

Update

Diary Dates

Friday 28 November 2008

- Wholesale market governance workshop

Thursday 4 December 2008

- Commencement date for Gas Governance (Critical Contingency Management) Regulations 2008

Thursday 4 December 2008

- Extension of Gas Governance (Compliance) Regulations 2008 takes effect

Monday 22 December 2008

- Release of Levy Consultation Paper

Monday 22 December 2008

- Gas Industry Co closes for the Christmas break

Wednesday 7 January 2009

- Gas Industry Co re-opens for 2009 in new premises

Monday 12 January 2009

- Levy Consultation Workshop

Critical Contingency Management

The Gas Governance (Critical Contingency Management) Regulations 2008 (the regulations) were made on 4 November and published in the New Zealand Gazette on 6 November. The regulations will come into effect on 4 December, with the exception of parts 4 and 5, which will commence on the go-live date (expected to be in April 2009). A copy of the regulations is available by clicking on the link:

[Gas Governance \(Critical Contingency Management\) Regulations 2008](#)

In conjunction with the above, the Gas Governance (Compliance) Regulations 2008 will be extended (with effect from 4 December) to cover the new contingency management arrangements. A copy of the amendment to the compliance regulations is available by clicking on the link:

[Gas Governance \(Compliance\) Amendment Regulations 2008](#)

One aspect of the regulations is for Gas Industry Co to appoint a critical contingency operator, who will perform important functions before, during and after a contingency event takes place. An agreement has recently been reached with Vector to perform this role for an initial term of five years.

Wholesale Market

The governance documents for the wholesale trading market have been circulated for industry comment. A workshop will be held at the end of November to allow industry members/prospective trading market participants to give feedback on them and to discuss the operation of the trading hub.

Gas Industry Co and MDL are working towards establishing the trading hub as a point on the Maui pipeline. Both parties have put considerable effort into achieving a viable solution for the trading hub location.

Downstream Reconciliation

Two key milestones have been achieved in downstream reconciliation: the completion of tasks that were required by the go-live date of 1 October; and the successful completion of the first allocations – those for the month of October – in November.

The timetable for achieving this was recognised as being tight at the time the rules were approved, but it was considered that the benefits of achieving the 1 October go-live justified the intensity of effort that would be required. Our success in achieving key goals would not have been possible without the support, effort and commitment of industry participants. A key step in the process has been the appointment of M-co as the allocation agent. M-co was selected as the preferred respondent to the RFP in mid-June and the service provider agreement was signed on 3 September. The functional specification for the allocation system was agreed with M-co and the industry as part of the negotiations, and this enabled M-co to complete allocation system development within two weeks of the signing.

A great deal of other preparatory work has been needed, including the preparation and publication of Determinations setting out information file formats and other matters requiring a decision by Gas Industry Co, and the confirmation of the basic data sets, such as an unambiguous list of the gas gates to be covered by the allocation process.

A major priority has been the processing of applications for exemptions under the rules. Exemptions are an important part of dealing with start-up and transitional issues, and of allowing for the practical situations that have to be dealt with at particular gas gates. A total of 27 exemption applications have now been processed and decisions released.

This project is now in the ongoing operational phase. As well as the scheduled monthly allocations of gas under the rules and other allocation agent functions, it involves the ongoing delivery of functions by Gas Industry Co that include exemptions, deciding on the need for special allocations, and the triggering of performance and event audits.

Switching and Gas Registry

Switching is concerned with arrangements that enable customers to move between retailers and, as from go-live on 1 March 2009, this will be governed by the Gas (Switching Arrangements) Rules 2008.

Over the last few months, work has been progressing toward the achievement of the go-live date, ahead of schedule and within budget.

A key step in the process has been the appointment of Jade Software as the registry operator. A competitive process was conducted for this appointment based on the issue of an RFP, the evaluation of proposals received to select a preferred respondent, and followed by the negotiation of agreements with that respondent. The two agreements resulting from this process – an Operating Agreement and a Development and Establishment Agreement - were signed on 1 September.

As a part of the negotiation process, a detailed business requirements specification was agreed with Jade. This enabled development work to start in parallel with the completion of negotiations, which was done under the aegis of letters of intent.

Almost all major registry functions have been established and tested, including the entry of test data by participants. The formal migration of data into the registry is scheduled for February 2009. Necessary Determinations have been consulted on and issued by Gas Industry Co.

Joint Consumer Complaints Scheme

A joint project between Gas Industry Co and the Electricity Commission is in progress that will select and approve under the relevant legislation a joint gas and electricity complaints scheme. A Request for Applications (RFA) for an approved scheme was issued in September and the closing date for applications is 8 December.

After selection of the preferred applicant, a consultation paper will be issued comparing the selected scheme with other options, including a fully regulated scheme. The consultation paper is expected to be issued in March 2009.

Consumer Issues Discussion Paper

A broadly based discussion paper on consumer issues was issued by Gas Industry Co in August. The initial closing date for submissions was 25 September but this was extended to late October.

Nine submissions were received and are being analysed. It is anticipated that the results of this analysis, together with documents setting out next steps in key areas, will be considered by the Gas Industry Co Board in December 2008. The next steps documents are expected to cover:

- retail contract terms and conditions including connections and disconnections;
- performance measurement for competition and for gas governance arrangements; and
- the provision of information to support effective consumer choices.

Gas (Processing Facilities Information Disclosure) Rules 2008

The Gas (Processing Facilities Information Disclosure) Rules 2008 came into effect on 27 June. The Rules will expire after six years unless extended by the Minister of Energy. A copy of the rules is available by clicking on the link:

[Gas \(Processing Facilities Information Disclosure\) Rules](#)

Gas (Processing Facilities Information Disclosure) Rules 2008

All gas processing facility owners have complied with the initial disclosure requirements of the rules. A summary of the available capacity and capability of each processing plant, along with the full disclosures, can be found on Gas Industry Co's website:

<http://www.gasindustry.co.nz/work-programme/gas-processing-facilities-information-disclosure?tab=389>

Transmission Pipeline Balancing Work Stream

Gas Industry Co has been progressing a pipeline balancing work stream as part of its wider focus on Transmission Access. This is due to concerns that current pipeline balancing arrangements are flawed, and that the objectives of the Gas Act and GPS may not be met.

A consultation paper was released in August which identified issues to do with pipeline balancing and a possible design element to advance balancing arrangements. Following receipt of submissions on this paper, Gas Industry Co released a submissions analysis. These documents and submissions are available on Gas Industry Co's website:

<http://www.gasindustry.co.nz/work-programme/transmission-pipeline-balancing?tab=281>

The next step in the development of balancing arrangements is to release an options paper, planned for this calendar year. Gas Industry Co has been working for the past few months with a pipeline advisory group to examine the various options and design elements of effective pipeline balancing. The paper will outline the reasonably practicable options highlighted in submissions and through the work of the advisory group.

In this paper, Gas Industry Co will propose the option it prefers and considers the most viable, along with the reasons it is promoting this approach. Following further discussion, an additional consultation paper (if required) and Statement of Proposal to the Minister of Energy will be developed.

Compliance Regulations

The Gas Governance (Compliance) Regulations 2008 (the 'Compliance Regulations') came into effect on 11 September. Their purpose is to provide for the monitoring and enforcement of the Gas (Switching Arrangements) Rules 2008, Gas (Processing Facilities Information Disclosure) Rules 2008, and Gas (Downstream Reconciliation) Rules 2008. The Compliance Regulations were amended on 6 November to provide coverage of the Gas Governance (Critical Contingency Management) Regulations 2008, which come into effect on 4 December. Copies of the Compliance Regulations and the amendment to them are available on Gas Industry Co's website:

http://www.gasindustry.co.nz/sites/default/files/u12/Gas_Governance_Compliance_Regulations_2008_as_at_4_Dec_08.pdf

The Compliance Regulations provide for the appointment of a market administrator, investigators and a Rulings Panel to undertake various functions under the regulations. The market administrator is currently

Gas Industry Co. Jacquie Kean, a barrister, has been appointed as the investigator. Gas Industry Co has recommended to the Minister of Energy that Hon John Hansen DCNZM be appointed as the Rulings Panel.

Under the Compliance Regulations:

- a participant may notify the market administrator of an alleged breach if it believes on reasonable grounds that it, or another participant, has breached the rules;
- any consumer or other person (other than a participant) may notify the market administrator of an alleged breach if they believe on reasonable grounds that a participant has breached the rules and that they are affected by that alleged breach;
- Gas Industry Co may notify the market administrator of an alleged breach if it becomes aware of an alleged breach; and
- the registry operator, or allocation agent, must notify the market administrator of an alleged breach if they believe on reasonable grounds that any other participant has breached the rules.

Notices of breach allegations can be given by filling in the form available on Gas Industry Co's website.

In September, the market administrator received notice of four alleged breaches of the Downstream Reconciliation rules by two participants. The market administrator is required to determine whether the alleged breach is material based on criteria set out in the Compliance Regulations. The four alleged breaches were deemed not material. Copies of the determinations are available on Gas Industry Co's website.

Gas Industry Co has consulted on and published the procedures that will be followed by the market administrator, investigator and Rulings Panel in considering and determining breach allegations. All of these procedures are available on Gas Industry Co's website.

Levy consultation

Gas Industry Co hopes to release a Levy Consultation Paper by the end of December. This will set the context for the 2009/10 levy regulations. It

will include a review of the previous year's levy development process and explain the development of the 2009/10 levy.

A workshop for industry participants will be held in January 2009.

New director

Gas Industry Co's 2008 Annual General Meeting was concluded on 14 November with the election of Albert Brantley as a non-independent director, replacing Murray Jackson who resigned on 29 August. Albert is the Chief Executive of Genesis Energy Limited. His background has largely been in heavy industry, including oil and gas infrastructure development as well as the mining and power sectors. He has had more than 35 years' experience both in New Zealand and internationally in technical, operational and senior management positions.

New staff

Jacquie Kean has been appointed as an investigator under the Gas Governance (Compliance) Regulations 2008. Jacquie is an experienced barrister with an interest in dispute resolution, which should serve her well in her role, as one of the investigator's functions is to try to effect settlements of alleged breaches of gas governance rules and regulations.

Nick Ross has joined the Company as an adviser on Transmission Pipelines and Infrastructure. He has previously worked as a Supply Chain Analyst and Logistics Manager in the UK and Ireland, and has a background in economics.

Andrew Walker has joined the Company as an adviser on Wholesale Markets. He previously worked in custodial banking in the UK, most recently as an account manager for BNP Paribas and in an operational role for HSBC's Securities Services division.

Glenda MacBain has been appointed Project Portfolio Manager, joining the Company from Westpac where she was Head of Practice Management for Westpac NZ Legal Services.

Gas Industry Co farewellled Jordan Small, adviser Strategy and External Relations, who has joined PR firm Network Communications.

Annual Report

Gas Industry Co's Annual Report for 2007/08 was published in October and is available here:

http://www.gasindustry.co.nz/Downloads/Documents/Publications_Presentations/Website_Version_2008_AR.pdf

Annual Conference

Gas Industry Co held its fourth annual Gas Industry Conference in August. Numbers were up on previous years with more than 70 attendees. The conference ran smoothly and general feedback from attendees was positive. It was a valuable opportunity to update industry participants on progress across a number of work streams, particularly for those that have moved into implementation phase.

Keynote speakers included Terry Grimwade of VENCORP in Australia, who discussed the Victorian and Australian experience of gas market reform; and John Kidd of McDouall Stuart, who provided a positive outlook for the sector that focused mainly on upstream interests. Gas Industry Co would like to thank former Energy Minister David Parker for his address, which discussed the impact of the former Government's energy policy framework on the industry and the future of gas.

To view the presentations given at the conference, please click here and scroll down to the 'Presentations' section:

<http://www.gasindustry.co.nz/publications>

Gas Summit

Chief Executive Christine Southey addressed the sixth annual Gas Industry Summit in September, speaking about Gas Industry Co's recommendations for regulation of the gas sector, and its progress in establishing market regulation and improving consumer outcomes.

New premises

From 7 January 2009, Gas Industry Co will have a new address. All other contact details remain unchanged.

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