

Update

10 March 2010 —

Proposed design for the oversight of voluntary implementation of retail contract benchmarks submissions close.

31 March 2010 —

Switching: Operations and Compliance discussion paper submissions close.

Levy Consultation

The consultation process for the proposed levy for FY2011 closed on 5 February. The Board of Gas Industry Co considered the industry submissions along with communication from the Associate Minister on the levy and work-programme. Gas Industry Co is now working on finalising the levy recommendation based upon stakeholder feedback.

Approved consumer complaints scheme

As noted in the December 2009 Update, the Electricity and Gas Complaints Commission dispute resolution scheme will be the approved scheme under the Gas Act as of 1 April 2010. Forums were held on 17 and 19 February to discuss the establishment phase and the transition period up to 1 April. Also discussed were the possible implications for oversight arising from the proposed Electricity Industry Bill 2009, under which responsibility for the approval of the consumer complaints scheme transfers to the Minister of Consumer Affairs.

Benchmarks for retail contract terms

Gas Industry Co has indicated its preference for introducing a voluntary scheme for the oversight of benchmark retail contract terms. The benchmark terms and a preliminary proposal for their monitoring underwent consultation in October 2009. On 24 February 2010, a workshop was held to consider a more detailed proposal for the design of the implementation and monitoring of this scheme. It is expected that a recommendation seeking the Associate Minister's endorsement of the scheme will be made by June 2010.

Capacity

The Infrastructure Access Group has recently begun work to identify the issues related to transmission pipeline capacity, including the capacity constraint on Vector's Northern Pipeline. This has involved a series of interviews with interested parties. Once the interviews are complete, we will seek feedback on our findings and begin work on developing options to address the issues.

Maui Pipeline Operating Code (MPOC) Change Request

Seven submissions were received on the 17 December MPOC Change Request.

The Change Request and the submissions can be viewed at:

<http://www.gasindustry.co.nz/work-programme/mpoc-change-request-17-december-2009?tab=1574>

Pipeline Balancing

Draft Balancing Rules Workshop

In December 2009, Gas Industry Co advised the Associate Minister of Energy and Resources of its intention to recommend the introduction of balancing rules. The letter noted Gas Industry Co's view that, before making a formal recommendation, the draft balancing rules should be discussed with industry to finalise technical detail and to develop an implementation plan to avoid any unforeseen issues.

As a result, a series of workshops were held during the first week of February.

In addition to the workshops, Gas Industry Co invited comments from participants on the draft balancing rules. These comments, together with

comments received during the workshops, are currently being considered by Gas Industry Co.

Draft Balancing Rules Cost-Benefit Analysis

The Associate Minister of Energy and Resources has requested that, before making a formal recommendation, Gas Industry Co consult on a quantitative cost-benefit analysis on the proposed balancing rules. Work is underway on the cost-benefit analysis and it will be issued for consultation along with a revised set of the draft balancing rules in mid-March.

More information regarding this work stream can be found at:

<http://www.gasindustry.co.nz/work-programme/transmission-pipeline-balancing?tab=1576>

Downstream Reconciliation

The Audit Reports for the event audits to identify sources of UFG for May and June 2009 in respect of Tawa A and Greater Auckland gas gates are available on our website.

Audit Report in respect of Tawa A:

http://www.gasindustry.co.nz/sites/default/files/publications/Event_Audit_Report_-_Tawa_A.pdf

Audit Report in respect of Greater Auckland Gas Gate:

http://www.gasindustry.co.nz/sites/default/files/publications/Event_Audit_Report_-_Greater_Auck_Gate_2009_final1.pdf

Critical Contingency: First test a success

The first test exercise of the Gas Governance (Critical Contingency Management) Regulations 2008 has been successfully completed. The exercise was based on a single credible pipeline event and designed to

test the performance of the Critical Contingency Operator (CCO), transmission system operators (TSOs), distributors, retailers, and large consumers in reacting to the event.

Under the Regulations, which came into force on 21 January of this year, arrangements for managing critical contingencies must be tested on at least an annual basis.

The test was carried out on 25 February and began with the following notification to participants:

Landslip over Maui pipeline at Tongapurutu ~20km south of Mokau Compressor Station. Pipeline damage investigated and line found to be buckled. Arrangements now being made to isolate the affected section of pipeline to investigate further and consider repair options.

The effect of such an event would be to isolate Auckland from any source of gas supply, except for any gas already in the pipeline (line pack) when the incident occurred. The response to such a supply disruption is to preserve line pack for as long as possible by curtailing the largest affected gas consumers. The CCO's task is to determine, and direct, the necessary demand curtailments. The CCO also keeps in contact with the electricity system operator, as gas supply to power generation stations is often affected, and with civil defence and emergency management personnel. The curtailments are directed in progressive bands: largest consumers first, followed by the next largest, and so on. Small consumers are only shut off as a last resort, as restarting supply to them would require the costly and time consuming exercise of visiting each premises to ensure that all gas appliances are still functioning properly and to relight any pilot lights.

As the test exercise unfolded, the Critical Contingency Operator directed generation stations in the Auckland area and other large consumers north of the incident site to curtail demand to zero; Vector investigated, isolated, and repaired the damaged section of pipeline; and finally, line pack and consumer demand were restored. The test exercise was

completed in a single day, although it simulated the events of six critical contingency days.

Here is what Steve Ilkovics, the Critical Contingency Operator, had to say about the exercise:

It was a long day but the time spent on planning and preparation paid off. The exercise gave the opportunity to try out the newly designed TSO and CCO systems and processes in an authentic environment for the first time. The scenario was designed to cover both the Vector and [Maui] transmission systems and to simulate every step of the critical contingency process except for the Imbalance Methodologies. This is the first time since 2004 that a major test exercise involving a simulation of a major Maui pipeline outage has occurred. The scenario gave an excellent realisation to all participants about the scale and nature of the required actions for the situation presented.

The interface between TSO and CCO worked extremely well, which I believe was due to the quality/timing of the briefing and training. Much of the TSO-CCO liaison was carried out face-to-face. It is anticipated that this would occur during an actual critical contingency due to the close proximity of TSO and CCO personnel and the familiarisation between key people. TSO and CCO personnel gained valuable experience from the exercise, which will be of immense benefit when having to deal with an actual critical contingency.

A few minor process glitches arose during the preparation and issue of CCO notices, so the opportunity to try these processes in a test environment was extremely useful both in correcting the glitches and proving that the processes functioned in the way envisaged.

There was excellent participation in the exercise from the majority of Shippers and Retailers, many of whom used the test as an opportunity to exercise their own processes. Again, this will provide valuable experience for personnel who are either new to the industry or have not previously

gained experience of a major gas transmission outage. It also gave an opportunity for them to become familiar with the look and feel of the whole communication process.

Switching: Operations and Compliance

A discussion paper on minor operational amendments to the registry and switching arrangements and the associated compliance process was released for industry comment on 16 February 2010.

Website

Our re-designed website has been up and running for slightly more than a year now. In order to assist us in assessing its effectiveness, and to provide stakeholders with an opportunity to make suggestions on how we can improve it, we have created a short survey. If you have not already done so, please would you take a couple of minutes to complete the survey on the following link?

<http://www.gasindustry.co.nz/content/website-survey>

The survey will be discontinued on Friday, 5 March at 5:00pm.