) are:

Pipeline	Maximum time before minimum operating pressure is reached	Minimum time before minimum operating pressure is reached	Minimum operating pressure range	Point of measurement*
~~*Māui gigelīnē*~~				
~~Rotowaro~~ Maui	5 hours	2 hours	~~32 (±2.5)~~ 30 (±5) bar g	Rotowaro Compressor Station
~~*Vēctōr gigelīnē*~~				
South	10 hours	3 hours	~~35 (±2.5)~~ 27.5 (±7.5) bar g	Waitangirua WTG06910

Pipeline	Maximum time before minimum operating pressure is reached	Minimum time before minimum operating pressure is reached	Minimum operating pressure range	Point of measurement*
Hawkes Bay lateral	6 hours	3 hours	~~30 (±2.5)~~ 25 (±5) bar g	Hastings HST05210
Frankley Rd to Kapuni	6 hours	3 hours	35 (±2.5) bar g	Kapuni (GTP) KAP09612
Bay of Plenty	6 hours	3 hours	~~30 (±2.5)~~ 25 (±5) bar g	Gisborne GIS07810
~~Bay of Plenty~~	~~6 hours~~	~~3 hours~~	~~30 (±2.5) bar g~~	~~Taupo TAU07001~~
Bay of Plenty	6 hours	3 hours	~~30 (±2.5)~~ 25 (±5) bar g	Tauranga TRG07701
Bay of Plenty	6 hours	3 hours	~~30 (±2.5)~~ 25 (±5) bar g	Whakatane WHK32101
Morrinsville lateral	6 hours	3 hours	~~30 (±2.5)~~ 25 (±5) bar g	Cambridge CAM17201
Central (North)	6 hours	3 hours	~~40 (±2.5)~~ 27.5 (±7.5) bar g	Westfield WST03610
North	6 hours	3 hours	25 (±2.5) bar g	Whangarei WHG07501
For any other gas gate on the ~~Maui or Vector pipeline~~ transmission system	6 hours	3 hours	~~30 (±2.5)~~ 25 (±5) bar g	~~Gas gate not specified else~~ Any other gas gate**

*The codes specified in the fifth column of this table refer to the gas gate codes determined under the Gas (Switching Arrangements) Rules 2008.

** Excluding gas gates supplied by pipelines operated at distribution pressure (<20bar g)

Question
Do you agree with the proposed changes to the critical contingency threshold limits detailed in Schedule 1? Why or why not? Do you agree with Gas Industry's view regarding the exclusion of gas gates operated at distribution pressure <20? Why or why not? What is your general view on the issue?

PART 3: EX-POST CONSULTATION FOR THE URGENT REGULATION CHANGE

1. Ex-post consultation for the urgent Regulation change related to the Taupo/Broadlands gas gate (Schedule 1)

1.1 Overview

First Renewables and Ecogas have announced a commercial arrangement for the injection of biomethane into the Firstgas transmission pipeline at the Broadlands gas gate. The injected biomethane will blend with natural gas into the gas transmission system that supplies consumers in the Taupo and Reporoa region.

The majority of biomethane produced at Ecogas' facility will be injected into the transmission system for supply to gas consumers, with some being used onsite for process requirements.

The injection of biomethane is expected to commence from March 2024. Initial estimates suggest that this facility will be able to produce renewable gas equivalent to supplying 7,200 homes and avoid 11,000 tonnes of carbon dioxide emissions per year.

To avoid declaration of critical of a critical contingency event, the Regulations and First Gas's CCMP need to be changed. The required change to the Taupo and Broadlands gas gate is subject to an urgent amendment to the Regulations[11] under section 43P to enable the change to the Regulations and CCMP to be in place prior to the commencement of biomethane blending planned for March 2024, but is also subject to the ex-post consultation process required under section 43P.

1.2 Lowering the threshold and minimum operating pressure

The current minimum operating pressure for the Taupo gas gate as specified in First Gas's approved CCMP is 30.0 bar g with a minimum time of five hours before minimum operating pressure is reached. The Broadlands gas gate is subject to the "any other gas gate" threshold. The minimum operating pressure and minimum time before the operating pressure is reached for the Broadlands gas gate is identical to the Taupo gas gate.

1.3 Operational intention

First Gas's intention, according to its Asset Management Plan Update in October 2022, is to operate the transmission pipeline between Reporoa and Taupo at 10 bar g, below the current minimum operating pressure of 30 bar g specified in its CCMP and below the threshold limits in

Schedule 1. The operating pressure on this section of the pipeline would not be increased above 10 bar g unless demand on this section of the pipeline requires it.

1.4 Effect of the removal of Taupo and Broadlands gas gates

As the minimum operating pressure in a critical contingency management plan is "the minimum pressure that is required to maintain the supply of gas across the relevant part or parts of the transmission system and to avoid disruption of distribution systems connected to the transmission system" (regulation 25(1)(a)(iv)), then the minimum operating pressure in Schedule 1 should align with the physical operation of the transmission system. The original consultation on the thresholds noted that the thresholds would need to be responsive and able to be changed in response to pipeline circumstances or industry dynamics.[12]

The operation at 10 bar g without Regulation change would mean that the CCO is required to declare a critical contingency in accordance with regulation 48. This will trigger consequential processes in the Regulations relating to management of a critical contingency event when the transmission system is operating at normal operating conditions.

The report analysing the consequences of various event scenarios is attached as Appendix G: P&P Engineering Consultants "Removal of Taupo Critical Contingency Threshold".

The following table summarises the impact of retaining and removing the Broadlands and Taupo gas gates as points of measurement in Schedule 1 of the Regulations when the transmission system between Reporoa and Taupo is operated at 10 bar g.

	Taupo and Broadlands points of measurement are retained	Taupo and Broadlands points of measurement are removed
Normal operating conditions	The critical contingency operator will declare a critical contingency and determine the appropriate curtailment directions as there will be a breach of the critical contingency management plan pressure thresholds of five hours to 30 bar g at the Broadlands and Taupo gas gates. It is unclear how the critical contingency operator would achieve the purpose of stabilising system pressure for a section of the transmission system that is operated below the minimum operating pressure in its normal operating state.	Demand is unimpacted. No critical contingency is declared.
Critical gas outage or	Demand can be curtailed as this section of the transmission will already be operating under the	Demand can be curtailed at the Broadlands or Taupo gas gates if a critical contingency is declared at Reporoa, or an upstream delivery

[12] Gas Outage and Contingency Management Arrangements Supplementary Consultation Paper December 2007 page 21 https://www.gasindustry.co.nz/assets/WorkProgrammeDocuments/2740Supplementary-Consultation-Paper-164060.pdf

security of supply event	minimum operating pressure for the Broadlands and Taupo gas gates. The Broadlands and Taupo gas gates may lose supply in a short period of time due to the lower pressure on this section of the transmission system.	point, in relation to a critical gas outages or other security of supply event upstream of Reporoa. Demand cannot be curtailed in relation to critical gas outages or security of supply events between the Reporoa gas gate and Taupo gas gate. The Broadlands and Taupo gas gates may lose supply in a short period of time due to the lower pressure on this section of the transmission system

1.5 Proposal

Our conclusion is that, when the transmission operating pressure between Reporoa and Taupo is reduced to 10 bar g, retaining the Broadlands and Taupo gas gates as points of measurement in Schedule 1 of the Regulations will result in an unworkable situation where a critical contingency event is declared for these gas gates despite this section of the transmission system being operated at its normal operating pressure. Removal of the Broadlands and Taupo gas gates from the points of measurement will address this issue. We do not consider that an alternative minimum operating pressure for the Broadlands and Taupo points of measurement (i.e. a minimum operating pressure of less than 10 bar g) would better meet the purpose of the Regulations for the following reasons:

1. For critical gas outages and security of supply events upstream of the Reporoa gas gate, curtailment of demand at the Broadlands and Taupo gas gates could still occur without separate points of measurement for the Broadlands and Taupo gas gates as a pressure threshold at an upstream point of measurement would be met.
2. For critical gas outages and security of supply events downstream of the Reporoa gas gate, curtailment of demand at a pressure below 10 bar g would have minimal impact on the timeframe to loss of supply at the Broadlands and Taupo gas gates. Loss of supply to these gas gates would occur in a short period of time even with curtailment of demand.

Accordingly, our recommendation is that Schedule 1 of the Regulations is amended to remove the Broadlands and Taupo gas gates as per Firstgas's proposal outlined in Part 2 section 1.4.1 above.

Question
Do you agree with the recommended changes to the critical contingency threshold limits to remove the Broadlands and Taupo gas gates? Why or why not? What is your general view on the issue?

About Gas Industry Co

Gas Industry Co is the gas industry body and co-regulator under the Gas Act. Its role is to:

- Develop arrangements, including regulations where appropriate, which improve:
    - the operation of gas markets;
    - access to infrastructure; and
    - consumer outcomes;
- Develop these arrangements with the principal objective to ensure that gas is delivered to existing and new customers in a safe, efficient, reliable, fair and environmentally sustainable manner; and
- Oversee compliance with, and review such arrangements.

Gas Industry Co is required to have regard to the Government's policy objectives for the gas sector, and to report on the achievement of those objectives and on the state of the New Zealand gas industry.

SUBMISSIONS CLOSE:
Friday, 26 April 2024

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