

MEMORANDUM

TO: Pipeline Users
 FROM: First Gas
 DATE: 15 November 2017
 RE: **GTAC August Workshops: Actions List – Close Out Report**

Actions from Thursday, 17 August 2017

#	Item	Responsibility	Action Taken
1	Release further information on the process and timeframes for developing the requirements for the GTAC IT System	First Gas	Complete. Note on process and timeframes IT system development released, together with additional condition precedent for MPOC termination. See http://www.gasindustry.co.nz/work-programmes/mpoc-change-requests/14-july-2017-mpoc-transition-change-request-tcr/mpoc-change-request-14-july-2017-supplementary-documents/
2	Review the use of best/reasonable endeavours in the GTAC. Search and make consistent.	First Gas	Complete. GTAC now adopts consistent use of “reasonable endeavours”, with the exception of one remaining use of “best endeavours”. That occurs in relation to an OFO a “...Shipper shall use its best endeavours to comply with that OFO in the shortest practicable time consistent with (where relevant) the safe shut down of affected plant”
3	Review approach to publication of gas composition data in the GTAC and Schedule 2	First Gas	Complete. GTAC now requires First Gas to provide the gas composition data currently published each Business Day on OATIS
4	Populate and release Schedule 2 of the GTAC	First Gas	Complete. Schedule 2 published on GIC website and included in Second Revised draft GTAC
5	Provide a worked example of the Difficult Day concept specified in section 8 of the GTAC	First Gas	Complete. See “170915 Presentation of Revised Draft GTAC”, slides 13-15 http://www.gasindustry.co.nz/work-programmes/transmission-pipeline-access/developing/revised-draft-gtac/

Actions from Thursday-Friday, 24-25 August 2017

#	Item	Responsibility	Action Taken
6	Revisit whether project will achieve objectives and whether additional steps (e.g. cross submissions) would be useful	First Gas	Complete. See “20170919 Revised engagement approach for draft GTAC” http://www.gasindustry.co.nz/work-programmes/transmission-pipeline-access/developing/revised-draft-gtac/
7	Include both allocative and dynamic efficiencies in assessment of costs and benefits of GTAC	First Gas / GIC	In progress. Assessment of GTAC costs and benefits will accompany submission to GIC on 8 December
8	Review pricing information discussed on 24 August and provide examples where changes may lead to price shock	Shippers/end users	Complete. Several parties have provided a summary of price impacts to First Gas. Examples generally support expected price changes in moving away from capacity reservations system
9	Update pricing information to use 2017/18 VTC prices when released at end of August 2017	First Gas	Complete. See “170915 Presentation of Revised Draft GTAC”, slides 6-9 http://www.gasindustry.co.nz/work-programmes/transmission-pipeline-access/developing/revised-draft-gtac/
10	Consider principles around final Priority Rights design, including these in the GTAC, and the link to investment under Part 4 regime	First Gas	Complete. See section 3.4 of Second Revised Draft GTAC
11	Provide further information on physical issues in BOP and reality of congestion at Delivery Points in that area (Tauranga, Mt Maunganui)	First Gas	Complete. Further analysis of supply and demand at Tauranga and Mt Maunganui indicates that PRs would not initially be required at these locations (i.e. there is currently sufficient “Uncommitted Operational Capacity” (UOC) at both locations to ensure that they do not currently meet the definition of Congestion Delivery Point(s) under the GTAC) The modelling of uncommitted operational capacity at Delivery Points (and the fact that it can be affected by changes in load elsewhere) means that this situation could change. The GTAC requires First Gas to assess uncommitted operational capacity in determining whether to offer PRs, so the situation at Tauranga and Mt Maunganui (and other locations) will continue to be monitored. For further information see Appendix C of AMP: http://firstgas.co.nz/wp-content/uploads/FGL-Gas-Transmission-AMP-2017-Update.pdf

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12	Consider OBA ability to use nominations (re dedicated DPs) to manage Mismatch and Overruns and provide worked example	First Gas	Complete. An OBA Party's Mismatch is now deemed to reside in the Receipt Zone. Therefore, an OBA Party will not need to ship Gas to manage its RM or ERM
13	Consider Priority Rights to address constraints affecting multiple delivery points	First Gas	Complete. The definition of "Congestion" and the processes set out for PRs in section 3 of the GTAC now reflect the prospect of congestion affecting more than one delivery point. PRs may now apply to a group of Delivery Points
14	Address intra-day nomination issues and ranking of PRs relative to approved nominations from previous cycles	First Gas	Complete. Second Revised draft GTAC gives priority to all nominations (including intra-day) based by PRs. This reflects consensus view at PRs focus session in September, as well as in submissions
15	Develop work plan for auction bidding rules and look to release as soon as possible	First Gas	In progress. Work plan for PR auction rules advised on teleconference on 31 August. First Gas remains open to suggestions on how best to progress work on PR auction rules in 2018
16	Incorporate principles for auction rules in GTAC (see also item 9)	First Gas	Complete. GTAC now incorporates reference to Gas Act and GPS principles (including competition) in section 1.2
17	Revisit Underrun/Overrun incentives to ensure the right balance between incentives and shipper impacts. Specifically consider magnitude and tolerances	First Gas	Complete. Overrun fee for DNC reduced from 5 to 2, and underrun fee reduced from 5 to 1. Potential added for these rates to change (upon 6 months' notice) if the stated principles are not being achieved. Grouping of delivery points into zones reworked to enable further load diversification in managing portfolio of customers (reducing number of zones from 17 to 14 and including most dedicated delivery points in zones)
18	Provide a worked example of delinked nominations across a week for an OBA party and a shipper (see also item 11)	First Gas	Complete. See "170915 Presentation of Revised Draft GTAC", slides 17-30 http://www.gasindustry.co.nz/work-programmes/transmission-pipeline-access/developing/revised-draft-gtac/
19	Provide a worked example of a congested delivery point: 6 months ahead, day ahead and on the day	First Gas	Complete. See "170915 Presentation of Revised Draft GTAC", slides 39-44 http://www.gasindustry.co.nz/work-programmes/transmission-pipeline-access/developing/revised-draft-gtac/

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20	Provide further discussion of operational value of nominations	First Gas	Complete. See slides from workshop on 24-25 August
21	Consider integrating small dedicated delivery points into zones	First Gas	Complete. As noted in response to item 17, we have now included most dedicated delivery points into zones
22	MHQ. Look at carving out smaller loads and fixing these to contracted ICA MHQ which would be listed in schedule	First Gas	<p>Complete. First Gas will publish DP-specific HQ/DQ ratios which will effectively modify the standard ratio for DNC (i.e. where $MHQ = 1/16^{th}$ of MDQ) for Dedicated Delivery Points</p> <p>The modified MHQ for a Dedicated Delivery Point will be used to assess a Shipper's liability for Hourly Overrun Charges (<i>HOC</i>), provided that:</p> <ol style="list-style-type: none"> 1. No HOCs will be payable where the maximum HQ on a Day is < 200 GJ (corresponding to the current "Large Station" MHQ); and 2. The Interconnected Party will pay the HOCs where it is an OBA Party. <p>An Over-Flow Charge has been introduced, payable if a Delivery Point's physical flow limit is exceeded. This will be payable by the Interconnected Party at a Dedicated Delivery Point</p>
23	Review requirements around agreed hourly overruns to ensure that they are useful		
24	Define and give timing for SOP draft and other ancillary documents	First Gas	Complete. Process for developing and finalising SOPs discussed at 31 August teleconference. Also discussed at workshop on 10 November
25	Consider process for changing definition of receipt and delivery zones (sections 3.3 and 3.4), and requiring notice period	First Gas	<p>Complete. First Gas will give not less than 20 Business Days' before adding a Receipt Point to the Receipt Zone, or the reverse.</p> <p>First Gas will notify Shippers of the Delivery Zones to apply in the following Year</p>
26	Review status of D+1 agreement under the GTAC. How special allocations will work and how First Gas will use them	First Gas	<p>Complete. GTAC accepts all allocations for delivery points produced under the DRRs (including Special Allocations). Until the DRRs have been updated for D+1 (or an equivalent replacement), First Gas will continue to use D+1's day-in-arrears allocations. If necessary, First Gas will enter into a replacement document or amend the current agreement with the GIC so D+1 will be used under the GTAC.</p> <p>First Gas continues to welcome submissions on how to ensure D+1 allocations work as intended</p>

#	Item	Responsibility	Action Taken
27	Prepare MoU or other document that substitutes for an MoU under the change provisions (section 17)	GIC	In progress. GIC has released consultation paper on how it would evaluate a GTAC change request (http://www.gasindustry.co.nz/work-programmes/transmission-pipeline-access/developing/consultation-report-on-how-gas-industry-co-would-perform-a-gtac-change-request/)
28	Reflect on the purposes of OFOs, and what the action is (in practice) that FG wants shippers to do	First Gas	<p>Complete. OFOs are intended to be used where it is necessary to curtail physical gas flow, especially where the physical integrity of the Transmission System is threatened or has been compromised</p> <p>OFOs are not seen as being part of the nominations process</p> <p>First Gas accepts that, at least in relation to Dedicated Delivery Points, the Interconnected Party (= the end-user of Gas) is best placed to control the flow of Gas</p> <p>Therefore, First Gas has clarified that where it is able to do so (i.e. under an Interconnection Agreement) it will issue an OFO to the Interconnected Party rather than to a Shipper using a Dedicated Delivery Point (with the same logic applying at Receipt Points)</p>
29	Reconsider / publish the metering requirements	First Gas	Complete. Process for developing and releasing metering requirements document discussed at 31 August teleconference
30	Consider firming up the proposal for park and loan	First Gas	Complete. GTAC provides for park and loan as an option for shippers and OBA parties that would otherwise incur ERM charges. The GTAC aims to be flexible enough for the product to evolve with market needs. Further information on the approach to offering and evaluating requests for park and loan will be provided by First Gas in due course, but will sit outside the GTAC. This approach was discussed again at the workshop on 10 November
31	Consider the position on vetos – both the concept and timings	First Gas	Complete. Ability for First Gas to veto supported code changes has been limited to situations where it would adversely impact First Gas' ability to fulfil RPO or recover costs. First Gas is also considering when to provide information on cost estimates to help inform change requests

#	Item	Responsibility	Action Taken
32	Consider more prescription across sections discussed at workshop (including Fnerm, 'Oatis' cycle times, and other such points)	First Gas	Complete. See response to item 37 below
33	Consider removing s2.8(b), s8.14-18	First Gas	Complete. The Target Taranaki Pressure is no longer linked to (aggregate) Running Mismatch. First Gas does not believe that it is appropriate (given the other provisions of the GTAC, including incentives) to "impose" ERM trades on parties. Accordingly, the former sections 8.14 – 8.18 have been deleted.
34	Consider adding consultation on s2.10 (uneconomic transmission)	First Gas	Complete. The drafting has been edited, but the provisions remain similar to those currently found in VTC. Elements of discretion in this process were discussed further at workshop on 10 November.

Actions from Thursday, 31 August 2017 (teleconference)

#	Item	Responsibility	Action Taken
35	Consider whether the "principles" for an OBA should be included in the code?	First Gas	Complete. The definition of OBA in the GTAC contains the core principles and functions of an OBA (e.g. that Mismatch is determined at the relevant Receipt Point or Delivery Point and is the responsibility of the OBA Party). These provisions have been incorporated into template ICAs available for review on the GIC website.
36	Investigate regulatory treatment of balancing charges (ERM fees) – do they still count as recoverable costs and credits given lack of link with purchase and sale of balancing gas?	First Gas	Complete. This matter has been raised with the Commerce Commission (although we have not yet had a response). Our interpretation (based on the input methodologies and the 2015 guidance letter) is that ERM fees are recoverable credits. The GTAC approach of rebating incentive charges and ERM fees means that the regulatory status of these charges is less relevant to Shippers.
37	Prescribe ERM fees in the GTAC (or at the very least principles and boundaries for these fees)	First Gas	Complete. ERM fees have been set based on the current incentive fees charged under the MPOC and recent market prices. Like overrun/underrun fees, we have added provision to change these fees where they are not achieving stated objectives, although with a shorter notice period to reflect the near-term impacts of balancing incentives.

