

Welcome to Gas Industry Co's *News Bulletin*, a periodic advisory of new and current consultations, workstream developments, publications and presentations.

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## Gas Transmission Access Code: Preliminary Assessment Paper released.

Gas Industry Co has today released a paper containing its preliminary assessment of First Gas's proposed Gas Transmission Access Code (GTAC) (*Preliminary Assessment Paper (PAP)*).

On 8 December 2017 First Gas submitted its proposed GTAC to Gas Industry Co for analysis and comparative evaluation. Gas Industry Co is tasked, under the provisions of the current Maui Pipeline Operating Code (MPOC), with preparing a comparative evaluation of the proposed GTAC against the existing arrangements (MPOC and the Vector Transmission Code (VTC)). In making that evaluation, Gas Industry Co must determine whether the GTAC is "materially better" than the MPOC and the VTC when assessed against the objectives in s43ZN of the Gas Act 1992 and the objectives and outcomes set for Gas Industry Co in the Government Policy Statement on Gas Governance dated April 2008 (GPS).

The process of developing the proposed GTAC has been comprehensive and inclusive. As well as a series of formal consultations that have included both conceptual papers as well as progressive drafts of the GTAC, there have also been a series of workshops and industry meetings that, although less formal, have contributed to the debate and have ensured that First Gas is aware of stakeholders' thinking and that stakeholders have also had extensive opportunity to ask questions on matters of interest or concern.

Gas Industry Co considers that the level of participation in the process to date is not only an indication of how important the subject matter is to stakeholders, but also demonstrates stakeholders' willingness to assist in the creation of a better single transmission code. It is worth noting that, based on the many changes that have been made to the GTAC in the process of formal consultations and workshops, First Gas has been responsive to much of the feedback.

A number of aspects of the GTAC regime offer substantial improvements over the existing MPOC and VTC arrangements. Indeed, there is a lot to like about the proposed GTAC and that has been reflected in many of the submissions that Gas Industry Co has received on it. However, the "materially better" standard set by the MPOC is a high threshold that requires the GTAC, as a whole, to provide a significant improvement compared with the status quo.

Gas Industry Co's preliminary assessment of the GTAC is that the level of improvement does not achieve the standard of being materially better. This conclusion is strongly influenced by the following specific concerns:

- The transport incentive charge structure in non-congested situations appears likely to encourage inefficient behaviour by pipeline users– detracting from the efficiency improvement that would otherwise occur.
- Aspects of the liability provisions are less certain in their effectiveness, undermining the incentives on pipeline users to act prudently – detracting from the efficiency and reliability benefits of the GTAC. Even if the liability arrangements are effective, we would also question whether the new arrangements (and the reallocation of risk) are an improvement on the MPOC and the VTC.
- Interconnected Parties and Shippers do not have sufficient certainty regarding the terms of interconnection agreements. This is detrimental to efficiency and fairness.
- The Park and Loan service terms may appreciably skew First Gas’s incentives, if Park and Loan fees are outside the Part 4 revenue cap. This would be detrimental to efficiency

### Next steps

While Gas Industry Co considers that these shortcomings are able to be addressed, we are particularly interested in stakeholders’ views on these and any other matters that may be of concern or that exhibit particular merit. We would also like to hear from stakeholders on whether they support the GTAC, and whether they agree with our preliminary assessment of it. You will find a response template and instructions for uploading your submission [here](#). We welcome all feedback. The deadline for submissions is **5:00pm on Monday, 19 March 2018**.

We will present this paper at a workshop on 1 March 2018. All stakeholders are welcome to attend. Workshop details can be found below. Please RSVP accordingly.

Presentation of Preliminary Assessment Paper	
Date	Thursday, 1 March 2018
Time	10:00 am – 12:00 pm
Location	Gas Industry Co offices, Level 8 The Todd Building, 95 Customhouse Quay, Wellington
RSVP	<a href="#">Alison O’Connor</a> by Monday, 26 February 2018

The full PAP can be found on our website [here](#).

Further information on the GTAC work programme is found [here](#).

If you wish to discuss any aspect of this Bulletin, please contact us at [info@gasindustry.co.nz](mailto:info@gasindustry.co.nz) or 04-4721800

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