MAJOR GAS USERS GROUP

24 July 2020

Grace Clapperton-Rees
Gas Industry Company Ltd
WELLINGTON 6140
via email to consultations@gasindustry.co.nz

Dear Grace,

Re: Statement of Proposal (SOP) for amending the Critical Contingency Management Regulations

1. We attach our submission on the GIC's Statement of Proposal for amending the Critical Contingency Management Regulations Questions. This submission is being made on behalf of the following members of the Major Gas Users Group (MGUG):

    a. Ballance Agri-Nutrients Ltd
    b. Fonterra Co-operative Group
    c. New Zealand Steel Ltd
    d. Oji Fibre Solutions (NZ) Ltd
    e. Refining NZ

2. Nothing in this submission is confidential and some members may choose to make separate submissions.

3. We understand that the SOP has included the views of the CCO and reflects lessons learnt from both exercises held, and actual incidents since the last review in 2011. Our suggestions for improvement therefore attempt to reduce grey areas within what is largely a prescriptive approach to the drafting of the CCM regulations.

4. The changes proposed are a comprehensive review of the entire regulation. We've tried to respond in a way that avoids piece meal reaction to the proposed changes, but we haven't reviewed all the details of the regulation itself to check for internal consistency.

5. The purpose of our submission is to test some of the reasoning offered in support of the recommendations, and to offer alternative approaches consistent with the purpose of the CCM regulations.

6. In general the themes of our submission cover:

    a. Finding a better balance between principle and prescription within the regulations. The regulations appear to rely heavily on prescription which makes it difficult to have a good overview on what the regulations are trying to achieve. Reliance on prescription can also lead to increasing document complexity over time, and a more frequent need to revise. We support clear principles being embedded in the regulation, but prescriptive measures in support of these should be kept outside of the regulation in order to promote flexibility to adapt to lessons and changing circumstances.

b. Creating clear incentives/ disincentives to promote desired behaviours at a time when a critical contingency is happening, not after the event is over.

c. Creating clarity in defining bands based on impacts, but also giving the CCO flexibility to fine tune responses in a transparent way to meet the purpose of the regulation (effective management of critical gas outages)

d. We think that there is greater scope for the TSO to use a programmed rules based decision support system that can also rely on real time information from the TSO. Managing line pack can be complicated, but it is informed by rules of physics and engineering that can be programmed and tested.

7. The specific key ideas expanded on in our responses to the questions are:

a. Contingency prices should be set by market indicators and updated and published frequently to provide clear price signals during the event itself. Possibilities include:

i. Using a combination of historic peak prices from emsTradepoint.

ii. Creation of a reserve market, also potentially on emsTradepoint.

b. Basing curtailment bands on gas installation meter size to reflect the metric that is being controlled, i.e. potential and actual instantaneous flow.

c. We favour current retention of bands 0- 2 as defined and propose that Band 3 is split into 3 parts. Band 3A and 3B can be subject to partial curtailments to provide a fine tuning mechanism for the CCO.

d. We strongly oppose curtailing band 2C beyond the agreed profile as this action would put sites potentially in conflict with Health and Safety at Work (Major Hazard Facilities) Regulations 2016. Instead we have proposed that splitting Band 3 provides the necessary solution to the described problem.

e. We favour a standardised approach to presentation and format of curtailment plans to make it easier to compare and share good practice. We also propose that curtailment plans are supported by the organisations' QA systems to give better assurance to the CCO that plans will be followed.

Yours sincerely

Richard Hale/Len Houwers
Hale & Twomey Ltd/Arete Consulting Ltd
Secretariat for the Major Gas Users Group

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Submission prepared by: Major Gas User Group

Question	Comment
Q1	Do you agree with our view that, in relation to the proposed amendments, there are no other reasonably practicable options for achieving the regulatory objective other than an amendment to the CCM Regulations? If not, why not?
	We agree with this view. However we also see some confusion between the stated purpose of the CCM regulations ("effective management of critical gas outages") with the SOP Introduction that states that the paper is promoting efficiency as well as effectiveness of the CCM regulations.[1] We agree that efficiency should also be considered, but are unclear what efficiency relates to. Is it efficient execution of the steps taken by the CCO, or is it a wider term, related to efficient economic outcomes? We've taken the view that economic efficiency considerations should also form part of the process, albeit secondary to ensuring pipeline integrity. The Gas Act and related GPS which form the central context to these regulations does consider efficiency concerns to be central to the regulations as noted in the GIC's FY2021 Statement of Intent[2] . We think that this should be made clear in the discussion.
Q2:	Do you agree with rewording regulation 71 to remove 71(3)(a) as described above?
	We support this recommendation. If a contingency price is to be calculated, then all relevant indicators should be available to the analyst. However we also assume that regulation 71 could be rewritten entirely depending on whether our suggestions in the next two questions is accepted.

[1] Last paragraph page 6

[2] FY2021-Statement of Intent v2.pdf , p26 – Gas Act " Proper and Efficient management of risks relating to security of supply, including transport arrangements"

Question	Comment
	One of the disadvantages of the methodology in regulation 7 is that while the principle of the contingency price setting is correct[3], the price itself is not known at the time of the contingency event to further incentivise compliance with curtailment instructions. We therefore advocate for mechanisms that enable the price to be known at the time of the event. We discuss these in our response to Q3 and Q4.
Q3:	Do you agree with adding a floor price to the calculation of the contingency price? Do you agree with the proposed calculation method, using VWAP for the 7 days prior to and including the critical contingency day?
	We agree with setting a floor price if the current methodology of independent post-event valuation continues (see our alternative suggestion in response to Q4) The floor price should attempt to reflect the value transfer between parties forced to forego gas it is entitled to under contract vs parties taking gas it is not entitled to. The trading market should be a reasonable reflection of the marginal value of gas under various demand/ supply conditions, although not necessarily for tight supply conditions. However it is reasonable to assume that the contingency price shouldn't fall below the VWAP over the previous 7 days.
Q4:	Are there other pricing benchmarks that should be used in setting the critical contingency price?
	The preferred benchmark should be the actual marginal price of the gas reflecting its scarcity as per regulation 71(2). A benchmark that might better reflect that value could be to use the information embedded in historical peak traded gas prices. For example, using the average of the 12 (or some other number) highest peak prices on in the previous 12 twelve months on the trading platform. For the two events noted in the SOP (23 May 2017, 24 May 2016), the respective numbers would have been $7.42/GJ ($10.62/ GJ)[4] and $12.35/ GJ ($6.66/ GJ). While this may not be the "right price" when compared to the actual calculated prices the concept of using historical peak prices to value scarcity can be experimented with different combinations of weighting or combination of peak prices, or ratios between peak and average prices.

[3] 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 resources to the highest value uses during the critical contingency

[4] Bracketed numbers are the calculated critical contingency prices for those two events.

Question	Comment
	This alternative benchmark could also be included as part of a "higher of" number – so the critical contingency price might be the higher of VWAP (as above), Average of x highest peaks in rolling y month period, and marginal/ peak electricity wholesale price. An advantage of this concept is that the contingency price would be known in advance of the CC event, i.e. calculated daily and posted on say First Gas or CCO website and thereby act as a further incentive for parties to follow the curtailment instructions. It could also incentivise voluntary curtailment from bands not called for to assist a more rapid recovery. We also considered whether there is merit in using a "reserve price" in the same way that the electricity market uses reserve price. While there are practical differences in the concept to consider, the analogy of a reserve market where gas producers are offering available capacity e.g. through Ahuroa Gas Storage or swing capacity in production facilities might offer (some) replacement gas into the market at a time when it is needed. The concept might require some modification of the use of the trading platform products.
Q5:	Do you agree with replacing the criminal penalties with civil pecuniary penalties for non-industry participants as described above? If not, why not?
	We support the proposal to provide for an effective penalty regime for providing false or misleading information, and/or for failing to comply with curtailment decisions[5]. We also wonder whether the penalty might not be made more transparent at the time it occurs, rather than decided through expensive and drawn out other procedures. For example, the penalty might be considered as an overrun fee and be set at some multiple of the Contingency Gas Price (say 10X) for each unit of gas above the authorised take.
Q6:	Do you agree that the distinction between large consumers that have alternative fuel capability and those that do not should be removed from the curtailment bands? Why or why not?

[5] We assume that the proposal is meant to be for either/ or, not "and" as constructed in the SOP.

Question	Comment
	No, we do not agree for the following reasons: 1. The arguments against retaining the distinctions are either flawed or weak. 2. Retaining band 1 and band 2 gives greater flexibility to the CCO, provided partial curtailments are considered. The papers argues that "*On the face of it*, it would seem sensible to curtail users who can switch to an alternate fuel ahead of users who cannot" (5.4.1) and then argues that this only an illusion. We disagree. It's not only sensible on the face of it, but also sensible because it is more economically efficient and more effective for the CCO. Argument rebuttal: 1. *Little practical difference between band 1 and 2* – The paper argues that for most credible scenarios just curtailing 0 and 1 isn't sufficient, but curtailing 2 as well, may be excessive (5.2.1). However the paper also points out that partially curtailing band 2 was sufficient to deal with the March 2012 production station outage (5.2.1). This is an argument for retaining the distinction. It gives sufficient clarity to the CCO instruction where gas storage and alternative fuel consumers can be fully (100%) curtailed, but Band 2 users can be partially curtailed to create a more flexible and more economically efficient outcome. 2. *Retaining Band 1 is a disincentive for investing in alternative fuels* – We think this argument overstates the reason why users might invest in alternative fuel facilities. Furthermore, combining the bands does not alter the incentives in any material way since the current possibility of full or partial curtailment in band 2 is almost certain anyway. However the advantage of retaining the distinction is that it enables fine tuning in Band 2 to create a more efficient economic outcome without compromising the effectiveness of curtailment instructions 3. *Private gas pipelines could be considered as alternative fuel arrangements* – We are aware of three high pressure private pipelines; Kapuni to Whareroa (Fonterra and Okaiawa rendering plant); Kaimiro to Methanex (non-spec gas); Turangi to Methanex. These arrangements should be seen as complementary transport arrangements, not as alternative transport or fuel arrangements. By definition also, if they are private and the gas being transported doesn't rely on being supplied out of the open access system, then they are not a contributor to the creation of the critical contingency event.
Q7:	Do you agree with reserving band 2 for large consumers who are electricity generators who export electricity to the grid? If not, what alternative way would you suggest for defining bands 1 and 2?
	No, we do not agree.

Question	Comment
	To clarify this discussion we have already argued that the distinction between Band 1 and Band 2 should be retained. We do not propose any change to Band 2. Instead we propose that Band 2 can follow its own rule-based system. Band 1 includes Genesis Huntly (with an electricity designation), and Refining NZ. Band 2 we understand to comprise; Contact Generation (TCC and Peakers), presumably now also includes the Junction Rd Power Station, Contact cogeneration (Te Rapa), Methanex, and Ballance Kapuni. The main argument against splitting Band 2 is that, as it currently sits, it provides the CCO with the necessary control, particularly on peaking generators. Band 2 also affects only 8 ICPs and four entities (Contact, Nova, Methanex, Ballance), which is hardly challenging for coordination. Both Methanex and Ballance have critical process designations with various hold points that can be extended to minimise their economic damage. With respect to electricity only TCC operates as baseload, but only certain times of the year. Contact has an alternative fuel option for its Stratford Peakers (Ahuroa Gas Storage), and Nova has a complementary facility at McKee. Peaker plants are not base load generators, and we would have thought that it would be undesirable for the CCO to have to deal with the fact that a Peaker plant that could be taking no fuel when the critical contingency is called, suddenly opening up their gas inlets at full throttle to take advantage of a higher electricity price period. The electricity market itself also has arrangements for generation, including running Whirinaki, and a reserve market. While it seems to be an objective not to have to create a situation where the CCO needs to exercise judgement it seems to us that the CCO also has the authority to issue instructions that must be followed. For four entities, a rules based/ flow chart system could easily be designed that is effective, economically efficient, and transparent.
Q8:	Do you agree that the lower threshold of the curtailment band for the largest consumers should be changed to yearly consumption? Why or why not?
	No, we do not agree.

Question	Comment
	The reason for staying with daily limits is that for a CC event what matters is controlling actual flow that is occurring. It is not helpful to consider annual consumption when there is a large disparity between average and peak flows that depend on seasonal use of gas. Bands should be defined on the basis of peak flows, potentially defined by their meter sizes with the caveat that sites with multiple meters be treated together. We haven't analysed what the splits should be, but we suspect that this would be mainly beneficial for defining different band 3 customers since Time of Use meters are only mandatory for users with more than 10 TJ pa consumption. Basing bands on meter size could also be beneficial for further differentiating within band 3 than proposed in the SOP.
Q9:	Do you agree with the proposed 4,000 TJ per year threshold? Is there a different threshold you consider would work better?
	No we don't agree on the basis of our response to Q8.
Q10:	Do you agree with an annual threshold and a daily consumption threshold for a curtailment band of gas thermal generation plant?
	No, we don't believe it is necessary to draw these distinctions. Both peaking and baseload gas generators will be either in Band 1 or in Band 2. Band 1 (Huntly with designation) continues and the other generators fall into Band 2 and are managed according to our response to Q7.
Q11:	Do you agree with the proposal to create curtailment band 3A as described above? Do you agree with an annual consumption threshold of 300 TJ? Why or why not?
	We agree that it would be useful to split band 3.

Question	Comment
	We think that Band 3 could be split into 3 – with the first tier of say 8 sites, 15 in the second tier, with the remaining in the third tier. This correlates with Figures 9 and 10 in the SOP. These figures are based on annual consumption, not peak consumption as we have argued for, so we suggest further analysis to determine the most optimal split between manageable numbers to control and their aggregate impact on the system. To give proper effect to managing the CC we also consider that any who fall into Bands 0 – 3(b) should be required to have telemetry installed with their ToU meters[6].
Q12:	Do you have any other comments about the proposed changes to the curtailment bands?
	As a minor point we would argue against creating subsets of bands. If the CCM regulations are being updated in its entirety, a cleaner approach is to keep the numerical distinctions, i.e. if following our outline it would be Band 0 – 9 + DOM, or Band 1-10 +DOM
Q13:	Do you agree that guidance is required on assigning consumers to curtailment bands? Do you agree with the concept of an average over the previous three years for the annual threshold volumes?
	We agree that guidance is required but this is kept simple if curtailment bands are defined by meter size.
Q14:	Do you agree with using three years to determine whether thermal generators use at least 15 TJ per day from time to time?
	No we don't agree. Other than we argue for categorisation being based on meter size, not annual consumption, it also supposes that all thermal generators will have 3 years of data to review, or that the thermal generator hasn't downsized its operation in that period. Further, given the nature of thermal generation being dependent, amongst other matters, on hydrology we would expect any average to have a large variance.

[6] This also gives potential benefits to gas reconciliation and retail monitoring and control of their customers.

Question	Comment
Q15:	Do you agree with amending the definition of "consumer installation" to include a gas installation with multiple points of connection to a distribution system or transmission system? Why or why not?
	We agree that there should be clarity based on what curtailment is intended to achieve. The approach to consider all connections to a gas installation would seem sensible in most cases, but that would depend on how gas installation is defined as well as whether distribution or transmission system includes private lines. For example Fonterra Whareroa has both a private transmission line, which we argue is outside of the CCM regulations if it is not transporting gas that originates through the open access system, and is also supplied via the open access system for uses in the plant at other than the cogeneration venture. In this instance we would consider this to be two separate gas installations; Whareroa cogen; and Fonterra site.
Q16:	Do you agree that gas wholesalers should be responsible for issuing critical contingency notices to their retailers and for receiving and forwarding compliance updates to the transmission system owner? If not, can you suggest an alternative way to ensure that non-shipper retailers and their consumers receive critical contingency directions and provide compliance updates?
	Our understanding is that instructions are issued from the transmission system owner to shippers, and shippers instruct their affected customers. We don't understand why that arrangement wouldn't suffice to instruct retailers who are not shippers or have a relationship with the transmission system owner. If a retailer falls in that category then they are an "affected customer" of the retailer who is the shipper for them. The accountability for following curtailment instructions continues to sit with the shipper who presumably makes that same obligation clear in their contractual arrangement with their affected customer. If this proposal just seeks to clarify our understanding of this arrangement we would support that.
Q17:	Do you agree with this assessment and proposals? Why or why not?
	We agree with the assessment regarding allowing subsets (although our preference is to renumber the bands entirely) within bands to be defined by actual consumption rates (including for critical processing customers) on the day and the proposal that: • directions for partial curtailment may be made with regard to consumption rates at the time the critical contingency was declared; and • designated shutdown profiles apply to consumption rates at the time the critical contingency was declared.

Question	Comment
Q18:	Do you agree with the changes to the curtailment order as outlined in Table 4? Why or why not?

No we do-not agree. The table proposes that 1c and 2c have to be fully curtailed before Band 3 can be called. We disagree with that assessment as it appears to either give less discretion to the CCO to reduce gas flows, or it undermines the purpose for which critical processing designations are given. Critical Process designations are approved for reasons of equipment safety and environmental risks. This is recognised in Regulation 46C (1) (i)..(ii). 46J(3)(b) reinforces the importance of an orderly shutdown of Plant. Up to 18 hours may be given to complete the shutdown process.

We do not think that it is sensible for the CCO to wait to curtail say band 3A until Band 1C and Band 2c are completely curtailed, particularly because it is generally the last amount of gas in the shutdown profile that might take the longest to complete. At that stage 1C and 2C actual usage might well already be below users in Band 3A. Nor do we support the CCO forcing critical process designated sites to reduce their gas take further than what has been agreed through the shutdown profile to mitigate risks identified by 46C (1**). Being forced to curtail outside of the profile is likely to put the site in conflict with the Health and Safety at Work (Major Hazard Facilities) Regulations 2016 in terms of duties to manage risk to people and environment.**

Breaking up Band 3 into two (perhaps 3) manageable subsets should make it possible for the CCO to start curtailing Band 3A, followed by 3B on say a % basis while 1C and 2C are following their agreed shutdown profiles. i.e. When Band 1C and Band 2C have been called, which should see a significant reduction in gas take already happening, the CCO could also call for say a 50% curtailment on Band 3A. This % can be adjusted further before a partial curtailment is called on Band 3B. A % curtailment on Band 3A, 3B enables fine tuning to avoid the blunt instrument of requiring full curtailment that may lead to over curtailment. These % can be reviewed as a 1C, 2C progresses and adjusted up or down. Perhaps before Band 3C is called 1C and 2C should be curtailed.

We outline the approach in the table below.

Direction to Curtail	Stop ASAP	Follow or continue designated profile	Bands to remain curtailed
1 (band as is)	Band 1	Band 1C	0
2 (band as is)	Band 2	Band 1 C Band 2C	1
1C and 2C		Band 1 C	1, 2

Question	Comment

		Band 2C	
3A	3A (40%-60%)	Band 1 C Band 2C Band 3AC	1, 2
3B	3B (40% -60%)	Band 1 C Band 2C Band 3AC Band 3BC	1, 2
3C	3C	Band 3CC (if this is adopted)	1 2 3A 3B 1C 2C
4	4	Band 4C	1 – 3 fully curtailed
etc			

Bands 0 – 3B inclusive represent just under 30 entities (depending on how 3A, 3B are split) being managed through shippers and the TSO. We think this is manageable for the CCO in terms of simplicity while retaining effective and efficient management of curtailment.

Q19: Do you agree with the proposed changes regarding information provided to the CCO? Why or why not?

We do not agree that the proposed changes regarding information would significantly improve on current access of information to the CCO in managing a dynamic, real time situation. It is our view that what should matter to the CCO is having visibility on what is actually occurring at each gas gate on the transmission system, and from retailers, what is happening with their large site ToU customers on the distribution networks.

Other than having the transmission configuration details available to assist with modelling and algorithm work, the most important information to have is what is actually occurring on the system in real time in order to understand what instructions are needed to be issued and monitoring the system response. Good (and timely) information is vital to the CCO's role. The timeliest information sits with the TSO, and retailers. We understand that the CCO collaborates with the TSO, but we are unclear what, if anything, limits closer collaboration if that assists the CCO in meeting the purpose of the CCM regulations.

Question	Comment
	Currently the CCO can be operating remotely from the TSO (but has space available in the TSO control room building). The CCO can also request and get sent flow information files to understand what is going on in the system. Rather than improve on getting greater access to static information it appears to us that what is needed is improved real time access to flow information. This may mean the CCO having some kind or "read only" access to the data coming into the TSO control room (which can be configured in advance to make it fit for the CCO's purpose - perhaps flow and trend information at each gas gate; identification of ICPs and users within each of Band 0-3B inclusive, etc). The proposal that consumer information should be on hand is problematic for a number of reasons. Firstly, it may be difficult to get. Parties in the more recent GIC Information Disclosure work-stream have argued that what is planned to occur on site is commercially sensitive. This hasn't been resolved. Secondly it places a daily administrative burden on consumers to provide information to the CCO/ TSO "just in case" it might be needed. Thirdly, more data, does not translate into better information. The requirement for consumer information could simply add to unnecessary data overload for the CCO.
Q20:	With respect to CCMPs, do you agree with the proposed changes to contact detail requirements as outlined above?
	This appears to be an internal administrative matter for the TSO to give practical effect to Regulation 25. We don't see an impediment in the Regulation to achieve the intended outcome.
Q21:	Do you agree with the proposed CCMP amendment procedures outlined above? Why or why not?
	We agree.
Q22:	Do you agree with allowing a go-live date for a proposed amended CCMP?

Question	Comment
	Yes, if the amended CCMP is contingent on an event occurring.
Q23:	Do you agree with deleting the requirement in r74 that refers to the DR Rules? If not, why not?
	Yes, assuming that it is contingent on GTAC being live. However this would not be a consideration if specific reference to a methodology is kept out of the regulation and is captured in a supporting procedure that is more easily amended.
Q24:	Do you agree with the proposal for retailers to provide their retailer curtailment plans to the industry body on an annual basis? Why or why not? Would 1 March be an appropriate submission deadline?
	We agree that it is important that the CCO should have confidence in retailers' curtailment plans to be effective in a critical contingency. We do not believe that demonstrating that a plan exists is necessarily a demonstration that it is up to date, tested, effective, applies consistent standards (for example reporting), or could be relied on in the event of a critical contingency event. We expand on this in Q26.
Q25:	Do you agree that incorporating retailer curtailment plans into the annual exercise would be an effective way to ensure their effectiveness and currency? If not, why not?
	It appears that retailer curtailment plans are already part of an annual exercise, but as noted by the CCO, retailer engagement is patchy at best. Without better incentives to improve on performance, including participation, it is difficult to see how an annual exercise is going to create a better outcome.
Q26:	Do you have other suggestions for ways to improve retailer curtailment plans?
	We would suggest that it may be useful to provide a good practice, standardised template to retailers that sits outside of the regulation but can be referred to and amended without needing to amend the whole regulation. The consistent format and standard headings would also facilitate sharing of best practice and making it easier for the TSO/CCO to cross reference across retailers.

Question	Comment
	We also expect that most, if not all, retailers have quality systems in place, including ISO certified systems. These generally require good document control systems and rely on internal, as well as external audit systems for organisations to remain certified. We suggest that retailers be required to demonstrate that their curtailment plans are included in their quality systems. Furthermore, retailers, as part of the quality system could run their own exercises to test whether their procedures work. Accordingly, as well as submitting the latest version of their curtailment plan we would suggest that they also provide an annual statement summarising QA, QC, and emergency exercise outcomes related to these documents.
Q27:	Do you agree that retailers should be required to participate in annual test exercises? If not, why not?
	We suggest that retailer participation is mandatory annually where they cannot demonstrate that their internal control systems assure the quality of their curtailment plans. Where there is confidence in the quality of curtailment plans, then those retailers may be included by random selection.
Q28	Do you agree that the scope of the communications plan should include communications that occur in monitoring the system prior to a critical contingency and in declaring a critical contingency?
	Given this concerns communications between the CCO and TSO and is already occurring outside of the regulations as a matter of good practice, it is not clear what writing this into regulation will achieve. If it is included we would propose that it is worded in a way that preserves the principle of effective communication rather than be prescriptive in what that looks like.
Q29	Do you agree with the proposed changes for critical care and essential services designations? Why or why not?
	1. We suggest that minimum meter size defines this band rather than annual consumption 2. We agree that ToU meter requirement is excessive below the current limit of 10 TJ pa that otherwise defines the requirement. 3. We agree that the declaration form signature should be signed by a senior person. For local bodies, the CEO would be appropriate. For other bodies, where a Director equivalent position exists we believe that the requirement for the declaration should stand. The reason

Question	Comment
	for retaining this level of authority for sign off on the declaration is that it is a one-off administrative detail with implications for reputation risk reflecting poorly on brands that claim essential services where the requirements aren't met. We don't accept that this accountability should be delegated to lower tiers of corporate structures just because it is hard to find a director to sign it.
Q30	Do you agree with the proposed changes to the critical contingency threshold limits detailed in Schedule 1? Why or why not?
	We agree that thresholds should be clearly defined. We also agree that these can change with structural changes on the system. Other than the noted examples in the SOP of how change is created we would note that the TSO also has an asset management program that includes capital investment that can either improve or reduce survival times. The market itself is also subject to constant change. It seems to us that including the schedule in the regulation creates an unnecessary constraint on the CCO to set survival times given the process required to update a schedule within a regulation. Rather we would propose that the regulation requires the publishing of a schedule, but that the schedule itself is left outside of the regulation. There may still be a requirement to notify and consult on any changes to the schedule.
Q31	Do you agree with this amendment to the definition of retailer?
	We agree so long as it doesn't create other anomalies. For example how would this definition affect for example Nova supplying Taranaki By-Products on the private line supplied from Kapuni?
Q32	Do you agree with the proposal to amend regulation 48 to allow for short-term transient breaches of a pressure threshold?
	We are unclear as to how the example provided in the discussion document is outside of the provisions of Regulation 48 and why this would require an amendment. 48(1) provides the CCO with a choice; (a), or (b) 48(2) states

Question	Comment
	When determining whether a breach of a threshold has occurred or is otherwise unavoidable, the critical contingency operator must assume that any occurring reduction in pressure in the relevant part of the transmission system will continue at a constant rate, ***unless the critical contingency operator has reasonable grounds for considering, based on the best available information, that a non-constant rate of reduction will provide a significantly more accurate basis for its determination*** We have added our emphasis in bold that seems to give the CCO the necessary discretion to decide whether a threshold breach is a transitory event.
Q33	Do you agree with the proposal to allow for planned outages not triggering a critical contingency?
	We agree, although it seems that this contingency might be able to be dealt with under Regulation 48 referring to Regulation 25 (Content of critical contingency management plan). 25(1)(b) provides for the TSO to describe events that it considers may result in a breach of the threshold referred to in 25(1)(a). We would suggest that 25(1)(b) doesn't prevent the CCO from also describing exceptions to the rule that cover the scenario described.
Q34	Do you agree with the proposal to amend regulation 54A to include unexpected interruptions to asset operation? Do you have alternate suggestions for how the obligation should be worded?
	We suspect that confusion as to the scope of the regulation can be a result of over reliance on prescription vs principle. Where the principle is emphasised, then the need for ever extending prescription is reduced. For example an alternative drafting might look like: 54A(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. 54A(2) - the owner of an asset connected with the gas transmission system that causes or contributes to a critical contingency must publish information as required by clause 2 of schedule 5. This bypasses any need to explain what constitutes "failure" including the difficult to understand reason for why 5 scm/hr (54A(2)) needs to be prescribed separately (why not 4, 3, or 10?). It should be sufficient for the asset holder to be aware that they are the reason for the critical contingency and that they therefore have an obligation to provide further information, regardless of the source of failure on their operation.

Question	Comment
Q35	Do you agree that retailers and large consumers should be required to use the specified compliance reporting template?
	In general we would agree. However the consultation paper does not explain the reason why retailers and large consumers are not using provided templates in a way that provides the required consistency. It may simply be because they don't realise that one exists, or they don't know where it is located. Furthermore, confusion is added when the regulation covering retailer curtailment plans (for example 43(3)(e)) simply asks the retailer how it will report compliance to the relevant TSO. This suggests that it is up to the retailer to decide how it complies with this requirement. We've advocated for a standard template for curtailment plans in our response to Q26. The required reporting format can be included in such a template.
Q36	Do you agree with this proposal?
	We are unclear as to why there should be such a wide choice publishing sites to post information about reasons for failure This just seems to make it more difficult to find the information related to regulation 54A and Schedule 5. If the GIC has an Industry Notifications website that can be used for this as a widely accessible central depository, then why not make that the place to go to? Asset owners with public websites could simply provide a link to the GIC website.
Q37	Do you agree with these proposed amendments? Why or why not?
	We agree that ambiguity around time frames for the CCO performance report can be addressed via the suggested amendments. However this still leaves it vague in relation to the period of submissions. Whereas the CCO is given maximum periods, submitters are given a minimum period. We would suggest that submissions should be given 10 business days.

Question	Comment
Q38	Do you agree with these update amendments? Are there any that you feel are not warranted or should be changed? Are there other updates that should be included?
	We favour wording in regulations that capture the essence, rather than the details of the arrangements in place e.g. Transmission Code as in place, vs MPOC, VTC, or GTAC, or Transmission Information system as in place vs OATIS or TACOS. Regulation 5 (Interpretation) seems to capture the spirit of this in a number of its definitions, e.g. Allocation Agent, Industry Body, etc Regulation 5 (interpretation) should also be reviewed in line with any further changes that may be adopted, but also for definitions that have ambiguity. For example, the definition of "Large Consumer" would seem to exclude most of our members. Other than Ballance, MGUG members use less than 15 TJ per day and could be buying gas from retailers because there is no clear definition of gas wholesaler – is Nova, or Genesis, a wholesaler, or a retailer? For our purposes a Large Consumer in context of CCM regulations would correlate to where they are defined in curtailment bands, which in turn we propose are linked to meter size.
Q39	Do you agree with the proposed minor amendments? Are there any you feel should be added or amended?
	We haven't reviewed the entire regulation to be able to comment but we have a comment in relation to what defines an essential service (Regulation 46B). In light of recent lockdown experience due to COVID-19 it would seem to us odd that mortuary services and cremation of human remains are treated as essential, but e.g. bakeries supplying staples is not. We understand this was a source of considerable tension in 2011 where food producers argued their essential nature. We would suggest that this category is reviewed. Looking at what is included it appears that there may be a principle behind essential service that relates to public health and safety that explains the prescriptive list, but it is not clear. We think it more useful to describe the principle behind the essential service designation, and for the list of such services to be kept outside of the regulation.