



30<sup>th</sup> June 2017

Ben Gerritsen  
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Dear Ben

### **Preliminary Draft Code Changes to Transition from VTC and MPOC to GTAC**

Contact Energy Limited (Contact) thanks First Gas Limited (First Gas) for the opportunity to make submissions on its information paper titled Preliminary Draft Code Changes to Transition from VTC and MPOC to GTAC (the Paper).

The paper proposes two change requests to provide matching expiry dates for both pipeline codes. The expiry date is 30 September 2018 to line up with the commencement of the Gas Transmission Access Code (GTAC). It also sets out the timing for the continuing consultation and implementation of the GTAC. Contact provides its feedback below.

1. First Gas put forward a number of objectives it seeks in making the transition from the two codes to the GTAC being; a seamless transfer, provision of certainty and the ability to influence without creating the risk of hold out.

#### **1.1 Seamless transfer**

Contact agrees that the transfer of the current operations to one code should be provided without gaps or overlaps. It expects that First Gas will make the decision on the implementation date well ahead of that time due to other processes that would need to happen should the new code be delayed. Contact urges First gas to be realistic about the time required to implement the GTAC and its IT system given the requirements of all system users.

#### **1.2 Provision of certainty**

For the provision of certainty First Gas requires the IT system to be procured and implemented and the GTAC to be complete. These are also the requirements of Contact including the ability for it to integrate its systems with the new IT system.

With respect to the new IT system Contact is concerned with the short time frame between the selection of the IT system provider and the system integration. This has been time lined over 6 months. A similar time frame would be required for Contact to develop its own system that works with this new IT platform. Therefore we would need to be involved well before the integration phase to achieve a seamless intergration. Contact sees this is a high risk milestone.

In order to mitigate this risk Contact would like to explore with First Gas whether the IT systems being investigated as part of its procurement process has shipper portals that could avoid individual IT systems being built or modified. It would also like to be advised as soon as possible of any changes to formats the system may require that are different from the current system.

### 1.3 Ability to influence without creating the risk of hold out.

First Gas assures parties that their comments will be taken seriously but that there will be no delay to protect narrow interests or concerns that are not well supported or explained.

Contact is happy with the assurance provided that parties are provided with sufficient detail on which to base their support for the GTAC and associated agreements and systems.

## 2. Pre-conditions

First Gas have put forward two pre-conditions that are to be fulfilled prior to implementing the GTAC.

These are: -

- a. A **substantive** condition that GTAC better meets the requirements of the Gas Act and Government Policy Statement than the VTC/MPOC; and
- b. A **procedural** condition that the GTAC is in final form and allows existing pipeline users to continue using the transmission system on reasonable terms for which contracts are available for execution.

First Gas believe that through providing these pre-conditions together with direct consultation, it will provide a level of comfort to the gas industry participants that their interests are being recognised.

### 2.1 First Gas recommend achieving the first substantive pre-condition via a Gas Act review by the GIC. Contact is not in favour of this proposal as we believe it could lead to a GTAC being implemented that on the whole meets the Gas Act but contains elements that are not commercially agreeable to those signing up to the agreement. The emphasis on regulatory and legislative objectives could be a relatively easy condition to meet at the expense of additional risks/costs passed through to users. A number of users favour the First Gas proposal as they believe voting by current users may provide conditions where those users can create a barrier to new entrants and therefore reduce competition, objectives that sit under the gas Act.

Contact believe that a better outcome would be a hybrid condition where, once the consultation is complete, the GTAC must meet the Gas Act and Government Policy Statement objectives as determined by the GIC, then be voted on by parties to the code. This ensures that parties cannot vote against the GTAC where to do so would be against those objectives.

### 2.2 The second pre-condition discusses timelines for the completion of the GTAC requirements.

The only time frame specified in the draft change request is a 40 day notice period where the MPOC ICAs and TSAs are terminated on the New Code Date subject to:

- the new code being published on the new IT system allowing provisions to parties to continue to transport gas and for parties to continue to connect with the pipeline;
- the GIC approval of the new Code;
- the transmission service agreements under the VTC terminated;
- the New Code date published on the new IT system; and
- contracts provided to shippers, welded parties and emsTradeport to allow them to continue to transport gas, connect to the pipeline and trade gas on the trading platform.

Contact, as stated above, remains concerned that a major risk is a delay with the IT system or conditions that delay users transitioning to the new IT system. First Gas state that they expect all parties will want assurance that the new IT system will be operational in time for the transition date before approval for the transition to the GTAC is given but nowhere is this specifically provided for.

Contact therefore would like the proposed MPOC change request to specify timeframes within which the IT system will be operational and available to users. And that those timelines are realistic for all users to meet. In addition if those timeframes are not achieved the implementation of the new code will be delayed.

Contact is happy to discuss any of the points made above and looks forward to further workshops in order to progress the development of these concepts.

Yours Sincerely

A handwritten signature in blue ink, appearing to read 'Sharon Wray', with a long, sweeping tail extending to the right.

Sharon Wray

