

GAS TRANSMISSION ACCESS

SUBMISSIONS ON NOVEMBER 2016 SINGLE CODE OPTIONS PAPER (SCOP2)

DATE:

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Independence of Gas Industry Co

Gas Industry Co participates in the code development process on the following basis:

1. Any contributions it makes do not constrain its ability to recommend regulation at a later stage.
2. It will independently evaluate the design of the code and may recommend changes if, when considered in Gas Industry Co's regulatory capacity, the code design proposed by industry does not adequately meet the Gas Act objectives.
3. It will carry out activities in order to prepare itself to recommend regulation if a new code cannot be implemented by the industry which meets the regulatory objectives. These activities may be performed simultaneously to the industry work streams to ensure that Gas Industry Co can develop a Statement of Proposal as expeditiously as possible, if required.



Content of November 2016 SCOP2 paper

- In November 2016 First Gas issued a *Single Code Options Paper (SCOP2)*
- *SCOP2*
 - Proposes objectives for the new Gas Transmission Access Code (GTAC)
 - Discusses the scope of the GTAC
 - Sets out high-level options for transmission access
 - Discusses possible arrangements around governance, balancing, linepack management, allocation, non-standard agreements, and gas quality
 - Proposes next steps, including a schedule of work
- In January 2017 Gas Industry Co issued an *Analysis of Submissions on SCOP2*
- This presentation summaries the *Analysis of Submissions*

Submissions received from...

Contact



Vector

- Contact
- Critical Contingency Operator (CCO)
- emsTradepoint
- Genesis
- Greymouth
- Major Gas Users Group (MGUG)
- Methanex
- Nova
- OMV
- Shell
- Spindletop
- Trustpower
- Vector

< Topic >

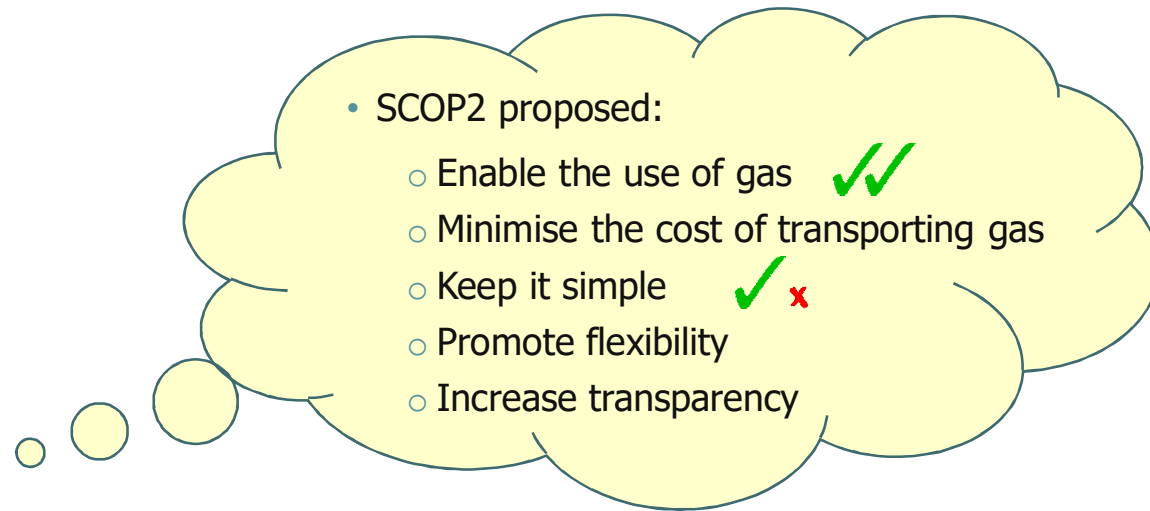
< What SCOP2 proposed >

- ✓✓ none opposed
- ✓x
- ✓x balanced
- ✓x
- xx all opposed

< Submitter views >

< GIC comments >

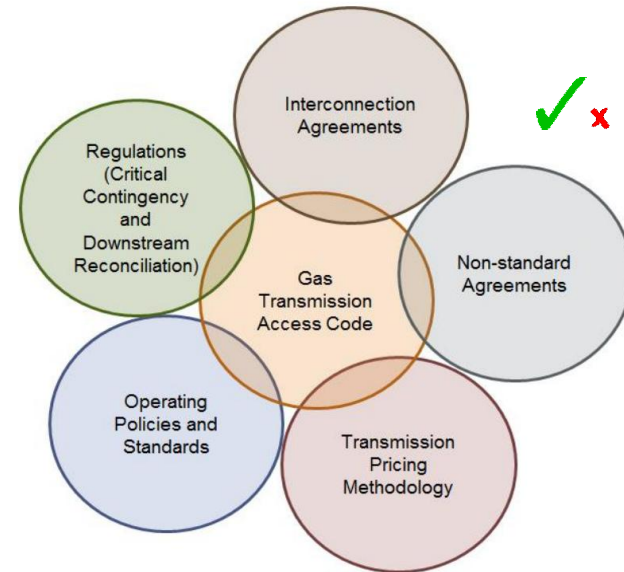
Objectives



- Submissions:
 - Generally support proposed objectives, and agree they are compatible with Gas Act objectives
 - But some suggest including:
 - ‘reliability’, ‘pipeline integrity’, ‘maintenance and investment’, ‘fit for purpose’, ‘overall health of the gas sector’, ‘competitive outcomes’, and ‘facilitate upstream/downstream investment’, or some Gas Act/GPS objectives
- *GIC:*
 - *Objectives should reflect essential purpose of replacing the existing codes*
 - *GIC will assess the final proposals against the Gas Act objectives*

What's in?

- GTAC should: ✓✓
 - govern matters that materially affect service levels or cost of most/all shippers
 - address topics to a level that provides reasonable clarity on how different interests are treated
- Submissions:
 - Agree with criteria for determining what should be included in GTAC
 - Suggest other relevant arrangements influencing GTAC include:
 - emsTradeport Market Rules, TSAs, Price-quality regulation, Gas Act, Carriage of Goods Act, Sale of Goods Act, Commerce Act, etc.
- *GIC:*
 - *Agrees with the principles proposed by First Gas*
 - *Thinks that at least the essential terms of interconnection should be in the GTAC*
 - *Asks if some aspects of balancing and gas quality could be outside the GTAC*



Options

Option 1

- Day ahead nomination
- + On the day adjustment
- + Longer term priority right

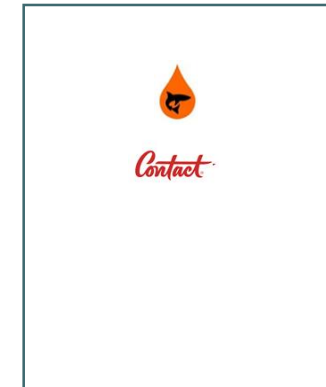
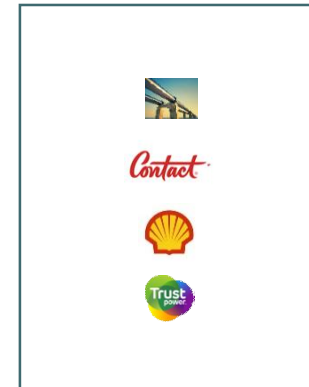
Option 2

- Day ahead nomination
- + On the day adjustment

Option 3

Flow to demand

- Submitters who expressed a clear preference for one or two options were:



- *GIC*
 - *Notes different parties have different and legitimate needs/priorities*
 - *Suggests First Gas should consider if design could allow for:*
 - *1. Zoning of the system*
 - *2. Requiring nominations only where they matter to the operation of the system*
 - *3. Retaining OBAs at locations where they are already in use*

Code Governance

GTAC should provide common terms of bilateral TSAs but only certain aspects of ICAs



Should explore if different change processes could apply to substantive v non-contentious code changes, with an independent party considering such changes



Non-standard agreement should be available subject to clear criteria in code eg limited to bypass or situations where investment by First Gas is required



- Submissions:
 - Mixed on whether code should cover TSAs & ICAs and complex v simple change processes
 - Most submitters favour permitting non-standard agreements
- *GIC*
 - *Thinks it may be unnecessary distraction to change the contract structure*
 - *But, agree code governance arrangements need to be considered*
 - *Agrees that non-standard agreement should be permitted in limited circumstances, and negotiated by First Gas if no conflicts of interest*

Gas Quality

SCOP2 proposes that the core principles and requirements for gas quality will be in GTAC



- Submissions:
 - Most agree, but a few suggest this is an opportunity to propose some options that would address insurance arrangement, and fragmented gas quality responsibilities
- *GIC*
 - *Will issue a gas quality status update in Q1 of 2017*

Back-Up slides

Good progress to date...

Key communication	Author	date
<i>Memorandum on Single Code Development Process</i>	FG	12 August 2016
Stakeholder workshop		24 August 2016
<i>Single Code Options Paper (SCOP1)</i>	GIC	13 September 2016
Stakeholder workshop		20 September 2016
Stakeholder workshop		9 November 2016
<i>SCOP1 Analysis of Submissions</i>	GIC	23 November 2016
<i>Single Code Options Paper (SCOP2)</i>	FG	28 November 2016
Stakeholder workshop		5 December 2016
<i>SCOP2 Analysis of Submissions</i>	GIC	27 January 2017
<i>GTAC Development: Proposed Decisions and Next Steps</i>	FG	17 February 2017
Stakeholder workshop		28 February 2017