

24 July 2020

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Submission on the Statement of Proposal for Amending the Critical Contingency Management Regulations

1. This is Vector Limited's (Vector) submission on Gas Industry Co's *Statement of Proposal for amending the Critical Contingency Management Regulations*, published on 22 May 2020 for stakeholder consultation.
2. Vector supports most of Gas Industry Co's proposed amendments to the *Gas Governance (Critical Contingency Management) Regulations 2008* (the CCM Regulations). We agree that the proposed amendments would improve the efficiency and effectiveness of the CCM Regulations. We also agree that these would 'future proof' the CCM Regulations for the impending implementation of the single Gas Transmission Access Code (GTAC), and potential amendments to the penalty provisions of the *Gas Act 1992* identified in the *Gas (Information Disclosure and Penalties) Amendment Bill* being considered by Parliament.
3. We set out below our responses to the consultation questions using the submission template provided by Gas Industry Co for this consultation and make a few suggestions for improvement.
4. No part of this submission is confidential, and we are happy for Gas Industry Co to publish it in its entirety.
5. We are happy to discuss any aspects of this submission with Gas Industry Co. Please contact Luz Rose (Senior Regulatory Partner) at Luz.Rose@vector.co.nz or 04 803 9051 in the first instance.

Yours sincerely
For and on behalf of Vector Limited



Neil Williams
GM Market Regulation

Questions

Vector's responses to the consultation questions on the Statement of Proposal for amending the Critical Contingency Management Regulations

Submission prepared by: Vector

Contact: Luz Rose (Senior Regulatory Partner), Luz.Rose@vector.co.nz, 04 803 9051

Question		Vector's comments
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?	Yes, Vector agrees that there are no other reasonably practical options for achieving the regulatory objective in relation to the proposed amendments other than by amending the CCM Regulations.
Q2:	Do you agree with rewording regulation 71 to remove 71(3)(a) as described above?	<p>Yes, we agree with the proposed rewording of regulation 71, as described in Gas Industry Co's Statement of Proposal (SoP).</p> <p>To further add to the comments in the SoP, this change becomes more important if the proposed new thermal generation band that sits below the petrochemical demand in the curtailment order is adopted. The proposed Band 1 contains sufficient volume to meet an unexpected shutdown of the largest producer field. This, in theory, would mean the marginal cost to the petrochemical party in turning off its gas consumption should be a key consideration in determining the critical contingency price.</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>Yes, we agree with adding a floor price to the calculation of the critical contingency price. This should provide certainty to those parties who can deliver more gas into the system when needed.</p> <p>We would favour market trades and off-market trades transacted on emsTradepoint (i.e. within a day prior to the critical contingency event being declared) to be given greater weight in the calculation of a floor price. Those transactions on emsTradepoint are more relevant than those that have occurred over the prior week.</p> <p>We would caution against the inclusion of balancing gas transactions in the calculation of VWAP. This may result in a materially higher floor price that exceeds the value of gas to any</p>

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	other buyer. This is because there appears to be a disconnect for prices at certain times between transactions involving the system operator and those that do not.
Q4: Are there other pricing benchmarks that should be used in setting the critical contingency price?	No, we consider the proposed benchmarks to be sufficient in informing the setting of the critical contingency price.
Q5: Do you agree with replacing the criminal penalties with civil pecuniary penalties for non-industry participants as described above? If not, why not?	Yes, we agree with replacing the criminal penalties with civil pecuniary penalties for non-industry participants, as described in the SoP.
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?	Yes, we agree with the removal of the distinction between large consumers that have alternative fuel capability and those that do not.
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?	Yes, we agree with reserving band 2 for large consumers who are electricity generators who export electricity to the grid. As noted in our response to Q3, this will have implications for the determination of the critical contingency price.
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?	Yes, we agree with changing the lower threshold of the curtailment band for the largest consumers to yearly consumption. This should resolve some of the ambiguity that currently exists.
Q9: Do you agree with the proposed 4,000 TJ per year threshold? Is there a different threshold you consider would work better?	Yes, we agree with the proposed 4,000 TJ per year threshold.
Q10: Do you agree with an annual threshold and a daily consumption threshold for a curtailment band of gas thermal generation plant?	Yes, we agree that the curtailment band for thermal generators should be defined by both annual consumption and maximum daily volume consumption.
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?	Yes, we agree with the proposal to create curtailment band 3A, as described in the SoP.

Question	Vector's comments
Q12: Do you have any other comments about the proposed changes to the curtailment bands?	We have no other comments on the proposed changes to the curtailment bands.
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>Yes, we agree that guidance on assigning consumers to curtailment bands is required.</p> <p>We agree with using the average over the previous three years for the annual threshold volumes. However, Gas Industry Co may need to make allowances for new customer/sites being added to the transmission and/or distribution networks and new loads being added at existing connections as these cannot be subject to averaging in the same way as existing customers and loads.</p>
Q14: Do you agree with using three years to determine whether thermal generators use at least 15 TJ per day from time to time?	Yes, we agree with this proposal, subject to Gas Industry Co providing allowances for new loads, as indicated in our response above (Q13).
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?	Yes, we agree with amending the definition of consumer installation to include a gas installation with multiple points of connection to a distribution or transmission system.
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>In our view, it would be more efficient if all retailers could be notified by a single party – by the Critical Contingency Operator (CCO) or the Transmission System Operator (TSO) – to ensure retailers receive the same message. We do, however, recognise that this may not be practically possible and therefore agree that directions from the CCO should be communicated via the chain of contractual relationships.</p> <p>We note that non-shipper retailers who only supply residential customers are unlikely to be captured by this proposed requirement.</p>
Q17: Do you agree with this assessment and proposals? Why or why not?	<p>Yes, in principle, we agree with the proposals regarding the partial curtailment of a band and the approved shutdown profiles of "critical processing consumers".</p> <p>We query how the CCO will determine what a customer's consumption is on the day and how long it will take for the CCO to make a determination.</p>

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Q18:	Do you agree with the changes to the curtailment order as outlined in Table 4? Why or why not?	Yes, we agree with the changes to the curtailment order, as outlined in Table 4, if the CCO can instruct the curtailment of more than one load group at a time, where necessary.
Q19:	Do you agree with the proposed changes regarding information provided to the CCO? Why or why not?	Yes, we agree with the proposed changes regarding the information provided to the CCO. It would also be beneficial if Gas Industry Co also provide information to the Registry on a retailer-by-retailer basis. This would allow the CCO to cross check the Registry data against retailers' Contingency Plans.
Q20:	With respect to CCMPs, do you agree with the proposed changes to contact detail requirements as outlined above?	Yes, we agree with the proposed changes to the contact detail requirements with respect to Critical Contingency Management Plans (CCMPs).
Q21:	Do you agree with the proposed CCMP amendment procedures outlined above? Why or why not?	Yes, we agree with the proposed CCMP amendment procedures, as outlined in the SoP.
Q22:	Do you agree with allowing a go-live date for a proposed amended CCMP?	Yes, we agree with allowing a go-live date for an amended CCMP.
Q23:	Do you agree with deleting the requirement in r74 that refers to the DR Rules? If not, why not?	No, we do not agree with this proposed amendment. We believe that reference to the <i>Gas Downstream Reconciliation Rules</i> will provide the most accurate assessment of the contingency imbalance. Under this proposed amendment, the TSO will have the option of using alternative methods of calculating the contingency imbalance which we consider to be less accurate than using the Interim or Final Allocations, as prescribed in the <i>Gas Downstream Reconciliation Rules</i> . The accuracy of the calculation should not be compromised, given the materiality of the price that is likely to be applied.
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, we agree with the proposal for retailers to provide their gas curtailment plans to Gas Industry Co on an annual basis. We consider 1 March to be an appropriate deadline for this requirement.

	Question	Vector's comments
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?	<p>No, we do not agree with this proposed amendment. There are retailers who only supply residential customers or a few (i.e. less than 10) Band 6 customers. We do not consider imposing this proposed requirement on such retailers to be warranted.</p> <p>Alternatively, Gas Industry Co can proceed with this proposed amendment but provide exemptions for the above retailers.</p>
Q26:	Do you have other suggestions for ways to improve retailer curtailment plans?	We have no other suggestions for improving retailer curtailment plants.
Q27:	Do you agree that retailers should be required to participate in annual test exercises? If not, why not?	Yes, we agree that retailers should be required to participate in annual test exercises, except for retailers who only supply residential customers and/or a few Band 6 customers.
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, we 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.
Q29	Do you agree with the proposed changes for critical care and essential services designations? Why or why not?	Yes, we agree with the proposed changes for critical care and essential services designations.
Q30	Do you agree with the proposed changes to the critical contingency threshold limits detailed in Schedule 1? Why or why not?	Yes, we agree with the proposed changes to the critical contingency threshold limits detailed in Schedule 1.
Q31	Do you agree with this amendment to the definition of retailer?	Yes, we agree with the proposed amendment to the definition of a retailer.
Q32	Do you agree with the proposal to amend regulation 48 to allow for short-term transient breaches of a pressure threshold?	Yes, we agree with the proposal to amend regulation 48 to allow for short-term transient breaches of a pressure threshold, subject to stakeholders being given the opportunity to review the wording of the amended regulation.
Q33	Do you agree with the proposal to allow for planned outages not triggering a critical contingency?	Yes, we agree with the proposal to allow for planned outages not triggering a critical contingency.
Q34	Do you agree with the proposal to amend regulation 54A to include unexpected interruptions to asset operation? Do you have alternate	Yes, we agree with amending regulation 54A to include unexpected interruptions to asset operation.

Question		Vector's comments
	suggestions for how the obligation should be worded?	
Q35	Do you agree that retailers and large consumers should be required to use the specified compliance reporting template?	Yes, we agree that retailers and large consumers should be required to use the specified compliance reporting template.
Q36	Do you agree with this proposal?	Yes, we agree with the proposed amendment to the definition of "publish".
Q37	Do you agree with these proposed amendments? Why or why not?	Yes, we agree with the proposed amendments to the performance reporting timeframes, and the requirement on the CCO to have regard to submissions on its draft performance report.
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, we agree with the proposed update amendments.
Q39	Do you agree with the proposed minor amendments? Are there any you feel should be added or amended?	Yes, we agree with the proposed minor amendments.