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17 March 2017

Gas Industry Company
95 Customhouse Quay
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Attn: Ian Wilson

Dear Ian,

Single Code Options Paper (SCOP2)- Workshop 28 February

At the SCOP2 workshop on February 28, First Gas and the Gas Industry Company expressed willingness to receive comments on First Gas' paper "Gas Transmission Access Code Development: Proposed Decisions and Next Steps".

Accordingly we provide our perspectives in the attachment. As the GIC indicated in the workshop, we think it would assist transparency if all industry comments such as this were posted on the GIC website.

Once again we advocate that nominations/confirmations/ and allocation protocols are established in accord with good international practice (e.g. COPAS, NAESB). We are of the view that failure to adhere to good international practice in these areas risks facing intractable problems during future operation, and higher costs by having to develop bespoke IT and business systems that are untried.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Murray Jackson", is written over a faint, repeating watermark of the Shell logo.

Murray Jackson

ATTACHMENT: COMMENTS ON GAS TRANSMISSION CODE

Interconnection Agreements and Operational Protocols

- First Gas has said that the GTAC should contain the main obligations of the shippers and interconnected parties. (see 8 section 3 first paragraph. However, we also note that this appears to contradict First Gas decision records 1.1 and 7.1 and 12.3 in the Appendix B)
- Because "*title to gas will be established by the agreements and processes used to determine allocated quantities*" (4.1 Appendix B), and because at injection points only the injection point operator can confirm title, then all the relevant agreements and processes must be part of the GTAC, and the injection operator must be a party;
- With OBAs, there will be Operational Imbalance (per MPOC) definition, and to be equitable, that will need to be treated like mismatch and that mechanism will need to be incorporated in the GTAC;
- A process for confirming nominations between First Gas and the operator of the relevant injection point is essential, with the "lessor of" rule applying if both operators do not agree on the schedule to be transferred. Any reduction from provisional nominations (whether required by the transmission operator or the injection point operator) will have to be recognized by Shippers hence this process also needs to be in the GTAC. This process is well established good practice as applied internationally.
- We believe that good practice in respect of gas flow allocation is well established internationally as follows:
 - The allocation algorithm to apply between Shippers and other parties (such as the injection operator in the case of an OBA) must be agreed by the operator of the injection point prior to gas flow;
 - In the absence of agreement as to which standard algorithm to apply, there must be a default allocation algorithm. In the case where OBAs are currently operating, the default should be OBA;
 - The choice of allocation algorithms should be confined to the standard ones: OBA, pro-rata on nomination, swing, ranking. These are all driven by gas transmission nominations. (This means that existing allocations mechanism at existing VTC injection points cannot apply, unless there is only one shipper). For simplicity, all allocations at all injection points should be derived by standard allocation algorithms that are driven by confirmed gas transmission nominations;
 - the Gas Transfer Agreement (GTA) requirements should be a part of the Code and the injection point operator should be a party to the GTA and the GTAC.

Allocation of Gas Market Deliveries and Receipts

- In the absence of delivery nominations which can drive allocations, how are deliveries and receipts to and from the Gas Market Allocated? (p34 says nothing about the accounting of purchases and deliveries; saying the default rule is "*sum of shippers' allocated quantities = metered quantity*". Unfortunately, this is not helpful because it is simply a statement of what an allocation rule must produce, it says nothing about what how allocations between shippers are derived).
- In general, we seek clarity on how delivery point allocations are to be handled so that

they cannot be used to impede competition between wholesalers or retailers. We are concerned that unless standard allocation mechanisms are applied that cannot be overridden, there is potential for incumbent retailers to block access by the gas user to more competitive arrangements for supply of gas. Such blocking could be effected by the incumbent wholesaler/retailer choosing not to agree to any revised allocation arrangements. The use of standard allocation algorithms (driven by gas transmission nomination) prevents allocation from being used anti-competitively.

- We note that First Gas proposes that *“OBA will be an option at each single-user delivery point (probably incorporated in the ICA)”*. We note however that for this to work and be available at all major deliver points, the Daily Capacity Nominations will also have to have the status of Gas Transmission Nominations in order to drive the allocation on nomination that is characteristic of the OBA, and gas nominations will need to be able to put in place for every major delivery point (and not just nominated to zones).