
Report on how Gas Industry Co would perform a GTAC Change Request role

1. Introduction and purpose

First Gas has proposed a draft Gas Transmission Access Code, dated 10 August 2017, (draft GTAC) to replace the current transmission access arrangements. The draft GTAC provides that it can be amended:

1. if Gas Industry Co, after consultation, supports a proposed change request, and First Gas approves it;
2. on a temporary basis, if First Gas believes that that an Urgent Code Change¹ is necessary to respond to unforeseen circumstance; or
3. through an alternative process that Interested Parties (being First Gas, any Shipper or any Interconnected Party with an Interconnection Agreement (ICA)) agree to.

These matters are addressed in draft GTAC s17, the full text of which is included for reference as Appendix D to this Report.

This Report considers item 1. In particular, it describes how Gas Industry Co would perform its role. If, once the code development process is complete, item 1 remains a feature of the GTAC, we anticipate that Gas Industry Co would issue a Guidance Note, formally setting this out.

We invite submissions on this Report by Friday, 22 September. Once we have considered the submissions we will issue an updated version of this Report.

2. Description of draft GTAC change process

The existing MPOC and VTC change processes, and the change process proposed in the draft GTAC, are summarised in Appendix A.

2.1 Proposing and submitting a Draft Change Request

Any Interested Party may propose an amendment to the GTAC.

The change control process initially involves a Change Requestor submitting a Draft Change Request to First Gas and Gas Industry Co, including:

- a description of the proposed change;
- the reasons for, and the intended effect and impact of, the proposed change;
- a marked-up version of the GTAC showing any proposed amendments; and
- the provisional date on which the amended Code would take effect if approved.

(draft GTAC s17.3)

First Gas will publish the Draft Change Request within 3 Business Days (BDs) of receiving it. (draft GTAC s17.4)

¹ Term are capitalized in this Report where those term are also capitalized in the draft GTAC.

2.2 Interested Party responses and requests for further information

During the 10BDs after First Gas publishes a Draft Change Request, any Interested Party can notify First Gas and Gas Industry Co:

- whether it supports the proposed change in principle;
- of any specific objections it has; and/or
- of any conditions that would attach to its support for the proposed change.

Such a notification must include reasons. (draft GTAC s17.7)

An Interested Party may also request additional information (draft GTAC s17.5) which the Change Requestor must then provide to First Gas and GIC within 5 BDs. (draft GTAC s17.6)

First Gas is required to publish each piece of the above information within 2BDs of receiving it. (draft GTAC s17.8)

2.3 Submitting a Change Request

No later than 25BDs following First Gas publishing the Draft Change Request, the Change Requestor may submit a Change Request, including:

- an amended Draft Change Request; and
- its responses to any substantive specific objections raised by Interested Parties.

Or, if it does not make such a submission the proposal will lapse.

(draft GTAC s17.9)

2.4 Gas Industry Co consideration of a Change Request

Once a Change Request has been submitted, Gas Industry Co will consult on it and issue a written recommendation noting:

- whether it supports the Change Request or not; and
- any further GTAC changes or actions by any Party that it considers necessary.

(draft GTAC s17.10)

The proposed consultation process and decision-making criteria are set out in Section 3, below.

2.5 First Gas may decline to approve a Change Request

Within 5BDs of Gas Industry Co supporting a Change Request, First Gas may yet decline to approve it by publishing its reasons for that. Those reasons must include at least one of the following:

- it considers that the Change Requestor has breached, or that First Gas would otherwise breach, its obligation to act as a Reasonable and Prudent Operator; or
- the proposed Code change would:
 - require First Gas to incur capital expenditure;
 - increase First Gas' operating expenses or costs; or
 - be likely to adversely affect First Gas' current or future provision of transmission services, pricing structure, revenue recovery or business structure.

(draft GTAC s17.12)

2.6 Change Request becomes effective

If supported by GIC, and approved by First Gas, the Change Request will become effective on the date specified in the Change Request (draft GTAC s17.11), or the date on which it notifies its approval, if that is later (draft GTAC s17.13).

3. Gas Industry Co's proposed consultation process

3.1 Collection of relevant information, and notifying stakeholders of the Change Request and consultation process

If, having considered Interested Party views on a Draft Change Request, the Change Requestor decides to proceed, and submits a Change Request to Gas Industry Co under draft GTAC s17.9, Gas Industry Co will:

1. if the Change Request is not already accompanied by a completed Change Request Notification Form (Appendix B), ask the Change Requestor to provide the information requested in that form;
2. ask the Change Requestor to submit any other material that Gas Industry Co believes is necessary to complete its analysis;
3. when the Change Requestor has provided all documentation relevant to the Change Request, publish that information together with the Change Request and a preliminary consultation timetable on its website; and
4. publish a News Bulletin advising stakeholders of the above.

3.2 Call for submissions on Change Request

Once Gas Industry Co has all the information described in section 3.1 above, it will decide whether to move directly to developing a Draft Recommendation, or to first call for submissions on the Change Request. It will invite and consider submissions from any stakeholder, not just Interested Parties.

In deciding whether to consult at this stage, Gas Industry Co will consider a number of factors, including:

- the nature of the proposed change – minor 'tidy-up' changes may not require extensive consultation;
- whether the proposed change is likely to affect the wider stakeholder community, or only Interested Parties – Interested Parties will already know about the proposed change, where some of the wider stakeholder group (end users, for example) would likely be unaware;
- whether there have been significant changes between the Draft Change Request and the Change Request – Interested Parties will already have had an opportunity to comment on the Draft Change Request.

3.3 Publication of, and call for submissions on, Draft Recommendation

Once Gas Industry Co has considered the Change Request and all associated documentation and submissions, it will develop and publish a Draft Recommendation. The Draft Recommendation will set out our analysis of the Change Request, primarily with reference to the objectives of the

Gas Act and GPS, and our analysis of submissions received. We will then invite submissions on the Draft Recommendation from all stakeholders.

3.4 Development of Final Recommendation

On completion of its consultation on the Change Request, Gas Industry Co will develop and publish its Final Recommendation.

If Gas Industry Co considers that its Final Recommendation is likely to be fundamentally different to its Draft Recommendation, it will initially publish it as a Draft Final Recommendation, and invite further submissions. A Final Recommendation will only be issued when consultation is complete.

3.5 Additional Gas Industry Co Recommendations

S17.10 of the GTAC provides that Gas Industry Co may also recommend any further GTAC changes or actions by any Party that it considers relevant.

This provision recognises that, while Gas Industry Co may not modify a Change Request, there will be times when it can make helpful suggestions for the future. Gas Industry Co welcomes this. While such suggestions may not be part of the formal consultation, they can be a useful means of capturing valuable suggestions made by submitters, or developed by Gas Industry Co in the course of its analysis.

(However, we consider that draft GTAC s17.10 goes too far in enabling Gas Industry Co to "... recommend further Code changes...". We believe that this may create false expectations where such a recommendation was made by Gas Industry Co, was subsequently developed by an Interested Party, and was then submitted to Gas Industry Co for analysis.)

3.6 Submissions and cross submission

At all stages, when Gas Industry Co receives submissions it will consider whether cross-submissions are necessary, and call for them if needed.

Gas Industry Co will post on its website all submissions and cross-submissions it receives.

Submission and cross-submissions received after a closing date notified by Gas Industry Co may not be considered.

3.7 Criteria to be used by Gas Industry Co when assessing change requests

Gas Industry Co's assessment will consider how the proposed new arrangements (as per the revised GTAC) would compare with a continuation of the arrangements without the proposed changes.

The analysis will be made primarily with reference to the objectives of the Gas Act and GPS (as amended or replaced), however Gas Industry Co may consider other matters it believe to be relevant.

3.8 Independent decisions

A decision on the Change Request will be made by Directors of Gas Industry Co who are not associated with Interested Parties.

3.9 Confidentiality

Gas Industry Co values transparency, but recognises that at times stakeholders may need to provide certain information in a submission that, while relevant to a proposed Change Request, is also commercially sensitive or commercially confidential. Where a submitter has identified such information as being confidential, Gas Industry Co will not disclose it to any other person without the express written consent of the submitter, unless obliged to do so by law.

3.10 Costs

Generally Gas Industry Co will meet all the costs of conducting its GTAC Change Request role. However, should it find that the costs of the role in general, or in relation to a specific Change Request, are onerous, it may:

1. request First Gas and/or a Change Requestor to contribute to the cost; and
2. delay its work until the funding issue is resolved.

4. Submissions on this Report

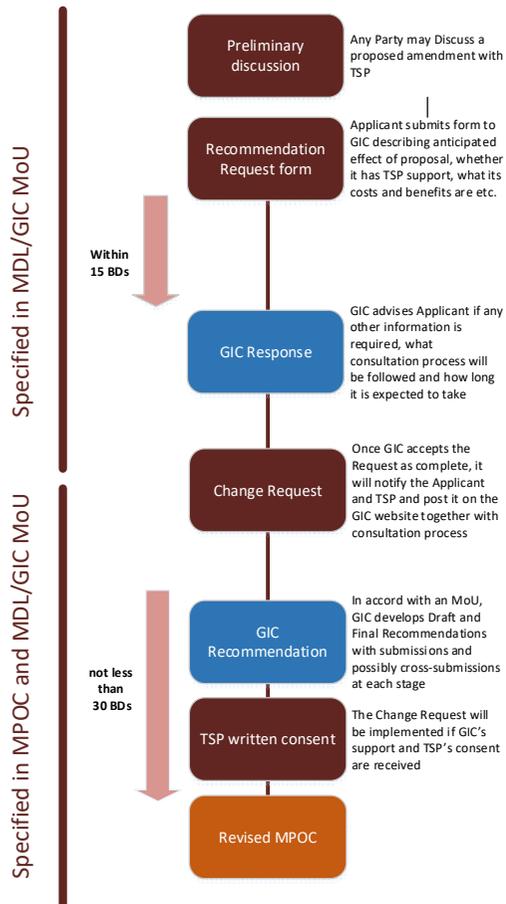
We invite submissions on this Report by Friday, 22 September. Once we have considered the submissions we will issue an updated version of this Report.

The following appendices can be found at the end of this Report:

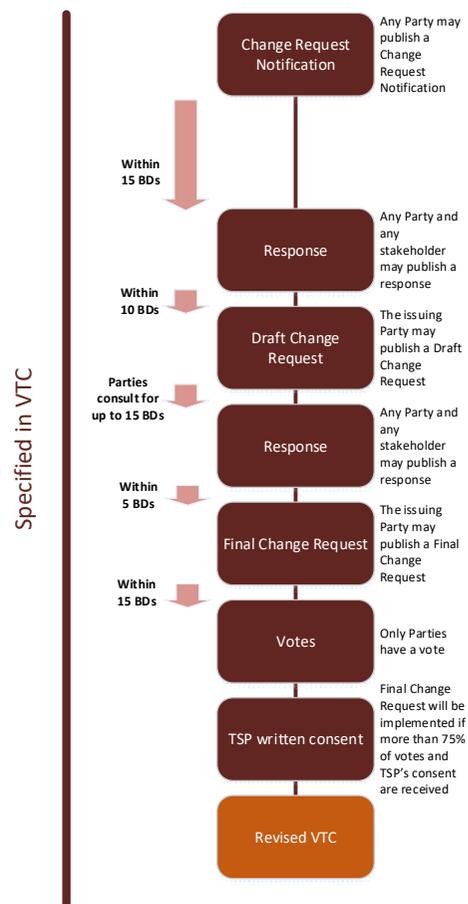
- A.** Summary of code change arrangements
- B.** Proposed Change Request Notification Form
- C.** Gas Industry Co's consultation process on GTAC Change Requests
- D.** Draft GTAC s17 CODE CHANGES

Appendix A Summary of code change arrangements

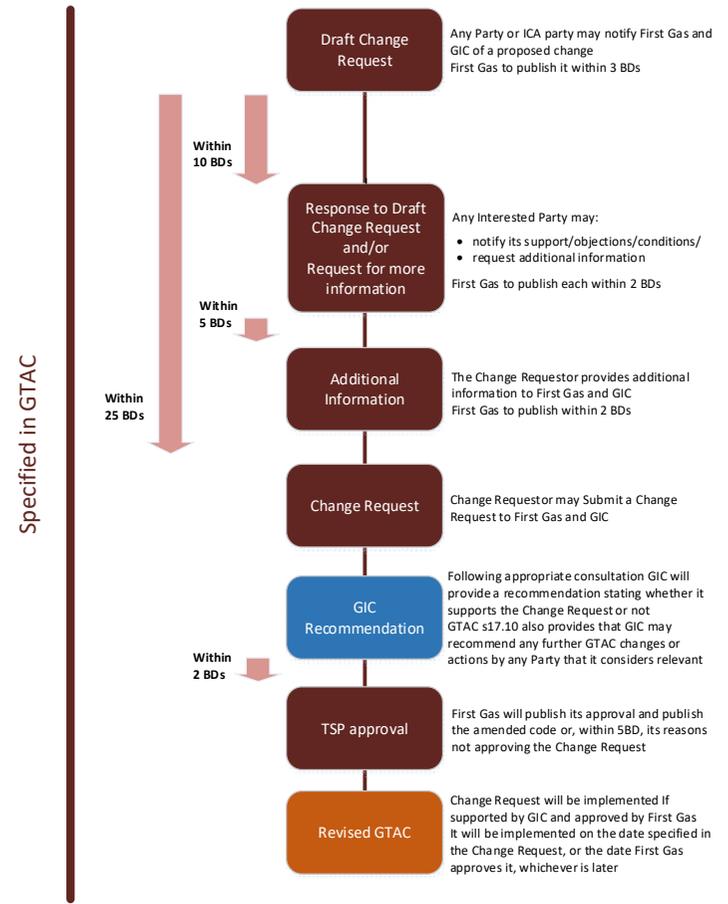
Current MPOC change process



Current VTC change process



Proposed GTAC process



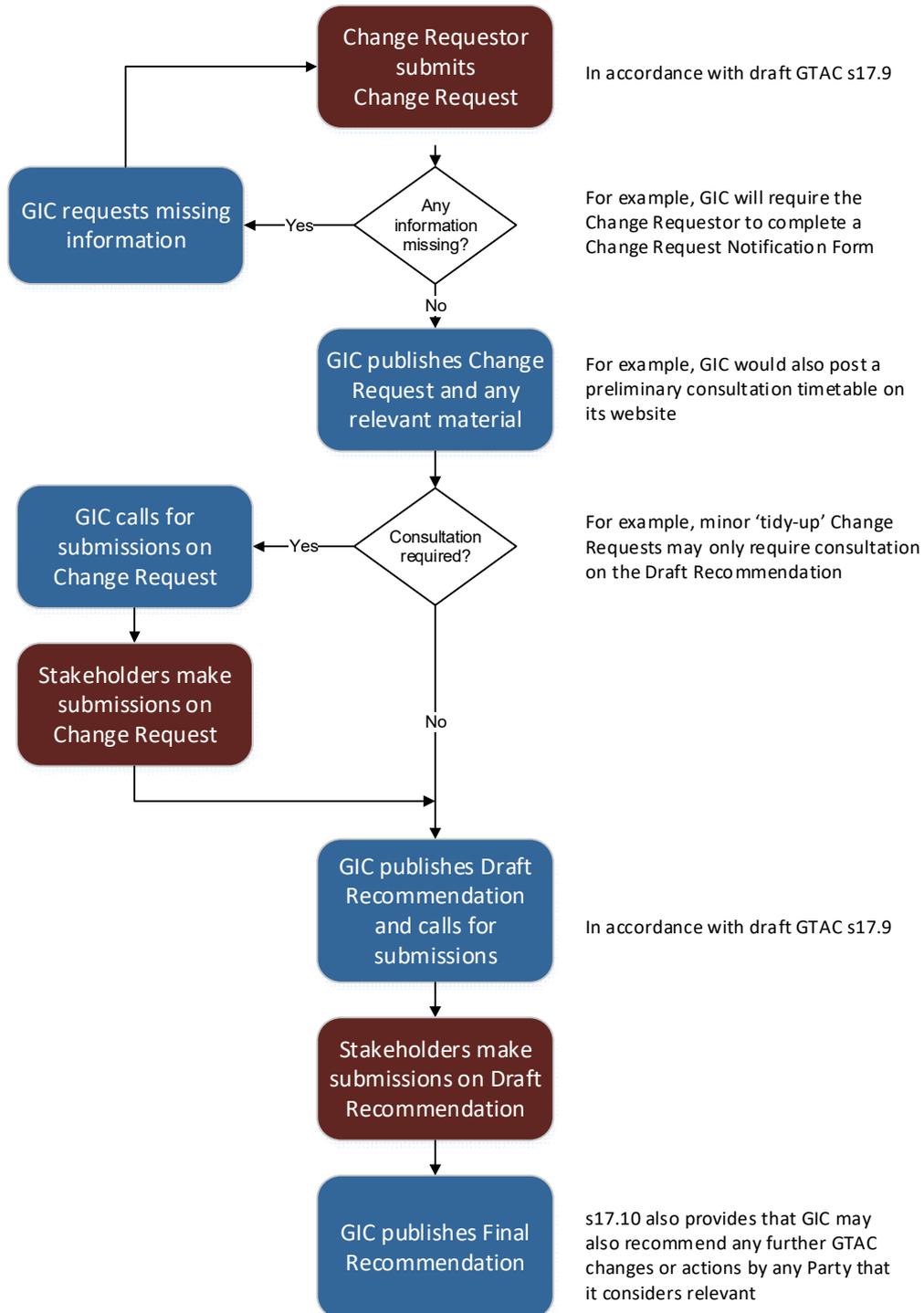
Appendix B Proposed Change Request Notification Form

Notification to Gas Industry Co that a Change Request is ready for its consideration under s17.10 of the Gas Transmission Access Code (GTAC)

Gas Industry Co requires a Change Proposer to provide the information requested in this form before it will proceed with consultation and analysis of a GTAC Change Request.

Information	Explanation
Name of Change Proposer	
Contact details of the Change Proposer's nominated contact person	The nominated contact person must have the authority of the Change Proposer to respond any questions Gas Industry Co has in relation to the Change Request. The person's name, role, email address and phone number must be provided.
Marked up copy of the GTAC showing the proposed changes	
A description of the proposed change, its intended effect, and how it is expected to affect the operation of participants in the gas supply chain.	This is where the Change Proposer can set out its rationale for the proposed change.
A description of communications between the Change Requestor and Interested Parties in relation to the proposed changes, including copies of any relevant documents.	This may, for example, include requests for additional information on the Draft Change Request under the draft GTAC s17.5. While Gas Industry Co will not be analysing the Draft Change Request, it will be interested to know how discussions leading to the submission of the Change Request have developed.
A description of communication between the Change Requestor and any other parties who it considers may be affected by the proposed change.	The GTAC does not require the Change Requestor to provide information to anyone other than Interested Parties in relation to a Draft Change Request. However, it may have discussed the issues with other stakeholders.
Confirmation that the Change Requestor has considered whether any aspects of the Change Request might breach the Commerce Act, and has concluded that they do not.	It is the responsibility of the Interested Parties to assess their exposure to potential breaches of the Commerce Act. Gas Industry Co will not provide any view on that matter, but considers that it should at least know that matter has been considered by the Change Requestor.

Appendix C Gas Industry Co's consultation process on GTAC Change Requests



Note: depending on the content of stakeholder submissions, counter-submissions may also be called for.

Appendix D Draft GTAC s17 CODE CHANGES

Amendment of Code

- 17.1 Subject to the balance of this *section 17*, First Gas, any Shipper or any Interconnected Party with an ICA (each an *Interested Party*) may apply to amend this Code (such party being a *Change Requestor*).
- 17.2 Notwithstanding *section 17.1*, provided all Interested Parties agree in writing, the Code may be changed other than as set out in this *section 17*.

Draft Change Request

- 17.3 A Change Requestor shall notify its wish to amend the Code by submitting the following documentation to both First Gas and GIC (*Draft Change Request*):
- (a) a description of the proposed change;
 - (b) the reasons for, and the intended effect and impact of the proposed change;
 - (c) a marked-up version of the Code showing any proposed amendments; and
 - (d) the provisional date on which the amended Code would take effect if approved,

provided that no Change Request may be notified in the period from 24 December to 2 January in any Year, inclusive.

- 17.4 First Gas will publish any Draft Change Request [on OATIS] within 3 Business Days of receiving it.
- 17.5 Within 10 Business Days following First Gas' publication of a Draft Change Request, any Interested Party may request the Change Requestor to provide additional, relevant information in relation to the proposed change.
- 17.6 The Change Requestor shall provide both First Gas and GIC with the additional information requested pursuant to *section 17.5* as soon as practicable and in any case not later than 5 Business Days following such request being made.
- 17.7 Within 10 Business Days following First Gas' publication of a Draft Change Request, any Interested Party may notify both First Gas and GIC:
- (a) whether it supports the proposed change in principle;
 - (b) of any specific objections it has; and/or
 - (c) of any conditions that would attach to its support for the proposed change,

- in each case including reasons.
- 17.8 First Gas will publish any request pursuant to *section 17.5*, the Change Requestor's response pursuant to *section 17.6*, and all Interested Parties' views notified pursuant to *section 17.7* [on OATIS] within 2 Business Days of receiving the same.

Change Request

- 17.9 Not later than 25 Business Days following First Gas' publication of a Draft Change Request, the Change Requestor may submit to both First Gas and GIC the following information (*Change Request*):
- (a) the information referred to in *section 17.3*, amended as required to reflect Interested Parties' responses pursuant to *section 17.7*; and
 - (b) its responses to any substantive specific objections raised,
- and if it does not do so the proposed Change Request will be treated as formally withdrawn.

GIC Consultation

- 17.10 Following submission of a Change Request in accordance with *section 17.9*, GIC, following appropriate Gas industry consultation, will provide a written recommendation stating whether or not it supports that Change Request. In doing so, the GIC may also recommend any further Code changes or actions by any Party that it considers relevant.
- 17.11 Subject to *section 17.12*, a Change Request approved by GIC (*Recommended Change Request*) will become effective on the date specified therein.
- 17.12 First Gas may decline to approve a Final Change Request if:
- (a) it considers that the Change Requestor has breached, or that First Gas would otherwise breach its obligation to act as a Reasonable and Prudent Operator; or
 - (b) the proposed Code change would:
 - (i) require First Gas to incur capital expenditure;
 - (ii) increase First Gas' operating expenses or costs; or
 - (iii) be likely to adversely affect First Gas' current or future provision of transmission services, pricing structure, revenue recovery or business structure,

provided that First Gas must publish its reasons on OATIS within 5 Business Days of receiving GIC's decision pursuant to *section 17.10*.

- 17.13 Where it also approves a Recommended Change Request, First Gas will notify all Interested Parties thereof [via OATIS] within 2 Business Days, and publish an amended Code [on OATIS] which shall be effective from the later of that date or the date set out in the Recommended Change Request.

Correction Amendments

17.14 If an Interested Party believes this Code needs to be amended either:

- (a) as a result of any law change, or the order of any Court with competent jurisdiction;
- (b) to correct a typographical or other error; or
- (c) to update a reference to an external source including any act or standard,

that Interested Party may submit a notice to both First Gas and GIC (*Correction Request*) setting out:

- (d) the proposed amendments to the Code;
- (e) the explanation for each proposed amendment; and
- (f) the date on which the proposed amendments will take effect (not to be not sooner than [20] Business Days after the Correction Request is notified) (the *Code Correction Date*).

17.15 A Correction Request shall be deemed to have amended the Code unless an Interested Party submits a notice of objection to both First Gas and GIC prior to the Code Correction Date.

17.16 In the absence of any notice of objection pursuant to *section 17.15*, First Gas shall publish marked up and clean copies of the Code incorporating the changes set out in the Correction Request [on OATIS] and the amended Code shall take effect on the Code Correction Date.

17.17 If a notice of objection is submitted pursuant to *section 17.15*, the Correction Request shall be deemed to have been withdrawn (and the Interested Party who submitted it may submit a Draft Change Request).

Urgent Code Change

17.18 First Gas may make a temporary change to the Code in accordance with this *section 17.18* and *section 17.19* if it believes that such change is necessary to respond to unforeseen circumstance which threaten the integrity of, or the proper commercial operation of the Transmission System (*Urgent Code Change*).

17.19 First Gas will notify all Interested Parties and GIC of any Urgent Code Change and in relation to any Urgent Code Change must publish the following information [on OATIS]:

- (a) the required amendments to the Code;
- (b) the explanation of each required amendment; and

- (c) the date on which the required Code amendments will take effect (not be earlier than the first Business Day after the Urgent Code Change is published [on OATIS]).

17.20 The Code amendments implemented via any Urgent Code Change shall expire 6 Months after the date they take effect and, if First Gas wishes them to be permanent it shall submit a Code Change Request accordingly (at any time).

ABOUT GAS INDUSTRY CO.

Gas Industry Co is the gas industry body and co-regulator under the Gas Act. Its role is to:

- develop arrangements, including regulations where appropriate, which improve:
 - the operation of gas markets;
 - access to infrastructure; and
 - consumer outcomes;
- develop these arrangements with the principal objective to ensure that gas is delivered to existing and new customers in a safe, efficient, reliable, fair and environmentally sustainable manner; and
- oversee compliance with, and review such arrangements.

Gas Industry Co is required to have regard to the Government's policy objectives for the gas sector, and to report on the achievement of those objectives and on the state of the New Zealand gas industry.

Gas Industry Co's corporate strategy is to 'optimise the contribution of gas to New Zealand'.