

24 November 2017

Ben Gerritsen  
General Manager – Customer and Regulations  
First Gas  
(via email to [info@gasindustry.co.nz](mailto:info@gasindustry.co.nz) )

Dear Ben

**RE: Submission on GTAC: Second Revised Draft**

1. This is a submission on behalf of the Major Gas Users Group (MGUG) on the second revised draft GTAC released on 3 November 2017.
2. Nothing in this submission is confidential and some members may choose to make separate submissions.
3. MGUG was established in 2010 as a consumer voice for the interests of a number of industrials who are major consumers of natural gas. Membership of the Group includes:
  - Ballance Agri-Nutrients Ltd
  - Oji Fibre Solutions (NZ) Ltd
  - Fonterra Co-operative Group
  - New Zealand Steel Ltd
  - Refining NZ
4. As per our submission on the first draft, this submission is not intended to be based on any legal review of the GTAC clauses. Rather our submission is concerned with continuing to support the process for establishing a new and improved transmission code within the target timeframe of 1 October 2018.
5. We reiterate the points in our earlier submission that MGUG are supportive of the basic design features of the current draft GTAC and our belief that they align with the code objectives articulated in SCOP2, and are consistent with the guiding principles developed by the PEA in 2013.
6. We do understand that some shippers continue to look for greater clarity and further development on the mechanisms of detailed provisions before the code is finalised. We support both FG and shippers resolving detailed matters within an overall timeframe that would allow the code to be implemented on 1 October 2018.
7. Whilst the current implementation date also appears to be a common goal for all the participants in the process there is a risk that a protracted iterative process around continually evolving draft versions will lead to delaying the implementation, whether through further negotiation, or via a regulatory pathway being chosen to cut through an impasse.

8. MGUG are comfortable with the broad outlines of the draft code and we are confident that there is a responsive and robust code change process to deal with the evolution of the code as it is informed by experience. Our confidence in the change process to deal with code workings is based on what we understand to be the objectives of the code and the principles that have guided the development, structure and wording of its provisions.
9. Regrettably, and despite a process that started with defining objectives and design principles ahead of code drafting, there seems to be a reluctance by FG to record these in order to assess code performance over time and guide its evolution. Whilst the suggestion appears to have been considered by FG from our previous submission we do not believe the proposed response, to insert a commitment to the current legal framework (which is an obligation anyway), provides a good framework for a document which will need to evolve/adapt over time.
10. Whilst FG may be reluctant to include specific design principles within a commercial document we believe it is still possible to achieve this outcome in ways that would address FG's concerns. For example we see it as entirely feasible for FG to find a place to record code design principles in the same way as it does for pricing methodology or operating procedures such as line pack management.
11. For a number of reasons we believe that such a document is necessary and valuable:
  - a. It will help the GIC and industry in assessing whether the code intent is "materially better" by providing a direct comparison between the current combined codes against the new code. This would also help identify where the actual code mechanisms may need to be tweaked in order for design to meet intent rather than rely solely on interpreting intent and working from legal drafting;
  - b. It will provide a means for assessment of actual code performance after implementation;
  - c. It will equally provide a basis for promoting and supporting change requests for the same reasons;
  - d. It may help ease some of the pressure on the current drafting process to find perfection for parties who may be concerned about their ability to influence changes in the future. This includes MGUG members who to date have been prepared to accept FG's verbal assurances on design intent but who are now somewhat concerned that the principles risk being abandoned or forgotten once the code is implemented.
12. MGUG has through its last submission provided a conceptual framework on how these design principles might be recorded, what some of the key design principles might be and wording that could be used to capture intent. We accept these as starting points for discussion rather than as final wording.
13. We accept that the status of a principle document may be outside of an industry governance process in the same way as pricing methodology is not subject to industry agreement (but

still subject to meeting legislative requirements). However we believe that there is tangible value in transparency to strengthen trust and confidence in the sector as a whole.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Hale'.

Richard Hale/Len Houwers  
Hale & Twomey Ltd/Arete Consulting Ltd  
Secretariat for the Major Gas Users Group