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Steve Beilby
Gas Industry Company
2 Hunter Street
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Dear Steve

Useful quantification of northern pipeline peak capacity problem

Genesis Power Limited, trading as Genesis Energy, welcomes the opportunity to provide comments to the Gas Industry Company on the draft "Gas Supply and Demand Scenarios 2012-2027 ("the Concept report") dated August 2012.

We consider that this report provides valuable information for quantifying the extent of future northern pipeline capacity issues.[1]

Support developing demand side responses

Figure 69 in the Concept report provides a useful high-level summary of the peak capacity problem facing the northern pipeline in the future.[2] We note three important points emerge from this diagram:

- the peak capacity problem is not prevalent across all scenarios. Specifically under a 'tight supply – high price' scenario the peak capacity threshold is unlikely to be met;

[1] Genesis Energy submission "Conservative approach should be taken to address problems identified" dated 23 August 2012

[2] Page 101 The Concept Report

- demand side response (interruptible load) has the potential to be the short-medium term solution for any peak capacity problem. With full interruptible load the peak capacity issue does not re-emerge until after 2026; and

- The peak capacity problem is dependent upon current major gas users continuing to operate. The diagram shows that there will be considerable free capacity if major users (such as Otahuhu B) significantly curtail their demand.

These points suggest that developing interruptible demand from major users should be prioritised. Although 'full interruptible' demand, as modelled by the Concept report, may not be achievable, we consider it will play a significant role in relieving any peak capacity issue. Interruptible demand is a familiar concept to many, if not all, of the major gas users. Similar 'demand side response' tools already exist in the electricity market in the form of instantaneous reserve (interruptible electricity demand) and under the AUFLS[3] scheme for the electricity market.

A further benefit to developing interruptible load is that it will provide the necessary time to properly consider changes to how capacity issues are managed on the northern pipeline.

If you would like to discuss any of these matters further, please contact me on 04 495 3340.

Yours sincerely

Jeremy Stevenson-Wright
Regulatory Affairs Manager

[3] Automatic Under-Frequency Load Shedding scheme

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