



## Office of Hon Hekia Parata

Minister of Women's Affairs  
Minister for Ethnic Affairs  
Associate Minister for ACC

Associate Minister of Energy and Resources  
Associate Minister for the Community and Voluntary Sector

09 MAR 2011

Rt. Hon James Bolger, ONZ  
Chair  
Gas Industry Company  
PO Box 10 646  
WELLINGTON 6143

Tēnā koe Hon James Bolger, ONZ

Thank you for your letters regarding:

- a) interconnection to open access transmission pipelines, dated 21 December 2010;
- b) the gas wholesale market trial, dated 20 December 2010; and
- c) amendments to the Gas (Switching Arrangements) Rules 2008, dated 27 October 2010.

I appreciate Gas Industry Co's continued efforts on these important issues and I commend your staff for their work.

I have carefully considered the issues that you have raised and shall address each of these in turn.

### **INTERCONNECTION TO OPEN ACCESS TRANSMISSION PIPELINES**

The ability for third parties to interconnect to transmission pipelines under reasonable terms and conditions is essential for the efficient operation of the New Zealand gas market and is a key objective of the Gas Act 1992 and the Government Policy Statement on Gas Governance (the **GPS**).

It is heartening to see that Transmission System Owners (**TSOs**) have made efforts to improve the alignment of their interconnection arrangements with GIC's *Transmission Pipeline Interconnection Guidelines*, and hence with the objectives of the Gas Act and the GPS. In particular it is good to see that both TSOs have developed overarching draft interconnection policies, as was recommended by Gas Industry Co after the first review of interconnection arrangements in September 2009.

I agree with your concerns over the absence of independent dispute resolution procedures for all pre-Interconnection Establishment Agreement (**pre-ICEA**) disputes. Accordingly, I encourage both TSOs to incorporate binding pre-ICEA dispute arbitration into their interconnection policies.

I agree with your assessment that regulation is premature. I also agree with your proposal to review how well the new interconnection arrangements perform in practice once they are in place. This is subject, of course, to the approval of the arrangements by the respective Boards of the TSOs.

I request that you undertake a formal review of the current interconnection arrangements after the next two interconnections to each of the transmission pipelines, or by the end of 2013, whichever is sooner. As part of this review I request that GIC assess the progress of TSOs in the area of independent pre-ICEA dispute arbitration. I would expect GIC to formally consult with potential interconnecting parties and wider gas industry stakeholders during the review.

### **GAS WHOLESALE MARKET**

It is apparent that there is a lack of industry support for the New Zealand Gas Exchange and I accept that there does not seem to be any value in continuing the trial market. Nevertheless, one of the objectives of the GPS is "*efficient arrangements for the short-term trading of gas*" and I would therefore like to see the development of a transparent wholesale gas market.

I note the moves by Maui Development Ltd (**MDL**) to extend the functionality of the Balancing Gas Exchange. This has the potential to be a first step toward the development of a transparent wholesale market. I request that you monitor the uptake of MDL's new service over the coming months, and report to me by end-2011 of its success or otherwise.

### **AMENDMENTS TO THE GAS (SWITCHING ARRANGEMENTS) RULES 2008**

The establishment of the Gas (Switching Arrangements) Rules 2008 (the **Rules**) has been one of the most important achievements of Gas Industry Co. The Minister of Energy and Resources, the Hon Gerry Brownlee, received and considered your recommendation for a number of minor amendments to the Rules. I am happy to convey that the Minister notified the making of the amendments in the *New Zealand Gazette* on 13 January 2011. The amendments came into force on 10 February 2011.

### **CONCLUDING REMARKS**

I would like to take this opportunity to thank Gas Industry Co for the important work undertaken in 2010. I look forward to developing a constructive relationship in 2011.

Heoi anō



Hon Hekia Parata  
**Acting Minister of Energy and Resources**