

31 July 2014

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Gas Market
Ministry of Business, Innovation and Employment

By email to: energymarkets@mbie.govt.nz

Dear Sir/Madam,

Feedback on Gas Disruption Study – report on the potential impacts on the NZ gas market

Thank you for the opportunity to comment on this study. The report itself and the scenarios envisaged in the report have served to improve awareness of the risks involved in gas supply in general and to our business in particular.

As a member of the Major Gas Users Group, we fully support their feedback and comments.

In addition, we make some comments and suggestions as below.

1. Economic impact of pipeline loss

- a. The economic loss estimates in the report do not (as mentioned in the report) take into account any consequential losses as a result of the unavailability of gas for an extended period (i.e. 4 weeks). For an industry such as ourselves who do not have any capability to catch up on lost production time, and international customers who have alternative suppliers, this scenario, in addition to the immediate financial losses also poses a significant long term business risk.
- b. We therefore support further work on the economic impacts of gas supply risk as per item (1) on page 74 of the report**
- c. In particular, a review of consequential economic impact should be included.**

2. Gas supply loss risk within-business mitigation opportunities

- a. The possibilities within our business for removing or mitigating the impact of any loss of gas supply risk are quite limited and invariably result in the need for very significant capital expenditure to install alternative fuel burning equipment that will sit idle for long periods of time and when called upon to come into operation will be unreliable despite any program of regular testing. This solution also relies on an assumption that alternative fuels e.g. diesel, heavy fuel oil, LPG, will be available in sufficient quantities throughout the gas supply loss period.
- b. This leads us to conclude that it may well be more cost effective for many businesses to support a focus on a NZ Inc basis on prevention and reduction of the risk and likely duration of any pipeline or gas production loss events.
- c. We therefore support further work on the economic impacts of gas supply risk as per items (2),(3) and (5) on page 74 of the report**

- d. With particular reference to item (2) , we suggest that at least section 2.6 and Appendix A of the Commerce Commission Gas Transmission Information Disclosure Determination 2012 is reviewed thoroughly with a view to:
 - i. making more explicit the disclosures required of the Gas Transmission Businesses for assessing and mitigating the low frequency high consequence loss risks
 - ii. Providing a target risk profile for the Gas Transmission Businesses.
- e. It is also suggested that work is carried out on identifying the alternative fuels that might be used in a loss event and what volumes might be necessary to provide a realistic alternative fuel supply for businesses that may be able to switch to an alternative fuel supply.

We thank you for the opportunity to provide feedback on this important issue.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'L Haugh', is placed over a light blue rectangular background.

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