

24 July 2020

Andrew Knight  
Gas Industry Company  
PO Box 10-646  
WELLINGTON 6143

Submitted via GIC website

Dear Andrew

## Firstgas response to proposal for amending critical contingency management regulations

Firstgas welcomes the Gas Industry Company (GIC) Statement of Proposal (SoP) for amending the “Gas Governance (Critical Contingency Management) Regulations 2008” (CCM Regulations). In our role as the Transmission Service Operator (TSO), we are committed to delivering gas in a safe, efficient, and reliable manner. The CCM Regulations are an important part of the governing framework for our TSO responsibilities, and we want to ensure that the CCM Regulations best contribute to those objectives.

We support the majority of the changes set out in the SoP and believe that they will lead to more robust CCM Regulations and positive outcomes for the gas industry and its stakeholders. We also consider that the proposed amendments further the underlying purpose of the CCM Regulations – to achieve the effective management of critical gas outages and other security of supply contingencies, without compromising long-term security of supply.

**Attachment 1** sets out our answers to the specific consultation questions included in the GIC’s SoP.

No part of this submission is confidential and Firstgas is happy for it to be made publicly available.

### Contact details

If you have any questions regards this submission, please feel free to contact me on 021 705 485 or via email at [John.Blackstock@firstgas.co.nz](mailto:John.Blackstock@firstgas.co.nz).

Yours sincerely



**John Blackstock**  
Senior Transmission Commercial Advisor

**ATTACHMENT 1: Firstgas comments on GIC’s statement of proposal to amend CCM Regulations**

| GIC question |  | Firstgas comment  |
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| 1            | 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.<br>The CCM Regulations framework already exists and amending it is the most logical way to continue to achieve the regulatory objective.   |
| 2            | Do you agree with rewording regulation 71 to remove 71(3)(a) as described above?   | Yes.<br>We agree that the role of thermal generation has changed, both qualitatively and quantitatively within the energy sector since the commencement of the CCM Regulations.   |
| 3            | Do you agree with adding a floor price to the calculation of the contingency price?  | Yes.<br>It feels sensible to have a floor price to ensure that the CC price should always reflect the scarcity of gas and incentivise the correct behaviour from gas users. Such a mechanism would have been an appropriate safety net when circumstances like the May 2016 critical contingency event presented themselves.  |
|              | Do you agree with the proposed calculation method, using VWAP for the 7 days prior to and including the critical contingency day?  | Yes.<br>7-days feels like the right balance to strike for the reasons set out in the GIC’s paper.   |
| 4            | Are there other pricing benchmarks that should be used in setting the critical contingency price?  | No.<br>We consider that there are now sufficient pricing parameters to guide the industry expert in setting the critical contingency price, while providing a degree of flexibility to deal with the potentially unique circumstances associated with each critical contingency event.  |
| 5            | Do you agree with replacing the criminal penalties with civil pecuniary penalties for non-industry participants as described above? If not, why not?   | Yes.<br>We believe that knowingly providing false or misleading information and failing to comply with curtailment direction should rightly remain the trigger for what now becomes a civil penalty. An increased cap of \$200,000 aligns with approach in electricity industry and should be a further mechanism to incentivise the right kind of behaviour during a critical contingency event. |

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| 6            | 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.<br>As noted in the paper, there is little practical difference between the two bands and there is unlikely to be many occasions where band 1 would be curtailed but not band 2. We acknowledge that preserving this distinction may disincentivise dual fuelling where it would otherwise be efficient to do so.                                 |
| 7            | 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? | We do not have any objections to this proposal. We note that <i>section 53(2)(a)</i> of the CCM Regulations provides an ability for the CCO to consult with the Electricity System Operator and curtail subsets of gas-fired electricity generation within a curtailment band to assist with voltage support or electricity system stability or both. |
| 8            | 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?   | We do not have any objections to this proposal.   |
| 9            | Do you agree with the proposed 4,000 TJ per year threshold? Is there a different threshold you consider would work better?   | We consider that 4000 TJ/year looks like a logical threshold, especially when coupled with potentially splitting the existing curtailment band 3 further.   |
| 10           | Do you agree with an annual threshold and a daily consumption threshold for a curtailment band of gas thermal generation plant?  | Yes.  |
| 11           | Do you agree with the proposal to create curtailment band 3A as described above?   | Yes.<br>As the report states, the new band 3A would provide the CCO with another band of relatively significant load but contains relatively few customers (two thirds of volume and 10% of customers of existing band 3). We agree that this approach should help facilitate the efficient management of a critical contingency event.               |
|              | Do you agree with an annual consumption threshold of 300 TJ? Why or why not?   | Yes.<br>There is a discernible drop between a customer that uses ~375 TJ/year down to ~300 TJ/year, which would suggest the 300 TJ limit is appropriate.  |

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| 12           | Do you have any other comments about the proposed changes to the curtailment bands?  | We believe the proposed changes achieve the twin goals of efficient and timely demand curtailment. The changes should make it easier for the CCO to give effect to the right level of curtailment when needed during a critical contingency event.  |
| 13           | Do you agree that guidance is required on assigning consumers to curtailment bands?  | Yes.<br>Large consumers and retailers are obligated to provide annual aggregate consumption information (clauses 39 and 40 of the CCM Regulations). However, as the report points out there is little guidance on how best to measure this.   |
|              | Do you agree with the concept of an average over the previous three years for the annual threshold volumes?  | We agree that there needs to be some mechanism to smooth out anomalous years e.g. COVID-19 or material production outages. However, we believe this should perhaps be tempered by an overriding ability for the appropriate entity (most likely GIC or “expert” used for designation assessment) being able to assign consumers to curtailment bands. |
| 14           | Do you agree with using three years to determine whether thermal generators use at least 15 TJ per day from time to time?  | Yes.<br>However, thought will need to be given on how to assess “new” thermal generators connected to the transmission system. We suggest it might be appropriate to use the maximum design offtake of the facility until three years of data becomes available.  |
| 15           | 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.<br>While multiple points of connection to a distribution system or the transmission system are relatively rare, it makes senses to amend the definition of consumer installation to accommodate this possibility.  |

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| 16           | 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>Yes.</p> <p>We consider that the gas wholesalers are best placed to perform these requirements under the CCM Regulations. As TSO, our relationships are with Shippers (who we have a contractual relationship with) as opposed to the full suite of downstream “retailers”. We recommend that clauses 25(1)(e) and r25(1)(i)(iv) of the CCM Regulations also be changed to remove “retailers” and retain references to “Shippers”.</p> <p>We suggest that the GIC consider may wish to make explicit provision in the CCM Regulations for “white-label” retailers. In addition to the amendments to r25 proposed above, we consider the following sections should also be revisited:</p> <ul style="list-style-type: none"> <li>• <i>Regulation 39</i>, question of whether consumer information should be submitted separately for each white label retailer, or whether it should be aggregated up to shipper level?</li> <li>• <i>Regulation 43</i>, should each white label retailer have its own Retailer Curtailment Plan?</li> <li>• <i>Regulation 55</i>, as noted above, there should be an allowance for the TSO to notify Shippers who in turn notify their retailers. Possibly compliance updates should be aggregated by Shipper before being forwarded to Firstgas</li> <li>• <i>Regulation 75 Contingency imbalances</i> – we believe it makes sense for Shippers rather than white-label retailers to be responsible for critical contingency imbalances.</li> </ul> |
| 17           | Do you agree with this assessment and proposals? Why or why not?  | <p>GIC proposes that the CCM Regulations be amended to clarify that:</p> <ul style="list-style-type: none"> <li>• Directions for partial curtailment may be made with regard to consumption rates at the time the critical contingency was declared; and</li> <li>• Designated shutdown profiles apply to consumption rates at the time the critical contingency was declared: less than usual gas demand means a shorter shutdown profile.</li> </ul> <p>These amendments seem to be a logical refinement on existing processes.</p>   |
| 18           | Do you agree with the changes to the curtailment order as outlined in Table 4? Why or why not?  | <p>Yes.</p> <p>We consider that these changes should make the curtailment process faster and more efficient.</p>  |

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| <p>19</p> | <p>Do you agree with the proposed changes regarding information provided to the CCO? Why or why not?</p> | <p>We do not agree with the statement “<i>there have been instances where the CCO has been frustrated in its requests for system information</i>”<sup>1</sup> because we do not consider that it accurately represents the interactions that Firstgas has had with the CCO. We would not want that statement to be taken out of context. We respectfully suggest that the frustrations may have arisen prior to our ownership of the transmission system.</p> <p>Firstgas is committed to working constructively with the CCO, and we have worked diligently to ensure that the CCO has access to the extensive amount of information required to be made available pursuant to the CCM Regulations.</p> <p>The information described in Schedule 4 is required to be provided to the industry body (in accordance with <i>regulations 10(1)</i>) and to the CCO (under 38).</p> <p>In terms of the recipients of the transmission system information, Firstgas wonders whether it is still necessary for this information to be “provided” to the industry body (i.e. the GIC) subsequent to the CCM Regulations, now past “commencement date”. We suggest that the requirements and wording of regulation 10 may need to be revisited.</p> <p><b>TSO information</b></p> <p>In terms of the transmission system information itself, the changes to Schedule 4 do widen the scope of the information that needs to be made available to the CCO. However, Firstgas has already progressively made this information available to the CCO since the CCM Regulations were last revisited. In general, we support the proposed changes to Schedule 4 as they largely reflect the current circumstances.</p> <p>Of course, there is a degree of interpretation with any regulatory requirement. It is possible that the proposed amendments to Schedule 4 could give rise to future requests for information that is not readily available or that requires a high degree of “customisation” or expense to produce it. If this were to happen, Firstgas would look to rely on the protections afforded by regulation 38(2)(a).</p> <p>With regard to the change proposed to sub-paragraph (a) of Schedule 4, we request that any “high-level map” only require critical contingency pressure thresholds be shown for <u>named locations in Schedule 1</u> of the CCM Regulations, as opposed to “every other gas gate”.</p> <p>We continue to provide the CCO with as close to real time SCADA data as is technically and reasonably possible. The TSO and CCO continue to explore what options there are for increased efficiencies regarding real time SCADA access.</p> <p><b>Asset outages</b></p> <p>Firstgas agrees that timely and accurate outage information is important to the CCO. We have developed processes that ensure that the CCO is kept informed of actual and expected transmission asset outages. We agree that it is sensible to require this of all large asset owners.</p> |
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|              |   | <p><b>Consumer information</b></p> <p>GIC proposes that the CCO be able to request from the industry body numbers of ICPs by curtailment band and by gas gate, as recorded in the gas registry. This information can then be used as a means of validating the data provided by retailers. We support this approach.</p> <p>We also request an amendment that expressly authorises the TSO to seek and the GIC to provide any registry related information that assists us with meeting TSO obligations under the CCM Regulations e.g. obtaining ICP by Retailer by Curtailment Band by gas gate information as a baseline for retailer compliance reporting.</p> <p>We have no concerns with the proposed amendment for shutdown profiles having to be provided to the CCO.</p>   |
| 20           | With respect to CCMPs, do you agree with the proposed changes to contact detail requirements as outlined above? | The GIC proposes to amend the CCM Regulations to clarify that a reference to an authoritative data source is an acceptable means of including contact details. We support this approach.   |
| 21           | Do you agree with the proposed CCMP amendment procedures outlined above? Why or why not?                        | <p>GIC have proposed a hybrid process for CCMP amendments that the TSO and CCO have agreed are immaterial. The amendments would still be submitted to GIC for approval. GIC would then have three avenues available to it:</p> <ol style="list-style-type: none"> <li>1. Approve, for proposals that it agrees are immaterial and appropriate</li> <li>2. Send the proposed amendment back to the TSO, for proposals that it does not agree are immaterial, or where it feels that industry input is warranted or</li> <li>3. Follow the usual expert adviser process, for proposals that it deems require the scrutiny of the standard approval process.</li> </ol> <p>In instances where the second option is followed, the TSO would need to conduct the consultation and resubmission of the proposed amendment in accordance with <i>Reg 26</i> (but presumably without any need to engage the expert adviser). We support this approach as it is an improvement from the status quo, where even immaterial changes needed expert adviser approval.</p> |
| 22           | Do you agree with allowing a go-live date for a proposed amended CCMP?  | Yes.   |
| 23           | Do you agree with deleting the requirement in r74 that refers to the DR Rules? If not, why not?                 | Yes.   |

<sup>1</sup> Page 36, <https://www.gasindustry.co.nz/work-programmes/critical-contingency-management/consultation-statement-of-proposal-for-amending-ccm-regulations/document/6966>

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| 24           | 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.<br>As noted in the paper, the purpose of the curtailment plans is to ensure that retailers are sufficiently prepared so that they can respond quickly and effectively during a critical contingency. This is a similar goal to the TSO and its CCMP. Therefore, it seems sensible and reasonable for the retailer curtailment plan to be reviewed on an annual basis. 1 March seems a sensible review date (leading into typical test exercise window of April / May).   |
| 25           | 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?                             | Yes.  |
| 26           | Do you have other suggestions for ways to improve retailer curtailment plans?  | No comment.   |
| 27           | Do you agree that retailers should be required to participate in annual test exercises? If not, why not?   | Yes.<br>It is in all critical contingency stakeholders' interest that retailers can respond quickly and effectively during a critical contingency. Therefore, it seems logical that they are required to participate in annual test exercises.  |
| 28           | 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.<br>In effect, this would be "codifying" the Communications Protocol between the CCO and TSO that already covers pre-declaration communications and information flows.  |
| 29           | Do you agree with the proposed changes for critical care and essential services designations? Why or why not?  | GIC proposes: <ul style="list-style-type: none"> <li>• Changing the consumption criterion for essential service providers to above 250 GJ per year. We agree as this makes it consistent with the lower band of curtailment band 4.</li> <li>• Removing the requirement for critical care and essential services consumers to have a ToU meter. We agree, as it seems like an unnecessary hurdle/expense for those critical care and essential service providers who only uses small quantities of gas.</li> <li>• That the declaration form for critical care providers and essential service providers can be signed by a chief executive or equivalent position. We agree, because as noted in the paper, not all critical care providers and essential service providers will have a "director".</li> </ul> |



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| 30           | Do you agree with the proposed changes to the critical contingency threshold limits detailed in Schedule 1? Why or why not?   | <p>Yes.</p> <p>Firstgas would like to highlight that there are two known anomalies at the extremity of the transmission system where pressures are lower (&lt;20 bar g) than the “any other gas gate” limit set out in the CCM Regulations. This is also lower than the 20-bar g limit referred to in the definition of “gas transmission” in the Gas Act. This has been the case since the inception of the CCM Regulations.</p> <p>We would like to explore the options for addressing these unique circumstances with the GIC e.g. Schedule 1 “carve-out” for these locations (and any possible similar future locations), or potential amendment to relevant definitions or other provisions of the CCM Regulations or the Gas Act.</p> |
| 31           | Do you agree with this amendment to the definition of retailer?   | <p>Yes.</p> <p>However, further review of the provisions and context where definitions such as “retailer” and “shipper” are used in the CCM Regulations is likely to be required. This is especially true because of the increasing presence of “white label” gas retailers.</p>  |
| 32           | Do you agree with the proposal to amend regulation 48 to allow for short-term transient breaches of a pressure threshold?   | <p>Yes.</p> <p>We believe that introducing some reasonable qualifications in relation to transient breaches of pressure thresholds is a sensible outcome that could potentially avoid unnecessary critical contingency declarations. What constitutes a “short-term” transient breach will ultimately fall to the CCO’s determination after consultation with the TSO.</p> <p>Our CCMP already provides some background as to the type/trigger of such short-term transient breaches and consider that CCO and TSO personnel already adopt a pragmatic approach to transient breaches. It would be beneficial to have this pragmatic approach endorsed within the ambit of the CCM Regulations.</p>   |
| 33           | Do you agree with the proposal to allow for planned outages not triggering a critical contingency?  | <p>Yes.</p> <p>We have already had circumstances where such planned outages could have given rise to an unwarranted critical contingency declaration, where that has been no risk to the wider transmission system. It makes sense to address these circumstances.</p>  |
| 34           | Do you agree with the proposal to amend regulation 54A to include unexpected interruptions to asset operation? Do you have alternate suggestions for how the obligation should be worded? | <p>Yes.</p>   |

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| 35           | Do you agree that retailers and large consumers should be required to use the specified compliance reporting template?  | We agree that <i>regulations 55 and 56</i> should be amended to require that the compliance data forwarded to Firstgas (as TSO) needs to be in the format specified in the CCMP. The current excel spreadsheet does have its limitations (which have been raised by customers), but this proposed amendment doesn't "hardwire" that particular template into the CCM Regulations. We will continue to explore how this process can be made for efficient and effective. |
| 36           | Do you agree with this proposal?  | Yes.<br>Having the option for an Asset Owner to publish statements on the Industry Notifications page of the GIC's website makes sense and may be a preferable location for some Asset Owners (i.e. if they have limited website presence or visibility).   |
| 37           | Do you agree with these proposed amendments? Why or why not?  | We support the proposals for timeframes to be introduced for steps associated with the CCO's draft performance report, as well as the proposal for the CCO to have regard to any submissions received.  |
| 38           | 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.<br>The majority of the changes are removing references to Maui Pipeline Operating Code and Vector Transmission Code and replacing with the more generic "transmission code". No obvious further changes are evident.   |
| 39           | Do you agree with the proposed minor amendments? Are there any you feel should be added or amended?   | Yes.<br>No obvious further changes are evident. We assume that once a full mark-up of proposed changes to the CCM Regulations is released, industry stakeholders will have a further opportunity to provide feedback on specific matters of drafting.   |