



## COVERSHEET

<b>Minister</b>	Hon Simeon Brown	<b>Portfolio</b>	Energy
<b>Title of Cabinet paper</b>	Improving the gas critical contingency management regime	<b>Date to be published</b>	1 November 2024

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
September 2024	Improving the gas critical contingency management regime	Office of the Minister for Energy
18 September 2024	Improving the gas critical contingency management regime ECO-24-MIN-0194 Minute	Cabinet Office
29 August 2024	Regulatory Impact Statement: Amendments to the Gas Governance (Critical Contingency Management) Regulations 2008	MBIE

### Information redacted

**YES / NO** (please select)

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of Confidential advice to Government.

# Regulatory Impact Statement: Amendments to the Gas Governance (Critical Contingency Management) Regulations 2008

Purpose of Document	
Decision sought:	Accept or reject the Gas Industry Company’s recommended Amendments to the Gas Governance (Critical Contingency Management) Regulations 2008
Advising agencies:	<i>The Ministry of Business, Innovation &amp; Employment</i>
Proposing Ministers:	<i>The Minister for Energy</i>
Date finalised:	<i>29 August 2024</i>
Problem Definition	
<p>The <i>Gas Governance (Critical Contingency Management) Regulations 2008 (CCM Regulations)</i> manage the risk to gas supply from an unmanaged disruption, such as a pipeline rupture, to the gas network.</p> <p>Changes proposed by the Gas Industry Company (<b>GIC</b>) reflect lessons from recent critical contingency events, feedback on the regime from gas industry stakeholders, and the significant changes to the gas sector since the CCM regulations were last amended, including reduced demand and supply. The changes would help manage the risk of a gas network failure occurring, minimise the impact of critical contingency events on gas users and make sure the regime is fit for purpose for today’s gas system.</p>	
Executive Summary	
<p>A gas disruption event, such as a pipeline rupture, if unmanaged can result in the failure of part of the gas network, causing a months-long loss of gas supply. This can be avoided through prompt action to reduce demand and maintain sufficient pressure in gas pipelines, until the disruption is resolved.</p> <p>There is an existing critical contingency regime, governed by the CCM Regulations made in 2008, to prevent such a disruption from turning into a gas network failure. Under the regime, a Critical Contingency Operator, an independent service provider, is tasked with overseeing planning for, and managing, critical contingency events, principally via powers to require certain consumers to curtail demand. There are eight curtailment bands that determine the order in which users must curtail gas use, based on their average annual consumption. Generally, large consumers are curtailed first because this is the most operationally efficient way to quickly stabilise pressure.</p> <p>The regime was last significantly amended in 2013. Since then, there have been further critical contingency events and annual preparedness exercises that have highlighted areas of the regime that could be improved and changes to the gas sector.</p> <p>Part of GIC’s role includes developing recommendations to the Minister for Energy, including regulations where appropriate, to improve how the gas sector operates. The GIC has undertaken work in recent years on how to improve the critical contingency regime and consulted on proposed changes with the gas sector in March 2024. There was broad agreement on most of the proposals, as well as some differing views on some of the</p>	

proposals that GIC had to balance when developing final proposals to the Minister for Energy.

In July 2024, GIC recommended 43 amendments to the CCM Regulations to the Minister for Energy. These recommendations relate to critical contingency price settings for gas, curtailment band definitions, curtailment instructions, critical contingency plans, gas users designated as essential service and critical providers, minimum required operation pressure to avoid a critical contingency event being declared and other minor matters.

Under the Gas Act 1992 (the **Gas Act**), the Minister for Energy is required to either accept or reject GIC's recommended changes as a whole and publish his decision within 90 days (see limitations and constraints section below).

The costs and benefits are hard to quantify, but cost-benefit analysis commissioned by GIC indicates that most of the proposals have a net economic benefit from reducing the risk of gas network failures or minimising the impact of curtailment on gas users. The analysis did not reach a conclusion about whether there was a net benefit from a proposal to enable greater flexibility for minimum pressure thresholds for the gas transmission system.

Our assessment is that GIC's proposal to amend the CCM Regulations is better than the status quo. Therefore, we will recommend the Minister accepts GIC's recommendation.

### Limitations and Constraints on Analysis

Under the Gas Act the Minister is required to either accept or reject the recommendation to amend the CCM Regulations in its entirety within 90 days.<sup>1</sup> Further, the Act requires that amendments to the CCM Regulations must only implement the effect of a recommendation from GIC and may not differ from that recommendation in any material way.<sup>2</sup> Therefore, this Regulatory Impact Statement (RIS) only considers two options – accepting GIC's proposals or rejecting them and maintaining the status quo. However, in developing our advice, we have considered all of the GIC's 43 recommendations and grouped them to assess the different parts of GIC's recommendation.

### Responsible Manager(s) (completed by relevant manager)

*Dominic Kebbell*

*Manager Gas and Fuel Policy, Ministry of Business, Innovation and Employment*



*29 August 2024*

### Quality Assurance (completed by QA panel)

Reviewing Agency: MBIE

Panel Assessment & Comment: *The Ministry of Business, Innovation and Employment's Regulatory Impact Assessment Review Panel has reviewed the Regulatory Impact Statement and considers that it meets the quality assurance criteria. The panel confirms the Regulatory Impact Statement contains sufficient impact analysis to support the Cabinet in making policy decisions.*

<sup>1</sup> Section 43ZP

<sup>2</sup> Section 43J

## Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

### *New Zealand's gas sector is important for New Zealand*

1. New Zealand's gas sector currently plays a critical role for key industries as a source of direct energy, as a stabiliser for the electricity system, and as an input to petrochemical production. Natural gas users in New Zealand are diverse, ranging from very large petrochemical plants (Methanex, which makes methanol for export, is by far New Zealand's largest energy user) to the residential and commercial sectors, which feature many individual connections (approximately 300,000 household connections) but uses a much smaller amount.
2. New Zealand has six main producing gas fields, all in Taranaki. Transmission pipelines move bulk gas supplies across the North Island. The transmission network is owned and operated by Firstgas (the Transmission System Owner). Pipeline pressures can be altered in response to changes in demand, which can considerably reduce operational costs for the Transmission System Owner. Distribution lines carry gas from the transmission network to end users and are owned and operated by five providers. Gas retailers sell gas to end users.
3. The Gas Act 1992 (the **Gas Act**) sets out the regulatory framework for the supply and use of gas, including the governance of the gas industry. The Gas Industry Company (**GIC**) is the private industry body that co-regulates the gas industry with the Government. GIC's primary objective is to ensure that gas is delivered to existing and new customers in a safe, efficient, fair, reliable, and environmentally sustainable manner.

### *New Zealand's gas sector is changing*

4. The gas sector is changing. Demand for gas is falling and is expected to decline further over time with increasing electrification, a shift from using gas for baseload electricity generation to peaking and firming<sup>3</sup> and as users switch to other fuels. However, New Zealand's natural gas reserves have been steadily declining since 2019 and gas production is forecast to fall below demand over at least the next three years. The limited gas supply is already impacting industry users.
5. Alternatives to supplement natural gas supply are emerging. For example, Firstgas has partnered with the company Ecogas to turn food waste into biomethane to provide users with a low-carbon gas, which can be blended into the existing network.

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<sup>3</sup> Peaking is generation that usually operates only for minutes or hours each day, during the sharpest demand peak. Firming is generation that is reliably available when called on or dispatched ie is able to provide 'firm' or steady generation output.

### **The existing gas critical contingency management system**

6. A risk to gas supply is an unmanaged disruption, such as a pipeline rupture, to the gas transmission and distribution systems. Unmanaged disruptions can result in gas system pressures falling below the operational thresholds needed for gas to continue to flow and introduce air to the system. Restoring a loss of pressure in the gas distribution network would require the technicians to individually reconnect many users to ensure the gas supply is restored safely, which would be extremely costly. This RIS will refer to this as a gas network failure.
7. A gas critical contingency management system is designed to avoid this scenario by directing gas users to reduce their demand quickly to allow time for the supply disruption to be remedied before pipeline pressure falls below operational thresholds. A secondary key feature of the system is to prioritise supply to users for whom curtailment would result in significant social costs. However, all gas users, except for individual users, may ultimately be required to curtail their demand during a critical contingency.
8. The contingency system is governed by the *Gas Governance (Critical Contingency Management) Regulations 2008 (CCM Regulations)*. Amongst other things, the CCM Regulations provide for a Critical Contingency Operator, which is an independent service provider that is tasked with managing critical contingencies, principally via powers to require certain consumers to curtail demand.
9. There are eight curtailment bands (see figure 1 below) that classify consumers primarily according to their average annual consumption. The Critical Contingency Operator will successively curtail enough bands to ensure pipeline pressure is maintained. This generally means that large consumers are curtailed first which is the most operationally efficient way to stabilise pipeline pressure.

**Figure 1 - Curtailment bands**

Band	Consumption	Description	Examples
0	n/a	Gas Storage	Ahuroa
1	>15TJ/day	Large consumers w/ alternative fuel	Huntly
2	>15TJ/day	Large consumers w/out alt. fuel	Methanex, TCC
3	>10TJ/year to 15TJ/day	Medium industrials	Fonterra, NZ Steel
4	>250GJ/year to 10TJ/year	Smaller industrials/medium commercials	Swimming pools, panel beaters, restaurants
5	>2TJ/year	Essential service providers	Wastewater treatment plants, crematoria
6	<250GJ/year	Small commercials	Takeaways, shops,
7	n/a	Critical care providers	Hospitals, residential care, prisons
DOM*	n/a	Domestic consumers	

\* not subject to mandatory curtailment

10. The October 2011 Maui Pipeline rupture was the first major test of the CCM Regulations. The CCM Regulations underwent extensive review and were amended in 2013 following that review. Since then, there have been additional critical contingencies, test exercises and market changes. The most recent critical contingency event occurred on 23 May 2017 and was caused by a system imbalance at the Kapuni Gas Treatment Plant.
11. These more recent experiences have highlighted further areas where the CCM Regulations could be amended to improve their operation to better prepare for, and respond to, future critical contingency events.

### **The Gas Industry Company has consulted industry on improvements to the critical contingency regime**

12. Part of GIC's role includes developing recommendations to the Minister for Energy, including regulations where appropriate, to improve how the gas market operates.

13. GIC has undertaken work in recent years on how to improve the critical contingency regime. In May 2020, it released a consultation paper about amending the CCM Regulations. Based on the feedback received, GIC undertook further analysis and in August 2021, GIC released the *Next Steps for Amending the Critical Contingency Management Regulations*.
14. In March 2024, GIC released the final Statement of Proposal (**SOP**) for consultation. Following this consultation, on 2 July 2024, GIC proposed Amendments to the CCM Regulations to the Minister for Energy (see **Annex One**).

### What is the policy problem or opportunity?

15. GIC's proposed amendments are based on experience and feedback from stakeholders following contingency events and annual exercises, which identified opportunities for improvement of the CCM Regulations. Stakeholders generally agreed that the CCM Regulations could be amended to improve the effective management of critical gas outages and other security of supply contingencies without compromising long-term security of supply.
16. Below is information about the current situation and the problem or opportunity across the different areas that GIC has proposed changes.

### Curtailement bands

17. The lower bands have a small number of large gas users, with bands 1 and 2 having fewer than 10 users that consume high volumes of gas and band 3 having approximately 300 gas users. The higher bands (4 to 7) that contain thousands of gas users, are curtailed only as a last resort as they encompass certain designated users and users whose share of consumption is minuscule, and whose reconnection would be very costly if the distribution network were depressurised.
18. There is an opportunity to curtail gas more efficiently by further requiring a small number of large gas users to curtail before a larger number of smaller users do. This can be done by redefining the eight curtailment bands to make sure the lower bands have larger gas volumes but fewer gas users.

### Critical Contingency Pricing

19. The Critical Contingency Price is the gas price set by an industry expert (a separate role to the Critical Contingency Operator) to encourage gas producers to increase supply and users to decrease demand where possible during critical contingency situations. The existing CCM Regulations specify that where only customers in curtailment bands 0-2 (that is large users) are curtailed, then the industry expert must base the price on the wholesale market for electricity during the critical contingency event.
20. Setting the critical contingency price based only on the wholesale electricity price is not always suitable because of changes to the electricity market. The wholesale electricity price is more volatile than in the past due to various factors, including greater intermittent renewable generation. Therefore, sometimes using wholesale electricity price for the gas critical contingency price would not result in sufficiently high prices to encourage supply and reduce demand (eg during periods where electricity prices are low, such as during summer in the daytime).

### Curtailement instructions

21. During a critical contingency event, the Critical Contingency Operator issues curtailment instructions to the Transmission System Owner (**TSO**), Firstgas, that transmits those

instructions to large users and retailers. These instructions can be for full or partial curtailment of gas. Retailers then provide instructions to their affected users.

22. In the existing CCM Regulations:

- There is ambiguity about a number of obligations resulting from curtailment instructions. One key ambiguity is the rate of consumption gas users can have at the point they are required to curtail gas use. This ambiguity allows gas users to increase their gas consumption in the time between the event occurring and the critical contingency being officially declared, which undermines the intent to reduce gas consumption during these events.
- Some gas users in bands 0-3 have a shutdown profile<sup>4</sup> that means they do not have to fully curtail use before band 4 (which has approximately 5000 small users) need to curtail. Requiring the smaller number of larger gas users in bands 0-3 to fully curtail before band 4 provides an opportunity to minimise the impact of curtailment instructions.

### **Critical contingency management plan**

23. Under the CCM Regulations, there are currently requirements for the TSO to prepare and maintain a critical contingency management plan (**CCM Plan**), retailers to prepare and maintain retailer curtailment plans and the Critical Contingency Operator to maintain the published communications plan. The CCM plan has to be consulted on with gas industry participants, assessed by an expert advisor and approved by GIC.

24. There are a range of refinements that could improve the process. This includes requiring processes for the TSO to maintain up-to-date contact details, simplifying the process for making minor changes to the plans (which does not include plans relating to safety) and enabling the plans to incorporate known upcoming changes (eg future regulatory changes).

### **Essential service and critical care providers**

25. Essential services designation holders (eg mortuary services, wastewater treatment plants) are allocated to curtailment band 5. The intention of this designation is that essential services would only need to curtail their gas consumption if the Critical Contingency Operator's curtailment of bands 1 to 4 users was insufficient to manage a critical contingency.

26. One criterion to be designated an essential service provider is consuming more than 2 TJ of gas per year. This means that users that consume between 250 GJ and 2 TJ of gas cannot qualify as an essential service provider, which was an unintended outcome of the last major amendments in 2013.

27. There are also requirements under the existing regime that can be difficult for essential service and critical care providers (eg hospitals, residential care, prisons) to meet.

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<sup>4</sup> Shutdown profiles are designated profiles necessary to prevent environmental and safety harm and minimise impact on plant equipment. Shutdown profiles set out the length of time an individual gas user has to reach zero gas use after a curtailment order. The profiles also specify what level of reduction the user should have achieved at different points in time (eg if a user has 12 hours to fully curtail gas use, they may need to have curtailed 50 per cent of gas use after 6 hours).

Currently a declaration form to be designated an essential services or critical care provider needs to be signed by a director, which may not be suitable when the user is not a body corporate. Also, these users are required to have a time of use meter<sup>5</sup> that can be costly to install.

### **Permissible thresholds limits for transmission pipelines**

28. The Critical Contingency Operator is required to declare a critical contingency in relation to an event (eg a gas pipeline rupture) if the timeframes for the transmission system to reach certain pressure thresholds are breached. Schedule 1 of the CCM Regulations specifies the permissible limits for the thresholds in the CCM Plan and the points on the transmission system where the minimum operating pressures are measured. The actual timeframes for the transmission system to reach certain pressure thresholds are set out in the CCM Plan.
29. The permissible limits for the thresholds in Schedule 1 have not changed since the CCM Regulations were made in 2008. Since then there have been significant changes to the gas market, particularly the decrease of gas supply and demand. The permissible thresholds do not reflect Firstgas' expected shift to lower operating pressures to run the transmission system more efficiently.

### **Other matters/minor changes**

30. There are other minor changes to improve the critical contingency regime and other updates to wording.

### **What objectives are sought in relation to the policy problem?**

31. Our objectives in assessing these regulatory changes are to support:
  - effective management of critical gas outages and other security of supply contingencies
  - the management of critical gas outages without compromising long-term security of supply.

## **Section 2: Deciding upon an option to address the policy problem**

### **What criteria will be used to compare options to the status quo?**

32. Under the Gas Act, GIC must do the following when making its recommendation to the Minister:
  - a. Consider the objectives of the Gas Act and Government Policy Statement on Gas Governance<sup>6</sup>
  - b. undertake a cost-benefit analysis of all reasonably practicable options for achieving the regulatory objective<sup>7</sup>

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<sup>5</sup> A time of use meter measures gas consumption at set intervals, normally one-hour intervals during a day.

<sup>6</sup> Sections 43M

<sup>7</sup> Section 43N



- c. prepare and consult on a statement of proposal containing the cost-benefit analysis.<sup>8</sup>
33. First, we need to be satisfied that these process requirements have been met to recommend the Minister accept the GIC’s recommendation. We are satisfied that GIC has met these requirements, as set out in **Annex Two**.
34. The proposals will be assessed against the criteria in the table below, which have been derived from the above policy objectives.

Criteria	Questions to guide application of the criteria
Risk of network failure	Does the proposal reduce the risk of a costly network failure that requires a time-consuming and costly recovery?
Impact on gas users	Does the proposal help minimise the impact on gas users from curtailment directions overall?  Does the proposal help minimise the likelihood of gas users in higher bands (with band 0 being the lowest and 7 the highest) having to curtail use)?
Critical contingency regime is fit for purpose	Does the proposal support effective management of critical contingencies by allowing improved processes/requirements and/or greater clarity about these processes/requirements?  Does the proposal reflect changes to the gas market since the CCM Regulations were put in place?

### What scope will options be considered within?

35. Under the Gas Act, the Minister is required to either accept or reject a recommendation made under section 43F to amend the CCM Regulations in its entirety within 90 days of receiving it. Further, the Act requires that amendments to the CCM Regulations must only implement the effect of a recommendation from GIC and may not differ from that recommendation in any material way.

### What options are being considered?

36. Due to the statutory constraints on the Minister’s decision-making powers described above, this RIS can only consider two options – accepting GIC’s proposals as a package or rejecting them and maintaining the status quo.

### Stakeholder views on proposals

37. As noted earlier, GIC consultation on changes to the CCM Regulations started in 2020. GIC received 11 submissions. There was broad agreement on many of the proposals, but the submissions received resulted in GIC undertaking further analysis.

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<sup>8</sup> Section 43L

38. GIC received seven submissions on the final Statement of Proposal released for consultation in March 2024 from participants in the gas sector, with broad agreement on many of the proposals. However, submitters raised some concern on some proposals. GIC has stated it considered participants' feedback and updated the proposal accordingly where appropriate.
39. One submitter, Greymouth Petroleum, a New Zealand oil and gas production company, provided detailed feedback that questioned many different parts of the proposals. GIC has stated that it has considered Greymouth's feedback, balancing it with other feedback.
40. Key areas of feedback were:
- Submitters were generally supportive of providing the industry expert with more flexibility to set a critical contingency price but also wanted further changes to set a predictable floor. GIC did not proceed with this because this would need to be set out in the CCM Regulations, which would not allow flexibility as the gas market changes. Generally, they accepted why GIC did not propose this at this stage but would like GIC and MBIE to work together on a solution in the future.
  - Principally, submitters agreed that changes to the pressure thresholds limits in Schedule 1 are needed to operate the gas transmission system more efficiently. Large gas users were concerned that expected operational changes to reduce operating pressure may affect their businesses if it increased the risk of a gas network failure.<sup>9</sup> GIC noted that changes to the actual allowed minimum pressures thresholds would need to be made in the CCM Plan.
  - All submitters, apart from Firstgas, agreed with GIC's decision to not proceed with a Firstgas request to exclude all gas gates operated below 10 bar g from Schedule 1 and that an assessment should be on a case-by-case basis.

### How do the options compare to the status quo/counterfactual?

41. Our assessment of each of the groupings of GIC's recommended amendments to the CCM Regulations compared with the status quo of retaining the CCM Regulations as they stand are provided below. We are comfortable that the other minor changes to improve the critical contingency regime make it more fit for purpose and have not included a detailed assessment of this aspect of GIC's proposals in this RIS.

### Curtailment band proposals

42. Under the status quo, the current 8 (0 to 7) bands would be retained. GIC proposed amendments that would make two significant changes to the curtailment bands:
- The first of these affects bands 1 and 2, removing the distinction between those participants with an alternative source of fuel and instituting instead a volume distinction. GIC's rationale is that removing the distinction brings consistency to the band definitions and provides more load to band 1 thereby reducing the possibility of band 2 being called on. The main result is that the larger gas user Methanex, which

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<sup>9</sup> Firstgas's obligations for transmission system pressure are set in contractual arrangements.

currently comes under band 2 because it relies on gas, would now come under band 1.

- The second change adds a new band 3A that would likely have a small number of relatively large users (approximately 20). The current band 3 has approximately 300 users. This proposal means that there would now be nine bands instead of eight (including band 0). GIC’s rationale is adding this new band would reduce the likelihood of the current band 3 participants, with the high number of gas users, being called on in their entirety to curtail gas use.

**Table 1 – Curtailment band proposals**

	<b>Option One – Status quo</b>	<b>Option Two - Amend the CCM Regulations</b>
<b>Risk of network failure</b>	0	0
<b>Impact on gas users</b>	0	+ Greater volumes of gas would be available to curtail in initial bands (in bands 1, 2 and 3A).
<b>Critical contingency regime is fit for purpose</b>	0	0
<b>Overall assessment</b>	0	+ Option two is better than the status quo because it reduces the likelihood of more users having to curtail gas use, which is a more efficient way to curtail gas in a critical contingency event.

**Key for assessing option against criteria (for all tables 1 – 7)**

++ much better than status quo

+ better than status quo

0 about the same as status quo

- Worse than status quo

-- much worse than status quo

**Critical contingency price setting proposal**

43. Under the status quo, the existing CCM Regulations specify that where only customers in curtailment bands 0-2 (that is large users) are curtailed, then the industry expert must base the price on the wholesale market for electricity during the critical contingency event.
44. GIC’s recommended amendments would remove the restriction to base price on wholesale electricity prices for events where only bands 0-2 are curtailed. With this change, all instances of contingency price-setting would need to take account of all three elements listed in regulation 71(3)(b) within the CCM Regulations: prices in the

wholesale market for electricity, cost of loss of gas supply to affected consumers, and any other matters that the industry expert considers relevant.

**Table 2 – Critical contingency price setting proposal**

	<b>Option One – Status quo</b>	<b>Option Two – Amend the CCM Regulations</b>
<b>Risk of network failure</b>	0	+ Provides the industry expert greater flexibility to set an appropriate contingency price.
<b>Impact on gas users</b>	0	0
<b>Critical contingency regime is fit for purpose</b>	0	+ The status quo of solely connecting the critical contingency price to electricity market in some cases is no longer suitable.
<b>Overall assessment</b>	0	++ Provides the industry expert the ability to set an appropriate market price that encourages more supply and less demand, and reflects changes in the gas market.

### **Curtailment instructions**

45. Under the status quo, the existing regulations for curtailment instructions would be retained. Under the GIC’s proposed amendments:

- Directions for partial curtailment or shutdown would apply to actual consumption rates at the time a critical contingency is declared. This is to manage the risk of gas users increasing gas consumption before partial curtailment is instructed, or when their shutdown profiles start. There are some exceptions, such as where gas users have a legitimate need to increase gas use before shutting down.
- Bands 0 to 3 (including any critical processing designations) must fully curtail before band 4 is instructed to curtail gas use. The rationale for this change is that there is relatively little load in curtailment band 4 and that the disruption to customers in band 4, while doing little to help stabilise the system, would impose a significant cost on those participants for little gain.

**Table 3 – Curtailment instruction proposals**

	<b>Option One – Status quo</b>	<b>Option Two - Amend the CCM Regulations</b>
<b>Risk of network failure</b>	0	+ Manages the risk of gas users increasing consumption at the point a critical contingency is declared, which undermines the intent of curtailment.

<b>Impact on gas users</b>	0	+	Reduces the risk of band 4 gas users having to curtail by requiring full curtailment of initial bands first (bands 1, 2, 3A and 3).
<b>Critical contingency regime is fit for purpose</b>	0	0	
<b>Overall assessment</b>	0	++	Supports more effective curtailment instructions and reduces the likelihood that a large number of gas users in band 4 will have to curtail use.

### Critical contingency plan proposals

46. Under the status quo, the current requirements for the TSO to prepare and maintain a CCM Plan as well as the requirements for the retailer plans and Critical Contingency Operator’s communications plans would be unchanged.
47. Under the GIC recommended amendments, there would be a range of changes intended to make the critical contingency management plan more fit for purpose and provide more efficient processes. This includes requiring processes for the TSO to maintain up-to-date contact details, simplifying the process for making minor changes to the plan (which does not include plans relating to safety) and enabling the plans to incorporate known upcoming changes (eg future regulatory changes).

**Table 4 – Critical contingency management plan proposals**

	<b>Option One – Status quo</b>	<b>Option Two – Amend the CCM Regulations</b>	
<b>Risk of network failure</b>	0	0	
<b>Impact on gas users</b>	0	0	
<b>Critical contingency regime is fit for purpose</b>	0	+	Makes a range of refinements that improves the effectiveness of the CCM Plan
<b>Overall assessment</b>	0	+	Option two is better than the status quo because it would improve the effectiveness of the CCM Plan

### Essential services and critical care providers

48. Under the status quo, the requirement to consume more than 2 TJ of gas per year to be designated an essential service provider would remain.

- 49. The GIC recommended amendments would reduce the consumption criterion for essential services designations to above 250 GJ per year. This is to address the issue that protections of being an essential services providers are unavailable for users using between 250 GJ and 2 TJ of gas.
- 50. The recommended changes would also:
  - remove a requirement for essential services or critical care users (band 7) to have a time of use meter that many do not possess and can be costly to install
  - allow the declaration form to be designated an essential services or critical care user to be signed by a chief executive or equivalent position rather than a director, which may not be suitable (eg the user is not a body corporate).

**Table 5 – Critical care and essential services proposal**

	<b>Option One – Status quo</b>	<b>Option Two – Amend the CCM Regulations</b>
<b>Risk of network failure</b>	0	0
<b>Impact on gas users</b>	0	+ Reduces the likelihood that services that are deemed essential will have to curtail.
<b>Critical contingency regime is fit for purpose</b>	0	0
<b>Overall assessment</b>	0	+ Reduces the likelihood that gas users providing essential services will have to curtail gas use and makes other minor improvements.

**Operating pressure thresholds**

- 51. Under the status quo, the permissible limits for the thresholds in the CCM Plan and the points on the transmission system where the minimum operating pressures are measured in Schedule 1 of CCM Regulations would remain unchanged.
- 52. The GIC recommended amendments to broaden threshold limits allowed across the gas transmission pipelines within Schedule 1 of the CCM Regulations. These recommendations are based on proposals from the TSO, Firstgas. For example, under Schedule 1 the three gas transmission pipelines in the Bay of Plenty currently have minimum operating pressures of 30 bar g, with a range of plus or minus 2.5 bar g. Under the proposed amendments, the minimum operating pressure range would be 25 bar g, with a range of plus or minus 5. The proposed changes to the operating pressure thresholds across the gas transmissions pipelines, which allow lower pressure thresholds, are provided in **Annex Three**.

53. The changes to Schedule 1 in the CCM Regulations would allow Firstgas to propose lower pressure thresholds in the CCM Plan, with the changes needing to be reviewed by an expert advisor, and approved by GIC. GIC has advised that setting the pressure thresholds in the CCM Plan at the lowest permissible range would have no more than a negligible impact on the time the Critical Contingency Operator would have to manage a critical contingency event.
54. We understand that Firstgas has proposed the changes to the permissible limits for pressure thresholds in Schedule 1 because it intends to lower the operational gas pressures in the transmission network. This operational change reflects the change in the gas market since the CCM Regulations were put in place, including the reduced supply and demand of gas and would reduce Firstgas' operating costs.
55. The availability of gas in critical contingency events depends on how Firstgas operates the transmission system and other factors, including pipeline location, demand for gas in that part of the system, and the nature of the event. Lowering the operating pressures in the transmission system to operate it more efficiently may, in specific circumstances, result in less gas being available. However, the CCM Regulations' focus is managing critical contingency events and does not prohibit Firstgas from lowering the gas pipeline pressures.
56. GIC recommended amendments differed from Firstgas' proposals in two ways:
- Firstgas proposed a blanket exclusion clause for pipelines operated at low pressures (< 20 bar g). This could have also supported Firstgas injecting biomethane in the transmission system, which is typically done at lower pressures to minimise compression costs. However, GIC did not include this exclusion clause in its recommendation because it considered that this would not have allowed the impact on the security of supply of removing these thresholds to be considered on a case-by-case basis.
  - The proposed pressure threshold limits for Westfield (Central (North)) and Waitangirua (South) gas gates would be outside of the current critical contingency thresholds stated in the CCM Plan. This would automatically require the CCM Plan to be amended to make sure it aligns with the new allowed thresholds in the Schedule 1, even without any operational change. Therefore, GIC decided, in agreement with Firstgas, to propose adjusting the upper permissible limit of the proposal for these two gas gates so that the existing pressure thresholds fall within the Schedule 1 changes.<sup>10</sup>

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<sup>10</sup> Under Firstgas' original proposals for the minimum operating pressure thresholds for Westfield were 27.5 plus or minus 7.5 bar g and for Waitangirua were 27.5 plus or minus 7.5 bar g. Under GIC's amended proposal, the minimum operating pressure thresholds for Westfield are 27.5 **plus 10** or minus 7.5 bar g and for Waitangirua 27.5 **plus 9.5** or minus 7.5 bar g.

**Table 6 – Operating pressure threshold proposals**

	<b>Option One – Status quo</b>	<b>Option Two – Amend the CCM Regulations</b>
<b>Risk of network failure</b>	0	0 Any changes to operating pressure thresholds have to be reviewed by an independent expert and approved by GIC. GIC has advised that setting the pressure thresholds in the CCM Plan at the lowest permissible range would have no more than a negligible impact on the time the Critical Contingency Operator would have to manage a critical contingency event.
<b>Impact on gas users</b>	0	0
<b>Critical contingency regime is fit for purpose</b>	0	+ The proposed changes to the permissible limits reflect the changes to the gas sector and the expected changes to the operation of the transmission system in the future.
<b>Overall assessment</b>	0	Option two reflects the significant changes to the gas market since the CCM Regulations were put in place and how the transmission system is expected to operate in the future.

**What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits**

- 57. As noted earlier, we have assessed that GIC has met the statutory requirements it is required to meet to make this recommendation to the Minister. The objectives GIC has considered are consistent with the objectives of the Gas Act 1992 and Government Policy Statement on Gas Governance, GIC has undertaken statutory consultation and considered feedback and commissioned cost-benefit analysis. More detail is provided in **Annex Two**.
- 58. As noted earlier, the Minister must decide whether to accept or reject the GIC recommendation as a package.
- 59. All proposals were assessed above as improving on the status quo. Accordingly, amending the CCM Regulations as proposed by the GIC is better than the status quo and therefore we will recommend the Minister accepts it, subject to any minor differences to the GIC recommendation required during drafting of the amendments.

**What are the marginal costs and benefits of the option?**

- 60. GIC commissioned a cost-benefit analysis that focused on the benefits to New Zealand. The analysis found that the proposals related to critical contingency price, changing the



curtailment bands and curtailment orders show on balance a net economic benefit because they:

- facilitate the management of critical contingency events thus achieving the objectives of the CCM Regulations
- lower the risk of domestic consumers and small businesses being curtailed, the reconnection of whom would give rise to high costs
- lower the number of customers having to curtail.

61. The analysis did not reach a conclusion about whether there was a net benefit with the proposal to enable greater flexibility for pressure thresholds.

62. The analysis did not quantify the costs or benefits of the proposals in monetary terms.

**Table 7 – Costs and benefits to affected groups**

<b>Affected groups</b> <i>(identify)</i>	<b>Comment</b> <i>nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.</i>	<b>Impact</b> <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.</i>	<b>Evidence Certainty</b> <i>High, medium, or low, and explain reasoning in comment column.</i>
<b>Additional costs of the preferred option compared to taking no action</b>			
Regulated groups	<p>Costs incurred will relate to the need to update procedures and to ensure that operational staff are brought up to speed with the changes. This covers responsibilities for the TSO, the Critical Contingency Operator, retailers and major gas users.</p> <p>Some larger gas users would be more likely to curtail in a critical contingency</p>	<p><b>Low to Medium</b></p> <p>Not quantified but the compliance costs are expected to be minor.</p> <p>The costs for large gas users more likely to curtail may be significant but the cost-benefit analysis focused on the wider economy rather than costs for specific users.</p>	<p><b>Low to Medium</b></p> <p>Some of the operational changes are known.</p> <p>The likelihood of having to implement changes to gas curtailment are hard to determine given the unpredictable nature of gas critical contingency events.</p>
Regulators	<p>Minor operational changes required to existing regulatory regime.</p>	<p><b>Low</b></p> <p>Minor changes required.</p>	<p><b>Medium</b></p> <p>Some of the operational changes are known.</p> <p>The likelihood of having to apply changes in a critical contingency</p>

			event are uncertain given the unpredictability of these events.
Others (eg, wider govt, users, etc.)	Small gas users would unlikely face direct costs from the changes	n/a	n/a
<b>Total monetised costs</b>			
<b>Non-monetised costs</b>		Low to Medium	
<b>Additional benefits of the preferred option compared to taking no action</b>			
Regulated groups	<p>Less over-curtailment with changes to bands.</p> <p>Greater flexibility for operating transmission system can lower operating costs for the TSO.</p> <p>Easier for the Critical Contingency Operator to communicate to fewer larger gas users.</p>	<b>Medium</b> Impact depends on the number and extent of critical contingency events.	<b>Low</b> The likelihood of benefits from the changes (eg more efficient curtailment) are uncertain given the unpredictability of critical contingency events.
Regulators	<p>Would benefit from greater transparency resulting from additional information from some of proposed changes.</p> <p>Cost and time savings from simplified processes to make minor changes to the CCM Plan</p>	<b>Low</b> Minor benefits.	<b>Medium</b> Some of the operational changes known.
Others (eg, wider govt, users, etc.)	Smaller users less likely to curtail gas use.		
<b>Total monetised benefits</b>			
<b>Non-monetised benefits</b>		Low to Medium	

## Section 3: Delivering an option

### How will the new arrangements be implemented?

63. Changes to the critical contingency regime will be implemented through amendments to the existing CCM Regulations. Confidential advice to Government

. We expect that the regulations will come into force the standard 28 days after being notified in the *New Zealand Gazette*.

64. GIC will oversee implementation of the changes, including communicating and educating the gas industry of the changes.
65. The following groups will be involved implementing changes should the CCM Regulations be amended.
  - The TSO, Firstgas, will need to update the CCM Plan to reflect the new requirements. Changes to timeframes and pressure thresholds within the CCM Plan will need to be proposed by the TSO, reviewed by the expert advisor, and are subject to GIC's approval.
  - The Critical Contingency Operator and Firstgas will inform retailers and large gas users of their additional obligations (eg providing additional contact information).
  - Gas retailers will need to update their retailer plans and advise their customers of these changes.
  - In a critical contingency event, industry participants will need to comply with the changes.

### How will the new arrangements be monitored, evaluated, and reviewed?

66. The CCM Regulations require the Critical Contingency Operator to conduct exercises annually to test, amongst other things, that transmission system owners'<sup>11</sup> CCM Plans are compliant with the CCM Regulations and give effect to the purpose of those regulations. Each transmission system owner must then report to the Critical Contingency Operator on whether its plan meets the test criteria and then make appropriate changes. Participants in the exercise can raise concerns or suggest improvements.
67. Under GIC recommended amendments, the CCM Regulations will require the Critical Contingency Operator to produce a performance report within 20 business days after the termination of a critical contingency event, assessing, amongst other things, the effectiveness of transmission system owners' CCM Plan and the CCM Regulations. The Critical Contingency Operator will need to consult stakeholders as part of this process and must identify any improvements that can be made.
68. The CCM Regulations require GIC to review the performance of the Critical Contingency Operator annually. They also require GIC, via a technical expert, to review transmission system owners' CCM Plans, and recommend that changes be made as required.
69. GIC expects to review the CCM Regulations as needed as the gas market changes. For instance, the emergence of alternative gases such as biomethane that require lower operating pressures to be injected in the transmission system may drive the need for further changes to the CCM Regulations to be considered in the future.

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<sup>11</sup> Currently there is one transmission system owner, Firstgas.

## Annex One – Summary of GIC’s recommendations and MBIE’s response

Recommendation	Regulation	Reason for change	MBIE’s response to GIC recommendation
<b>Setting a critical contingency price</b>			
<b>Remove the restriction to only base price on wholesale electricity prices for events where only bands 0-2 are curtailed.</b>	71(3)(a)	Considering wholesale market for electricity when setting a contingency price for bands 0-2 curtailment is too restrictive and not suitable to respond to the changing market dynamic when setting a critical contingency price.	Agree – Change provides industry expert greater flexibility to set price to encourage more supply and less demand.
<b>Curtailment band definitions</b>			
<b>Amend the definition of band 2 to consumers who consume greater than 15 TJ per day but less than 100 TJ and band 1 as consumers who use greater than 100 TJ per day.</b>	Schedule 3	Re-defining of bands 1 and 2 puts greater load in band 1 and provides greater load reduction availability to the Critical Contingency Operator and increases the chance of curtailing demand in band 1 without curtailing band 2 to avoid over-curtailment. Bands should be based on volume, not on use or alternative fuel availability.	Agree – Change could support more efficient curtailment of gas with greater gas volumes to curtail within band 1.
<b>Split the current band 3 into 3A and 3 using 300 TJ per year as the lower threshold for 3A and upper threshold for band 3.</b>	Schedule 3	A new band 3A provides the Critical Contingency Operator with another band that represents a relatively large volume but contains relatively few consumers that can respond quickly to a curtailment direction.	Agree – Change could support more efficient curtailment of gas by reducing likelihood of higher number of gas users having to curtail use.
<b>Define all annual threshold volumes by taking the average consumption over the previous three years.</b>	Schedule 3	Removes ambiguity of how annual consumer consumption is measured in the curtailment band definitions.	Agree – Satisfied that change provides greater clarity about definition of annual consumption.
<b>Define the daily threshold volumes by using the previous three years to determine consumption.</b>	Schedule 3	Removes ambiguity of how daily consumer consumption is measured in the curtailment band definitions. This change needs a clarification of what ‘daily’ means. ‘Daily’ or ‘per day’ means a customer who over the last three years has met the daily usage threshold	Agree – Satisfied that change provides greater clarity about how daily consumer consumption is measured.

Recommendation	Regulation	Reason for change	MBIE's response to GIC recommendation
		from time to time, or in the case of new customers, is expected to meet the daily usage threshold from time to time. This definition ensures that consumers are allocated to the correct bands.	
<b>Amend definition of 'consumer installation' to include a gas installation with multiple points of connection to a distribution system or transmission system.</b>	5	Clarify curtailment order for connected consumers that have multiple points of connection at one site to a distribution system or transmission system. This ensures that consumers with one site with two connections are treated as one consumer during the curtailment process.	Agree – Satisfied that change provides greater clarity for curtailment instructions.
<b>Curtailment Instructions</b>			
<b>Clarify that:</b> <b>a) directions for partial curtailment must be made with regard to consumption rates at the time a critical contingency is declared;</b> <b>b) designated shutdown profiles apply to consumption rates at the time a critical contingency is declared, except for consumers with designated shutdown profiles who require their full shutdown profile to safely shutdown.</b>	53(2), Schedule 2	Removes ambiguity with respect to partial curtailment. Clarifies, that when partial curtailment is instructed, or shutdown profiles commence, the consumption rates apply from the time the critical contingency is declared, not from a consumer's maximum capacity, or maximum in a shutdown profile. Designated shutdown profiles can be different for different levels of consumption rates.	Agree – Satisfied that change clarifies what consumption rates gas is curtailed from and manages the risk of gas users increasing gas consumption in between an event and a critical contingency being declared.
<b>Require all customers with approved shutdown profiles to curtail fully before band 4 is directed to curtail.</b>	53(2), Schedule 2, Schedule 3	Retains a balance between the value of critical processing designations and inefficient curtailment. This might require the creation of an extra band for critical processing designations. The consumption required by all approved shutdown profiles is considerably greater than that of all 6,000 consumers within curtailment band 4.	Agree – Change could support more efficient curtailment of gas by reducing likelihood of band 4 having to curtail.

Recommendation	Regulation	Reason for change	MBIE's response to GIC recommendation
<b>Information provided to the Critical Contingency Operator</b>			
<p><b>Amend Schedule 4 of the CCM Regulations to update the types of transmission system information the TSO is required to provide the Critical Contingency Operator and update regulation 10 to reflect that the 'Commencement Date' is irrelevant.</b></p> <p><b>Additional information requested by the Critical Contingency Operator:</b></p> <ul style="list-style-type: none"> <li>• <b>Critical contingency thresholds on the map</b></li> <li>• <b>engineering drawings in paper and electronic format instead of a diagram</b></li> <li>• <b>pipe wall thickness</b></li> <li>• <b>operating pressure</b></li> <li>• <b>flow control valves, system isolating valves and non-return valves</b></li> <li>• <b>pipeline route maps in paper and electronic format.</b></li> </ul>	10, Schedule 4,	<p>The Critical Contingency Operator requires additional technical and geographical information from the TSO to manage critical contingency events and suggested to add specific changes to Schedule 4.</p> <p>The "Commencement Date" regulation 10 is no longer relevant.</p>	Agree – Satisfied there are no issues with changes.
<p><b>Provide the Critical Contingency Operator with the ability to request from the industry body (Gas Industry Co) numbers of ICPs<sup>12</sup> by curtailment band and by gas gate, as recorded in the gas registry.</b></p>	39	Information can be used by the Critical Contingency Operator to validate retailers' consumer information.	Agree – Satisfied there are no issues with changes.
<p><b>Update regulation 39 so that instead of referencing gas gates where retailers trade, it will reference gas gates where retailers' consumers are connected.</b></p>	39	Removes ambiguity and includes upstream gas trades.	Agree – Satisfied there are no issues with changes.

<sup>12</sup> An Installation Control Point, or ICP, is a physical point of connection between a gas network and a consumer's installation

Recommendation	Regulation	Reason for change	MBIE's response to GIC recommendation
<p><b>Clarify that approved shutdown profiles are to be provided by the industry along with notice of an approved designation to the parties listed in regulation 46K.</b></p>	46K(2)	Removes ambiguity and specifically includes approved consumer shutdown profiles.	Agree – Satisfied there are no issues with changes
<b>Critical contingency plans</b>			
<p><b>Amend the CCM Regulations to clarify that a reference to an authoritative data source is an acceptable means of including contact details in a CCM Plan and that CCM Plans must outline the process by which a TSO will manage and maintain contact details.</b></p>	Potentially 25 and 33	Improves communication processes and contact management	Agree – Changes support improved communication and contact management.
<p><b>Provide the industry body with three options for when CCM Plan amendments are submitted for approval:</b></p> <ul style="list-style-type: none"> <li><b>(a) Approve, for proposals that it agrees are immaterial and appropriate;</b></li> <li><b>(b) Send a proposed amendment back to the TSO, for proposals that it does not agree are immaterial, or where it feels that industry input is warranted;</b></li> <li><b>or</b></li> <li><b>(c) Follow the current expert adviser process, for proposals that it deems require the scrutiny of the standard approval process.</b></li> </ul>	27; 33(4); 34(6) and 65(3)	Introduces a simplified process for minor, immaterial changes to the critical contingency management plan. Any proposed amendments related to safety cannot be considered as being immaterial.	Agree – Changes allow simplified processes for minor changes to the CCM Plan.
<p><b>Specifically allow for a go-live date for a proposed amended CCM Plan.</b></p>	25	Clarifies that a CCM Plan can reference a future event or date to meet future new regulatory requirements.	Agree – change could help future-proof CCM Plans.

Recommendation	Regulation	Reason for change	MBIE's response to GIC recommendation
<b>Require retailers to provide their retailer curtailment plans including the primary contact for the Critical Contingency Operator to the industry body and to the Critical Contingency Operator by 1 March of each year.</b>	43	Enhances quality of retailer curtailment plans and the curtailment process.	Agree – change could help better communication during critical contingency events.
<b>Require that annual test exercises incorporate retailer curtailment plans.</b>	34	Ensures that retailer curtailment plans work in case of a critical contingency event.	Agree – We understand that up-to-date retailer plans support critical contingency preparedness.
<b>Require retailers to participate in annual test exercises.</b>	New obligation	Ensures that retailer curtailment plans work in case of a critical contingency event.	Agree – Change could support retailer preparedness for critical contingency exercises.
<b>Include communications that occur in monitoring the system prior to a critical contingency and in declaring a critical contingency in the communications plan.</b>	35	Clarifies communication processes/protocols in a CCM Plan before declaration of a critical contingency event.	Agree – Change could support communications in a critical contingency event.
<b>Critical care and essential services designations</b>			
<b>Reduce the consumption criterion for essential service designations to above 250 GJ per year.</b>	46B	Aligns consumption criterion with lower bound of curtailment band 4.	Agree – Change reduces the likelihood that services that are deemed essential will have to curtail by broadening the range of entities defined as essential services.
<b>Remove the requirement for critical care and essential services consumers to have a time-of-use meter.</b>	46K	Many small essential services do not have a time-of-use meter and the cost of installation would be significant.	Agree – Change reduces compliance burden for critical care and essential services providers.
<b>Allow the declaration form for critical care providers and essential service providers to be signed by a chief executive or equivalent position.</b>	46K	Simplifies the requirements for statutory declarations as it is sometimes difficult to get a director's signature.	Agree – Change simplifies compliance process for critical care and essential services providers.
<b>Recommended other matters</b>			



Recommendation	Regulation	Reason for change	MBIE's response to GIC recommendation
<p><b>Amend definition of 'retailer' to clarify that retailer means any person who supplies gas to another person, or other persons, for any purpose other than resupply by the other person, or persons, as long as that gas is transported through the transmission system.</b></p>	5	<p>The new definition should remove ambiguity but also ensure that the spot market, and the TSO carrying out unrelated obligations under the transmission codes (for example balancing and cash-outs), are excluded from the definition.</p>	<p>Agree – Change clarifies which entities have retailer obligations.</p>
<p><b>Amend the CCM Regulations to allow for short-term transient breaches of a pressure threshold without requiring a critical contingency declaration.</b></p>	Potentially a new provision/regulation 48	<p>Allows the TSO/ the Critical Contingency Operator to manage transient threshold breaches without triggering the critical contingency process.</p>	<p>Agree – This is a pragmatic change to avoid a critical contingency process being required for minor breaches.</p>
<p><b>Amend the CCM Regulations to allow for planned outages to not trigger a critical contingency declaration.</b></p>	Potentially a new provision/regulation 48	<p>Allows the TSO/Critical Contingency Operator to manage transient threshold breaches without triggering the critical contingency process.</p>	<p>Agree – This is a pragmatic change to avoid a critical contingency process being required for planned outages.</p>
<p><b>Amend regulation 54A to include unexpected interruptions to asset operation.</b></p>	54A, Schedule 5	<p>Clarifies disclosure obligations of unexpected interruptions to asset operation due to external events (ie power loss to a gas processing facility due to a lightning strike to a power station or transformer).</p>	<p>Agree – Clarifies disclosure obligations for gas processing facilities.</p>
<p><b>To forward compliance data, retailers and large consumers are required to use a form specified in the Critical Contingency Management Plan.</b></p>	55 and 56	<p>Streamlines the data collection process for the TSO during a critical contingency event.</p>	<p>Agree – A minor change to streamline the data collection process.</p>
<p><b>Amend the CCM Regulations to clarify that:</b></p> <ul style="list-style-type: none"> <li>a) the Critical Contingency Operator has 20 business days after the termination of a critical contingency to produce a draft performance report;</li> <li>b) stakeholders have a minimum of 5 business days to</li> </ul>	65	<p>Improves process for the Critical Contingency Operator to prepare a performance report.</p>	<p>Agree – Change clarifies requirements for performance report.</p>

Recommendation	Regulation	Reason for change	MBIE's response to GIC recommendation
<p>make a submission; and</p> <p>c) the Critical Contingency Operator must prepare a final performance report no later than 10 business days following receipt of submissions; and to specify that the Critical Contingency Operator must have regard to the submissions on its draft report when preparing the final report.</p>			
Amend the definition of business day to exclude Matariki.	5	Recognises Matariki as a public holiday	Agree – Minor change.
<b>Recommended update amendments</b>			
<p>affected party, in relation to any part of the transmission system affected by a critical contingency, means –</p> <p><del>(a) if the part of the transmission system is governed by MPOC, an interconnected party that has a contingency imbalance; and</del></p> <p><b>(b) for all other parts of the transmission system, an interconnected party or shipper that has a contingency imbalance</b></p>	5	Update to reflect any transmission arrangements.	Agree – Noting that there may be minor changes to recommended updates during drafting.
<p>gas producer has the same meaning as in section <b>2(1) 43D(1)</b> of the Act, <del>but in respect of Maui gas means the Crown</del></p>	5	Update to reflect current ownership and updating the reference to the correct section in the Gas Act.	Agree – Noting that there may be minor changes to recommended updates during drafting.
<p><b>OATIS means the online interactive open access transmission information system, or any other replacement information system, that is used to facilitate information exchange in respect of the open access regime</b></p>	5	Change to reflect any transmission arrangements and correcting the reference.	Agree – Noting that there may be minor changes to recommended updates during drafting

Recommendation	Regulation	Reason for change	MBIE's response to GIC recommendation
<b>under a transmission system code, MPOC and VTC</b>			
Delete definitions of MPOC and VTC	5	Obsolete references	Agree – Noting that there may be minor changes to recommended updates during drafting.
<del>MPOC, VTC, and a</del> <b>Any other transmission system code must be read subject to these regulations.</b>	13(2)	Change to reflect any transmission arrangements.	Agree – Noting that there may be minor changes to recommended updates during drafting.
<b>A proposed critical contingency management plan must be consistent with <del>MPOC, VTC, or any other</del> transmission system code except to the extent necessary to comply with these regulations.</b>	25(2)	Change to reflect any transmission arrangements.	Agree – Noting that there may be minor changes to recommended updates during drafting.
<b>A payment made under these regulations in relation to a contingency imbalance discharges in full any payment obligation or liability under <del>MPOC, VTC, or any other</del> transmission system code in respect of the same contingency imbalance.</b>	81(1)	Change to reflect any transmission arrangements.	Agree – Noting that there may be minor changes to recommended updates during drafting.
<b>The critical contingency operator's role under these regulations is distinct and independent from any other role or capacity, including as a transmission system owner or system operator, that the critical contingency operator may have under <del>the MPOC, VTC (or other any</del> transmission system code), or <b>any</b> contractual agreement.</b>	85	Change to reflect any transmission arrangements.	Agree – Noting that there may be minor changes to recommended updates during drafting.
<b>Recommended minor amendments</b>			
<del>“As soon as practicable after the publication of these</del>	18(5)	Delete redundant drafting	Agree – Noting that there may be minor

Recommendation	Regulation	Reason for change	MBIE's response to GIC recommendation
<del>estimated critical contingency ongoing costs, the industry body must notify every person to whom regulation 17(3) applies of the estimated critical contingency ongoing costs, and that ongoing fees will be payable by that person in that year or part year in accordance with</del> In calculating ongoing costs, the industry body must use the following formula..."			changes to recommended updates during drafting.
"...a equals the critical contingency ongoing costs estimated in accordance with <del>subclause (4)</del> <u>subclause (6)</u> ..."	18(5)	Correct the cross reference	Agree – Noting that there may be minor changes to recommended updates during drafting.
"On the first business day of each month <del>following the notification in subclause (5)</del> the industry body must invoice..."	18(7)	Wording referred to go-live provision that has since been revoked	Agree – Noting that there may be minor changes to recommended updates during drafting.
"Each large consumer must, as required by subclause (2), provide a notice to the critical contingency operator setting out, for the consumer installation, the total annual consumption, maximum daily consumption, curtailment band, and any <del>critical processing</del> designation."	40(1)	The notification to the Critical Contingency Operator should include any designation applicable to the ICP, not just critical processing designations.	Agree – Noting that there may be minor changes to recommended updates during drafting.
"the date on which the allocation agent receives the data from allocation participants or on which the transmission system owner receives the data <del>from</del> <u>on</u> large consumers (as applicable);	66A(2)(a)	Correct a drafting error	Agree – Noting that there may be minor changes to recommended updates during drafting.
Critical contingency threshold limits			

Recommendation	Regulation	Reason for change	MBIE's response to GIC recommendation
<p><b>Update Schedule 1 of the CCM Regulations with broader pressure threshold ranges.</b></p> <p><b>Updates of naming conventions to align with current practice.</b></p>	Schedule 1	<p>Provide a broader pressure threshold range so that the point at which a critical contingency is declared can be aligned with changes to the operation of the transmission system. The recommendation does not include the exclusion of gas gates operated at &lt; 20 bar g as requested by Firstgas and modifies the upper bound of the Westfield and Waitangirua gas gates so that they include the pressure threshold of the current CCM Plan</p>	<p>Agree – This reflects the significant changes to the gas market since the CCM Regulations were put in place and how the transmission system is expected to operate in the future.</p>

**Annex Two – GIC’s compliance with statutory requirements to make recommendation to Minister**

Requirement	Whether satisfied
<b>Has consultation been carried out in accordance with section 43L?</b>	Yes – GIC consulted the industry in developing the proposals, most recently March 2024. We are satisfied GIC has considered the submissions received.
<b>Has an assessment been carried out in accordance with section 43N?</b> <b>Has a statement of proposal been prepared in accordance with section 43N?</b>	Yes – GIC commissioned cost-benefit analysis of the proposals.  Yes – GIC has prepared a statement of proposal.
<b>Has the recommendation been published in accordance with section 43O?</b>	Yes – GIC has published its recommendation to the Minister.
<b>Has the industry body considered the objectives in recommending regulations for wholesale market, processing facilities, transmission and distribution of gas as outlined in section 43ZN?</b>	Yes – The objectives GIC considered align with the objectives in the Gas Act.
<b>If there is a government policy or statement (as allowed for in section 43ZO), has the industry body considered the objectives and outcomes outlined in such a policy or statement (see section 43M)?</b>	Yes – The objectives GIC considered align with the objectives in the Government Policy Statement.

## Annex Three – Proposed changes to Schedule 1

### Schedule 1 Critical contingency threshold

In accordance with [regulation 25\(1\)\(a\)](#), the permissible limits for the thresholds specified in a critical contingency management plan that apply to the following parts of the transmission system (as identified on the map published in accordance with [regulation 10](#)) are:

Pipeline	Maximum time before minimum operating pressure is reached	Minimum time before minimum operating pressure is reached	Minimum operating pressure range	Point of measurement <sup>r 25</sup>
<del>Maui pipeline</del>				
Rotowaro Maui	5 hours	2 hours	32 (±2.5) 30 (±5) bar g	Rotowaro Compressor Station
<del>Vector pipeline</del>				
South	10 hours	3 hours	35 (±2.5) 27.5 (-7.5; +9.5) bar g	Waitangirua WTG06910
Hawkes Bay lateral	6 hours	3 hours	30 (±2.5) 25 (±5) bar g	Hastings HST05210
Frankley Rd to Kapuni	6 hours	3 hours	35 (±2.5) bar g	Kapuni (GTP) KAP09612
Bay of Plenty	6 hours	3 hours	30 (±2.5) 25 (±5) bar g	Gisborne GIS07810
Bay of Plenty	6 hours	3 hours	30 (±2.5) 25 (±5) bar g	Tauranga TRG07701
Bay of Plenty	6 hours	3 hours	30 (±2.5) 25 (±5) bar g	Whakatāne WHK32101
Morrinsville lateral	6 hours	3 hours	30 (±2.5) 25 (±5) bar g	Cambridge CAM17201
Central (North)	6 hours	3 hours	40 (±2.5) 27.5 (-7.5; +10) bar g	Westfield WST03610

Pipeline	Maximum time before minimum operating pressure is reached	Minimum time before minimum operating pressure is reached	Minimum operating pressure range	Point of measurement*
North	6 hours	3 hours	25 ( $\pm 2.5$ ) bar g	Whangārei WHG07501
For any other gas gate on the Maui or Vector pipeline, excluding Taupō TAU07001 and Broadlands BRO36301	6 hours	3 hours	<del>30 (<math>\pm 2.5</math>)</del> 25 ( $\pm 5$ ) bar g	Gas gate not specified elsewhere

\*The codes specified in the first and fifth columns of this table refer to the gas gate codes determined under the Gas (Switching Arrangements) Rules 2008.