

8 December 2017

Chris Boxall
Greymouth Gas
Level 9, 151 Queen St
Auckland 1140

Dear Chris,

First Gas Preference and Priority

In your letter of 24 November 2017, you ask us to advise “whether First Gas has entered into, or is considering entering into, any opex or capex arrangements that, from the perspective of a person involved in negotiating the GTAC (and First Gas’ role in that regard) would reasonably be expected to be disclosed to industry?” This request is made with reference to section 2.8 of the Second Revised Draft GTAC.

Our opex and capex plans are set out in the transmission Asset Management Plan (AMP) disclosed on our website and circulated to stakeholders. Our most recent AMP update was issued on 30 September 2017, and outlined expenditure that is relevant to the development of the GTAC. The most directly relevant expenditure relates to new transaction management software to implement the GTAC, although other items of expenditure may also have relevance to new code arrangements.

Outside of its existing regulated business, First Gas (and its shareholders) also look for opportunities to add value to our customers and shareholders. Given the risk profile of our business, such opportunities are likely to focus on the ownership and provision of infrastructure services.

Given the future prospect that First Gas or related entities may enter markets that are relevant to the GTAC, several parties encouraged us to insert a provision into the code that provides comfort that First Gas would not give any related business activities any preference or priority. Comparable provisions are found in the VTC and MPOC. We agree with this suggestion and inserted section 2.8 (now section 2.7) into the GTAC:

If First Gas (or a related party of First Gas) operates a business as a gas producer, gas retailer or gas wholesaler (as those terms are defined in the Gas Act 1992) or is an Interconnected Party (Related Business), First Gas will deal with the Related Business on arm’s length terms on the same basis as it would deal with any other Shipper or Interconnected Party in similar circumstances.

The effect of this provision is that if First Gas offers transmission services or interconnection to a related business, it will do so on the same terms and conditions it would provide to any other party. We believe that this is a reasonable requirement, and manages the risk of First Gas having any conflicts of interest in either negotiating the terms of the GTAC or applying those terms.

Yours faithfully



Ben Gerritsen
General Manager Commercial & Regulation