

Update

18 October 2010

Gas Governance Issues in
Quality – submissions due

Gas Governance Issues in
Distribution – submissions due

New Chief Executive Announced



Mr. Steve Bielby has been appointed Chief Executive of Gas Industry Company Limited. Steve began his career as a lawyer, rising to partnership in a leading national law firm. For the last ten years he has held General Counsel / Corporate Services and Company Secretarial positions in a number of listed New Zealand energy companies, most recently with Contact Energy. He holds bachelor's degrees in Arts and Law (with Honours) from Auckland University and a masters degree in Law from King's College, London.

Steve has followed the fortunes of Gas Industry Co since its inception and is well known to many of the industry players. He is looking forward to the challenge of this role, and the opportunity to build on the legacy of his predecessor and further embed the co-regulatory model. His commencement date is yet to be determined. Ian Wilson will be Acting Chief Executive in the intervening period.

Annual Report

The FY2010 Annual Report was delivered to the Associate Minister on 29 September for presentation to the House. It has also been circulated to Shareholders and the Board of Directors and will be available for download from the Gas Industry Co website.

Market Investigator

Jacque Kean will leave her role as investigator at the end of September 2010. Jason McHerron has been engaged as her replacement and he will commence on the 26th October 2010. Jason is an experienced civil litigator, having worked in private practice and then as a Barrister sole since 2006. He has experience acting for regulatory bodies. Gas Industry Co would like to take this opportunity to both welcome Jason, and thank Jacque for her outstanding contribution to the compliance regime and to wish her all the best for her future.

Market Operations Group

Downstream Reconciliation Rules

The performance audit of Contact Energy has been completed and the final report is available on the Gas Industry Co website at <http://www.gasindustry.co.nz/work-programme/market-administration/reports-allocation-agent-and-auditors>.

Under the Rules, Gas Industry Co must arrange at regular intervals performance audits of the allocation agent and allocation participants. The initial round of performance audits is expected to be complete by June 2011. Participants have the ability to choose an audit that suits them within this timeframe; those who do not specify a time will be assigned one.

A suite of existing exemptions for certain gas gates relating to an alternative allocation methodologies and alternative arrangements for the provision of injection information has been extended. The exemptions originally expired on 30 September 2010; they will now expire on 30 September 2012. The extension is to allow sufficient time for the policy decisions underpinning the exemptions to be re-examined and, if necessary, for the Rules to be amended. The exemptions are

published at <http://www.gasindustry.co.nz/work-programme/market-administration/exemptions>

Switching Rules

Gas Industry Co thanks industry participants who responded to the Consultation on Minor Amendments to the Rules. An analysis of submissions can be found at <http://www.gasindustry.co.nz/work-programme/switching-and-registry/issues-options-and-discussion-papers>. A recommendation on the amendments is expected to be approved at the next Board meeting for submission for Ministerial approval.

Infrastructure Access Group

Transmission Pipeline Balancing

Transmission Pipeline Balancing has been an important area of work for the Company. Recent correspondence between Gas Industry Co and the Associate Minister of Energy and Resources has brought this recent phase of the transmission pipeline balancing work stream to a close.

The Associate Minister has asked that we review balancing arrangements in approximately a year from now.

Gas Industry Co would like to thank everyone that has been involved in the work stream to date.

This correspondence can be viewed on our website:

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

Gas Quality and Gas Distribution: Issues Papers

Submissions on the *Gas Governance Issues in Quality: Issues Paper* and *Gas Governance Issues in Distribution: Issues Paper* are due by **5pm on Monday 18 October 2010**. More information can be found below.

Gas Distribution

Gas Industry Co has been considering whether any issues associated with the distribution of natural gas warrant development of gas governance arrangements. The findings of this review are discussed in the *Gas Governance Issues in Gas Distribution: Issues Paper*.

To make a submission on the Distribution Issues paper, please visit:
<http://www.gasindustry.co.nz/work-programme/distribution-access?tab=1843>

Gas Quality

The purpose of the *Gas Governance Issues in Gas Quality: Issues Paper* is to review New Zealand's arrangements for managing gas quality, identify areas for more detailed evaluation, and suggest next steps.

The paper has been written in response to industry concerns about the responsibility and liability for gas quality in New Zealand. Some participants believe responsibilities are unclear, or not well aligned with liabilities. This has been a point of contention between producers, transmission companies, distributors, and retailers.

To make a submission on the Gas Quality Issues paper, please visit:
<http://www.gasindustry.co.nz/work-programme/gas-quality?tab=1842>

Vector Transmission Pipeline Capacity

Gas Industry Co has been reviewing Vector's access arrangements to consider how these might be changed to resolve participants' concerns and better meet Gas Act objectives. This review is looking at changes that can be made to its access arrangements (medium term) and

changes that can be made to remedy more immediate competition issues (short term).

Medium term

In the consultation paper, *Options for Vector Transmission Pipeline Capacity* (May 2010), we considered six options for how Vector might change the commercial arrangements to achieve more efficient use of its pipelines. Submissions on the paper were received in July. Gas Industry Co expects it will take at least two years to develop and consult on the best solution, and then implement it.

Short term

During its review of Vector's access arrangements, Gas Industry Co discovered an immediate competition issue that has arisen in the retail market as a result of the capacity constraint on Vector's North pipeline.

In essence, the problem is that, once Vector declared that its North pipeline was at the limit of its physical capacity, and that Vector was unable to issue any additional capacity rights, end-users could no longer obtain competing bids for their gas supply.

In September 2010, Gas Industry Co convened a meeting of the Capacity Working Group to consider the issue and to discuss possible options for addressing it. Gas Industry Co is currently working on a statement of proposal that will propose a solution for resolving this short-term problem.

More information on our Capacity work stream can be found on our website at:

<http://www.gasindustry.co.nz/work-programme/transmission-pipeline-capacity?tab=1849>