

Update

Christmas shutdown

24 December 2009 —
5 January 2010. Office re-opens on 6 January 2009 at 8:30 am

Critical Contingency Management Regulations go-live

21 January 2010

Levy workshop

26 January 2010

Levy Consultation Submissions close

5 February 2010

Transmission Pipeline Balancing

The Industry Code Development process

The last scheduled ICD meeting was held on 20 November 2009. Gas Industry Co has received from attendees a non-binding Memorandum of Understanding (MoU), which provides a high-level description of the changes that need to take place in order to adopt a contractual based balancing solution, with a target implementation date of 1 October 2010.

Eleven industry participants, including the two Transmission System Operators (TSOs), participated in the ICD process, and contributed significant executive time to achieving quality discussion and outcomes. Gas Industry Co will assess the MoU against the regulatory solution presented in the Statement of Proposal.

More information on the ICD process can be found at:

<http://www.gasindustry.co.nz/work-programme/transmission-pipeline-balancing?tab=1511>

Transmission Pipeline Balancing

Nine submissions were received on the Transmission Pipeline Balancing Statement of Proposal of 30 October 2009.

Submitters expressed a high level of support for Gas Industry Co's decision to pursue the ICD process. Most remain of the view that a contracts based solution will deliver the best outcome. Some of the submitters noted that, if Gas Industry Co was determined to proceed with regulation, the Participative Regulation Option would be the best one to pursue. A number of submitters provided Gas Industry Co with comments on the Draft Gas Governance (Balancing) Rules.

Gas Industry Co is now developing a submissions analysis paper and will issue it shortly.

The Company has made a formal recommendation to the Associate Minister of Energy and Resources (the Minister) in December 2009. We had noted that the outcome of the ICD process might impact on the final recommendation for pipeline balancing arrangements. The scope and/or detail of the Draft Gas Governance (Balancing) Rules did not change as a result.

Submissions on the Statement of Proposal can be found at:

<http://www.gasindustry.co.nz/work-programme/transmission-pipeline-balancing?tab=1518>

Interconnection Review

A review was conducted on both Maui Development Limited (MDL) and Vector's interconnection arrangements against the Transmission Pipeline Interconnection Guidelines (the Guidelines). Both MDL and Vector's interconnection documents were found to be generally well aligned with the Guidelines.

The most significant omission from both TSOs' interconnection documents was an interconnection policy that would provide an overall framework of the process, and improve transparency.

Gas Industry Co has provided each TSO with a copy of the results of the current review, highlighting areas where it believes there is scope for improvement.

Both TSOs have undertaken work on their interconnection arrangements. Gas Industry Co believes that pipeline companies should be allowed time to refine their interconnection arrangements.

Gas Industry Co will advise the Minister that it is premature to consider regulation of the interconnection arrangements, and that a formal review of pipeline interconnection arrangements will be conducted in June 2010 to assess what further action is required.

More information on the Interconnection Review can be found at:

<http://www.gasindustry.co.nz/work-programme/interconnection?tab=284>

Critical Contingency Management

Go-live

Gas Industry Co has now approved critical contingency management plans for both MDL and Vector. The next step is to publish a notice in the Gazette, which will bring the critical contingency management regulations fully into effect. At this stage, it is expected that a notice will be published on 14 January 2010 stating that the regulations will go live on 21 January 2010. From that point, the critical contingency management regulations supersede the arrangements under the NGOCP.

It is expected that, reasonably soon after go-live, the Critical Contingency Operator will instigate a test exercise. However, the CCO will communicate with parties about this in due course.

The regulations can be viewed at this link:

<http://www.gasindustry.co.nz/sites/default/files/u14/Regulations.pdf>

An overview of the key roles and responsibilities under the new arrangements can be viewed here:

http://www.gasindustry.co.nz/sites/default/files/u14/Critical_Contingency_Management_Regulations_-_roles_and_responsibilities_0.pdf

Downstream Reconciliation

Final allocations

The first final allocation was performed by the allocation agent in November for the October 2008 consumption period. This represents an important stage in the reconciliation arrangements as the most accurate

consumption and allocation information provided for by the reconciliation rules becomes available.

Event audits

The auditors are preparing their final reports for the event audits undertaken at the Tawa A and Greater Auckland gas gates in respect of the May and June 2009 consumption months. It is expected that the reports will be published in January 2010.

Wholesale Market

The MPOC change request, which provides for the establishment of the trading hub as a set of virtual welded points on the Maui pipeline, has been approved. This paves the way for the commencement of the trial market in the second quarter of 2010.

Levy Consultation

At its final meeting of the year on 18 December 2009, the Gas Industry Company Board approved the release of the FY2011 Levy Consultation Paper. This sets the context for the proposed FY2010 levy regulations by describing the work Gas Industry Co expects to undertake in FY2011 and its associated cost; calculates the levy funding requirement for that year; and proposes the FY2011 levy.

The proposed levies for FY2011 are:

Retail levy of \$8.20 per annum payable on each ICP; and

Wholesale levy of 2.13 cents per GJ of gas purchased directly from gas producers.

To assist industry participants with submissions and to provide a prior indication of matters that will require consideration by Gas Industry Co, an industry workshop will be held at Gas Industry Co's office in Wellington, from 10am to 12 noon on Tuesday, 26 January 2010.

The closing date for submissions is 5 February 2009.

Read more about the levy here: <http://www.gasindustry.co.nz/work-programme/gas-industry-company-levy-2011?tab=1487>

Approved Consumer Complaints Scheme

The associate Minister accepted the Company's recommendation to approve the Electricity and Gas Complaints Commissioner Scheme (EGCC Scheme) as an approved gas complaints resolution scheme under the Gas Act. This approval, along with that of the Electricity Commission under the Electricity Act, was notified in the NZ Gazette on 10 December 2009.

Retailers and distributors who do not belong to the EGCC Scheme can expect to be contacted by the Scheme to advise of the process for joining. All retailers and distributors will be contacted about the arrangements for transition to the approved scheme by 1 April 2010. These are expected to include a forum and induction session in mid-February 2010.

Further information about the EGCC Scheme can be found at www.egcomplaints.co.nz

Recommendation on Direct Use of Gas

The Government Policy Statement on Gas required the Company to provide advice to the Minister on whether policies on the direct use of gas might mitigate greenhouse gas emissions and the likely cost of those policies.

In December, the Company provided the Associate Minister with its Recommendation. This can be found at:

[http://www.gasindustry.co.nz/sites/default/files/u12/DUoG -
Recommendation to the Associate Minister December 152089.3.pdf](http://www.gasindustry.co.nz/sites/default/files/u12/DUoG-_Recommendation_to_the_Associate_Minister_December_152089.3.pdf)