

19th March 2018

Gas Industry Company
(via email to info@gasindustry.co.nz)

Attention: Ian Wilson - Principal Adviser – Infrastructure Access Group

Dear Ian,

Re: Fonterra Submission on GIC's Preliminary Assessment of the Gas Transmission Access Code (GTAC)

Fonterra thanks the Gas Industry Company (GIC) for the opportunity to provide feedback on the consultation, GIC's Preliminary Assessment of the GTAC released on 13th February 2018

Fonterra is a major gas user and used approximately 4.9PJ of natural gas last season (1 August 2015 to 31 July 2016, aka FY17). Fonterra's sites using natural gas are located across the North Island of New Zealand, resulting in Fonterra having significant utilisation of the gas transmission system.

Fonterra is a member of the Major Gas User Group (*MGUG*) and supports the points raised in that submission on this preliminary assessment, except where they may differ by any points raised in this submission by Fonterra.

Fonterra is overall supportive of the GTAC as it currently stands and feels that it is materially better than the existing Vector Transmission Code and Maui Pipeline Operating Code.

We would not like to see the GTAC progress halted and replaced with either the status quo of the MPOC and VTC or replaced with a regulatory framework. Fonterra is happy to continue to work with FirstGas and the GIC to reach a final GTAC.

Fonterra looks forward to further engagement with the GIC on this topic and is willing to discuss further any matters regarding this submission.

Yours sincerely,

Tony Oosten
Manager Energy & Utilities Group
Tony.Oosten@Fonterra.com

Questions

Preliminary Assessment of Gas Transmission Access Code (GTAC)

Submission prepared by: Fonterra – Tony Oosten

QUESTION	COMMENT
Q1: Do you have any comment on our approach to the analysis?	The approach used is logical and systematic, but following through the analysis the final determination is surprisingly negative. It is noted that all parts of the GTAC should be at best no worse than the status quo for the similar parts in the MPOC or VTC and FirstGas should strongly consider just reusing those sections for example the liability differences.
Q2: Do you agree with our assessment of the GTAC gas transmission products?	Fonterra agrees with the assessment of the GTAC gas transmission products and does not feel the DNC will be onerous to manage.
Q3: Do you agree with our assessment of the GTAC pricing arrangements?	Fonterra agrees that the move to zonal delivery will be of benefit as they tend to align to our milk supply regions thereby allowing ability to utilise diversity of plant availability to minimise incentive charges at a zonal level. But would question the need for incentive charges in non-congested zones as they deliver no benefit with respect to system capacity.
Q4: Do you agree with our assessment of the GTAC energy quantity determination?	Fonterra supports the Major Gas Users Group (MGUG) submission that the reduction in metering calibration testing is detrimental.
Q5: Do you agree with our assessment of the GTAC energy allocation arrangements?	No comment.
Q6: Do you agree with our assessment of the GTAC balancing arrangements?	Fonterra supports the MGUG submission that the single balancing zone is a positive feature and should deliver some efficiencies.

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QUESTION	COMMENT
Q7: Do you agree with our assessment of the GTAC curtailment arrangements?	Fonterra agrees with the assessment and the clarity that the GTAC introduces for curtailment including the ability to arrange Priority Right if we so decide but our understanding is that this would be moot if a critical contingency event is triggered and then curtailment bands would be utilised by the CCO. There needs to be a differentiation between congestion and curtailment under the CCO with respect to the PR as these are congestion management tools. Fonterra suggests that the industry starts to refer to this as congestion curtailment arrangements.
Q8: Do you agree with our assessment of the GTAC congestion management arrangements?	Fonterra believes the tools in the GTAC to address congestion management are greater than the existing VTC and transparent with respect to the PR auctions.
Q9: Do you agree with our assessment of the GTAC gas quality and odourisation arrangements?	No comment
Q10: Do you agree with our assessment of the GTAC governance arrangements?	Fonterra agrees with the GTAC governance assessment especially around the no materially better status of the liability section and suggested that FirstGas retain the MPOC / VTC clause back to back wording as a solution.
Q11: Do you agree with our top-down analysis?	Fonterra supports the MGUG submission in that the GTAC offers a substantial improvement over current arrangements.
Q12: Do you agree with our overall assessment?	Fonterra supports the MGUG submission.
Q13: Do you agree that with our analysis of ICAs?	No comment
Q14: Do you agree with our analysis of SAs?	Fonterra supports the MGUG submission that SA's need to be a marginal product with full visibility as to how and why they were granted to ensure DNC product users are not disadvantaged.
Q15: Do you agree with our analysis of nominations?	No comment.

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QUESTION	COMMENT
Q16: Do you agree with our analysis of daily overrun and underrun charges?	No comment
Q17: Do you agree with our analysis of hourly quantities?	No comment
Q18: Do you agree with our analysis of liabilities? In particular, do you have any particular comments on whether the proposed liability arrangements in relation to the injection of Non-Specification Gas better meet the efficiency, reliability and fairness objectives when compared to the MPOC and the VTC?	Fonterra agrees with the GTAC governance assessment especially around the no materially better status of the liability section and suggested that FirstGas retain the MPOC / VTC clause back to back wording as a solution.
Q19: Given that the current, tighter, drafting in the MPOC still results in excursions outside of the 42-48 bar gauge range, what is your view of the revised drafting under the GTAC?	No comment.
Q20: Do you agree that comparing the ERM charges with bid/ask spreads is a sound method for testing the appropriateness of the quantum of those ERM charges? If not, what would be a more appropriate comparator?	No comment.
Q21: Do you agree with our analysis of the incentive charge rebates?	Fonterra supports MGUG's submission on incentive charges as the impact to Fonterra should be minimal resulting from the zonal delivery and diversity of processing plant within the zone to trigger incentive charges.
Q22: Do you agree with our analysis of First Gas' discretion?	No comment

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QUESTION	COMMENT
Q23: Do you agree with our analysis of public information disclosure?	No comment

Additional questions posed by First Gas

QUESTION	COMMENT
Q24: How far away from the materially better standard do you think we are? For example, do you think we need to fundamentally re-work the access products and concepts; significantly re-work a few items and adjust a range of other items; adjust a range of items; or adjust a few key items?	Fonterra supports MGUG's submission.
Q25: How long do you think it will take to re-engage and achieve materially better? For example, a similar amount of time as spent so far (August 2016 to November 2017); about half as much time as spent to date; six months; or three months? Do you have any views on an appropriate go-live date for the new code, given the other steps involved (GIC assessment and IT implementation)?	Fonterra supports MGUG's submission.

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QUESTION	COMMENT
<p>Do you have any preferences on how the process should be run from here on in? For example, in terms of the pathways shown in the decision tree above, should we revise and consult on the GTAC to address the reasons the GIC concluded it is not materially better, should we discontinue the process, or should we start from a blank sheet of paper? Should we use workshops like we have previously; focused work group sessions; one-on-one discussions; or a mix of the above?</p> <p>Q26:</p>	<p>Fonterra supports MGUG's submission</p>