

# Proposed amendments to the Critical Contingency Management Regulations

Submission prepared by: Nova Energy Limited, Paul Baker

QUESTION	COMMENT
<p>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?</p>	<p>Yes</p>
<p>Q2: Do you agree with rewording regulation 71 to remove 71(3)(a) as described above?</p>	<p>Yes</p>
<p>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?</p>	<p>Nova agrees with adding a floor price. The 7-day VWAP may not be a good indicator of the value of gas on the day of an outage. Given gas demand is related to the weather, a critical contingency could easily occur on a cold snap following a week of warm weather, in which case prices on the previous week would be misleading.</p>
<p>Q4: Are there other pricing benchmarks that should be used in setting the critical contingency price?</p>	<p>Nova believes it more appropriate to base the floor price on the 75<sup>th</sup> percentile of prices over the previous 21 days (adjusted for volumes, and only including short term spot trades, rather than longer term strips.) This would even out the influences of weather, and better reflect the circumstances of constrained supply.</p>
<p>Q5: Do you agree with replacing the criminal penalties with civil pecuniary penalties for non-industry participants as described above? If not, why not?</p>	<p>Yes</p>

QUESTION	COMMENT
<p>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?</p>	<p>Yes. Nova agrees that the current arrangement creates a perverse disincentive for participants to invest in dual fuel capability; albeit the CCM implications may not be a major consideration in a market participant's decision process.</p>
<p>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 bands1 and 2?</p>	<p>Nova agrees with reserving band 2 for thermal generation only.</p>
<p>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?</p>	<p>Yes</p>
<p>Q9 Do you agree with the proposed 4,000 TJ per year threshold? Is there a different threshold you consider would work better?</p>	<p>Yes</p>
<p>Q10 Do you agree with an annual threshold and a daily consumption threshold for a curtailment band of gas thermal generation plant?</p>	<p>Yes, a daily consumption capacity of over 15 TJ /Day is a reasonable cut-off point.</p>
<p>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?</p>	<p>Yes, as long as band 3A accounts for over 2/3 of the Band 3 volumes, then the 300 TJ is appropriate. The regulations could provide for this cut-off to be amended from time to time by the CCO in order that the Regulations continue to reflect the size distribution of the market over time.</p>
<p>Q12 Do you have any other comments about the proposed changes to the curtailment bands?</p>	<p>Clause 46B(1) should have another sub-section (g) added; to include electricity generation and/or steam production that is required to support gas production or gas treatment; for instance, the co-generation plant at Kapuni is required to continue its operation in order to keep the Kapuni Gas Treatment Plant operating. Closure of that operation would obviously be counterproductive.</p>

QUESTION	COMMENT
<p>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?</p>	<p>Nova agrees in giving some guidance, but also thinks that there should be room for discretion, i.e. allowing the industry body to decide, having regard to the expected average annual consumption.</p>
<p>Q14 Do you agree with using three years to determine whether thermal generators use at least 15TJ per day from time to time?</p>	<p>No. The capacity for thermal generation to consume gas is defined by its capacity and heat rate and should be used to whether it fits within Band 2.</p>
<p>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?</p>	<p>Yes. The other side of that position is making provision for situations where part of the demand at a consumer installation may be essential or critical, but not all.</p>
<p>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?</p>	<p>Yes</p>
<p>Q17 Do you agree with this assessment and proposals? Why or why not?</p>	<p>Yes</p>
<p>Q18 Do you agree with the changes to the curtailment order as outlined in Table4? Why or why not?</p>	<p>Yes, the phasing seems consistent with the designations.</p>
<p>Q19 Do you agree with the proposed changes regarding information provided to the CCO? Why or why not?</p>	<p>Yes</p>

QUESTION	COMMENT
Q20 With respect to CCMPs, do you agree with the proposed changes to contact detail requirements as outlined above?	Yes
Q21 Do you agree with the proposed CCMP amendment procedures outlined above? Why or why not?	Yes
Q22 Do you agree with allowing a go-live date for a proposed amended CCMP?	Yes
Q23 Do you agree with deleting the requirement in r74 that refers to the DR Rules? If not, why not?	Yes
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?	Yes. However, these plans are unlikely to change materially each year.
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?	Yes. Nova follows its plan during all CCO exercises anyway.
Q26 Do you have other suggestions for ways to improve retailer curtailment plans?	No
Q27 Do you agree that retailers should be required to participate in annual test exercises? If not, why not?	Yes

QUESTION	COMMENT
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?	Yes
Q29 Do you agree with the proposed changes for critical care and essential services designations? Why or why not?	Yes
Q30 Do you agree with the proposed changes to the critical contingency threshold limits detailed in Schedule 1? Why or why not?	Yes
Q31 Do you agree with this amendment to the definition of retailer?	Yes, so long as the final words of the definition “as long as that gas is transported through the transmission system” are retained.
Q32 Do you agree with the proposal to amend regulation 48 to allow for short-term transient breaches of a pressure threshold?	Yes
Q33 Do you agree with the proposal to allow for planned outages not triggering a critical contingency?	Yes
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?	Yes
Q35 Do you agree that retailers and large consumers should be required to use the specified compliance reporting template?	Yes

QUESTION	COMMENT
Q36 Do you agree with this proposal?	Yes
Q37 Do you agree with these proposed amendments? Why or why not?	Yes
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?	Yes
Q39 Do you agree with the proposed minor amendments? Are there any you feel should be added or amended?	Yes