

# Bridge Commitments: Progress Report

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**For the quarter ending 30 June 2013**

The Bridge Commitments are a series of commitments made by the majority of shippers aimed at addressing short term concerns about competition on the North Pipeline. They have been in place since August 2011.

In the past three months, there have been capacity offers listed on the GTX in respect of three large gas tenders. One of these offers was taken up by a competing retailer.

In addition, three ToU customers on the North pipeline switched retailers in the period without requesting a capacity offer. Gas Industry Co is also aware of other tender processes where a number of competitive bids were received without the need for a capacity transfer.

The Panel of Expert Advisers (PEA) has presented its second advice paper to Gas Industry Co. In it, the PEA proposes an evolutionary convergence approach that builds on commonalities between the Maui and Vector transmission access regimes. This approach would progressively evolve and harmonise the services currently available on the two pipeline systems to allow shippers to seek a mix of capacity access rights that best match their needs. The paper is available on Gas Industry Co's website at <http://gasindustry.co.nz/work-programme/market-projects/advice-panel-expert-advisers>.

A companion paper by Gas Industry Co provides an update on the industry's broader Gas Transmission Investment Programme and a view on how it can be progressed in light of the PEA's recommendations. The report is available here: <http://gasindustry.co.nz/work-programme/gtip-all-projects/gas-transmission-investment-programme-status-and-development>. Submissions on both reports close on 30 August 2013.

Further information on the Bridge Commitments and previous reports are available at <http://gasindustry.co.nz/work-programme/short-term/bridge-commitments>

Commitment	Progress since 1 April 2013
<p>1. <i>as a Shipper...</i></p> <p>a. <i>ensure that transmission capacity (capacity) is available to the preferred retailer...</i></p> <p>b. <i>provide that capacity and quantity information, ...</i></p> <p>c. <i>provide that information in paragraph 1(b) to the Gas Industry Company Limited (GIC), ...</i></p>	<p>In the past quarter, there have been capacity offers listed on the GTX in respect of three large gas tenders. One of these offers was taken up by a competing retailer.</p> <p>In addition, three ToU customers on the North pipeline switched retailers in the period without requesting a capacity offer. Gas Industry Co is also aware of other tender processes where a number of competitive bids were received without the need for a capacity transfer.</p>
<p>2. <i>to ensure that within ten business days after the completion of the tender process initiated by the end user or Shipper, the information in paragraph 1(b) will be disclosed...</i></p>	<p>Information on previous capacity offers is available on the GTX (<a href="http://thegtx.co.nz/bid-book/trade">http://thegtx.co.nz/bid-book/trade</a>), which provides a platform where Shippers themselves can post and accept offers. The GTX includes all the offers that Gas Industry Co is aware have been made under Commitment 1.</p>
<p>3. <i>to negotiate, and where practicable agree, on a set of reasonable commercial terms to govern the transfer of capacity under Supplementary Agreements...</i></p>	<p>This commitment is complete.</p> <p>Contact Energy and Mighty River Power (MRP) have both completed agreements with Vector Gas Limited that allow supplementary transmission capacity booked for Otahuhu and Southdown to be transferred to other shippers.</p>
<p>4. <i>to disclose to the GIC such information as the GIC reasonably requires to enable it to understand and assess the extent of the Northern Pipeline capacity constraint, the efficiency of the current capacity allocation mechanism and the need for asset investment...</i></p>	<p>Gas Industry Co has issued no such requests for information in the past quarter.</p>

Commitment	Progress since 1 April 2013
<p>5. to work with GIC on a review of the Northern Pipeline capacity constraint, with the results made public and presented in an open forum by a target date of 1 December 2011.</p>	<p>In March, Vector released a document entitled, "Capacity Determination for the Vector Gas Transmission System, as at 21 February 2013," which contains a determination of uncommitted operational capacity on the North System as well as the other Vector transmission systems. A copy of the report is available at <a href="http://www.vector.co.nz/capacity-determination-for-vector-gas-transmission-system-21-february-2013">http://www.vector.co.nz/capacity-determination-for-vector-gas-transmission-system-21-february-2013</a></p>
<p>6. to work together to develop a platform (known as a Bulletin Board) to facilitate the open and transparent trading of capacity between willing buyers and sellers, by a target date of 1 December 2011.</p>	<p>The GTX has been operational since May 2012.</p> <p>Capacity offers are discussed under item 1 above.</p>
<p>7. to participate in a project with the objective of developing longer term market solutions; establishing the current need for gas transmission investment; and developing an effective pathway for gas transmission investment to take place, including correctly signalling the price of gas transmission capacity.</p>	<p>The PEA's advice paper to Gas Industry Co was released for consultation on 19 July, along with a Gas Industry Co-authored update report on the industry's broader Gas Transmission Investment Programme. The documents can be found at <a href="http://gasindustry.co.nz/work-programme/market-projects/advice-panel-expert-advisers">http://gasindustry.co.nz/work-programme/market-projects/advice-panel-expert-advisers</a> and <a href="http://gasindustry.co.nz/work-programme/gtip-all-projects/gas-transmission-investment-programme-status-and-development">http://gasindustry.co.nz/work-programme/gtip-all-projects/gas-transmission-investment-programme-status-and-development</a> .</p> <p>Submissions close Friday, 30 August 2013.</p>