

MEMORANDUM

TO: GTAC Stakeholders
FROM: First Gas
DATE: 19 April 2018
RE: GTAC Next Steps

This memo proposes a series of activities through to the end of 2018 to revise the Gas Transmission Access Code (GTAC) and obtain assessment from the Gas Industry Company (GIC) that the GTAC is materially better so as to replace the existing codes with the GTAC. We also ask for GTAC stakeholders response to 6 questions that will help shape the work programme over the coming months and we ask for responses by 30 April 2018.

First Gas would like to thank GTAC stakeholders for their continued commitment to developing the GTAC. We are pleased with the strong level of support among stakeholders to finish this important workstream, and we share stakeholders' desire to have new code arrangements in place in a timely way.

Stakeholders are willing to commit a further 6 months to revise the code

Following on from the GIC's Preliminary Assessment of the GTAC, stakeholders have made submissions on the Preliminary Assessment Paper and a stakeholder workshop was held on 27 March 2018 to discuss the submissions.

The majority view emerging from submissions and the workshop is that:

- A process of amending the GTAC is supported, focusing on the issues identified in the GIC's assessment
- Stakeholders will commit to up to 6 months of work to complete the process
- The aim is to close out issues, while allowing 9 months of software development for a target GTAC go live on 1 October 2019. This will not be a hard deadline, but should provide a guide to the process
- The process will start with a series of topic-focussed workshops led by an independent facilitator who we propose is engaged by the GIC. The facilitator will ensure that:
 - All parties are heard
 - Matters are either resolved at each workshop, or possible options are scoped for inclusion in the GTAC.
- Issues addressed in the workshops will be consulted on progressively by First Gas to minimise the risk of new material arising near the GIC assessment stage

Given support for a target go live of 1 October 2019, we think this process needs to start as soon as possible. However, we also understand that the current process to review the GTAC submitted in December 2017 has not yet run its course (the GIC anticipates releasing a final assessment on 25 May 2017). We therefore propose that:

- The final assessment continues as scheduled to provide a final objective assessment of the issues identified in submissions and cross-submissions
- Work begins in parallel on issues that all parties acknowledge require further thought, such as interconnection terms and liabilities.

Q1: Do you agree with this summary and proposal to initiate topic-based workshops?

Selecting the topics to be workshopped

From the workshop on 27 March 2018, we understand that:

- The 'big four' issues identified in the preliminary assessment (ICA terms, liabilities, park and loan revenue treatment, and incentive charges) are commonly held issues to be resolved
- Stakeholders are individually concerned about other specific issues. Future work on the GTAC should provide an opportunity to discuss issues that are commonly held, acknowledging that it is not possible to discuss every issue identified by stakeholders. Future code change processes will allow the GTAC to evolve over time.

We have suggested a total of 10 workshop topics in **Appendix A** as a way of organising the topics. Some of these proposed workshop topics group several issues together that we see as interrelated. We think that the first 2 topic areas shown in bold (interconnection terms and liabilities) are "must haves". The other 8 topics should be prioritised based on the shared interests of stakeholders.

We consider that process would be able to resolve the outstanding issues to achieve the materially better test. However, if the stakeholders have different views on how many topics need to be covered, it would be good to understand the range of views.

Q2: Do you think that focusing on the highest priority topics will position the GTAC for resubmission to the GIC?

Q3: Do you agree with the list of possible topics? Are any missing that you think might be widely supported?

Q4: In order of priority, what are your top 3 topics for discussion at future GTAC workshops?

Preparation of supporting documentation

In addition to the resolution of outstanding issues, other supporting documentation needs to be produced to maximise the chances of achieving the materially better standard for the GTAC. First Gas envisages the following documentation will be produced prior to submission of the revised GTAC:

- Interconnection Policy
- Metering Requirements
- Balancing Standard Operating Procedures
- Wash-up Agreement.

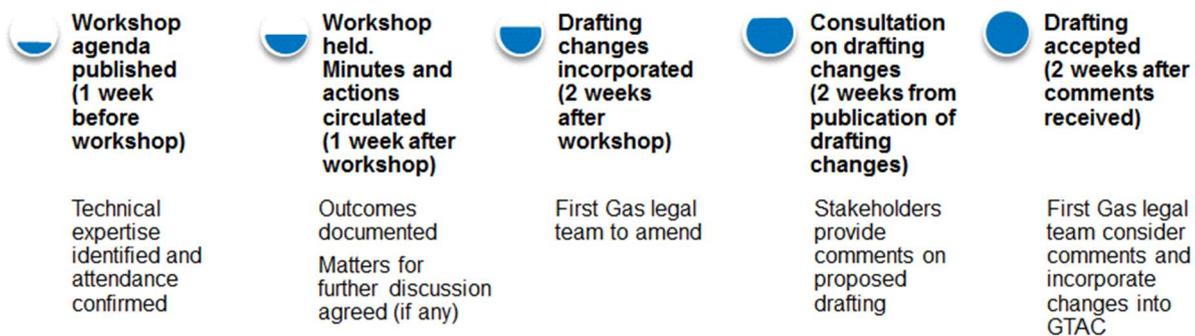
Q5: Are there any other documents that need to be produced prior to submission of the revised GTAC?

Independent workshop facilitation and consultation on resulting GTAC changes

Feedback from stakeholders was that while the process to develop the GTAC to date was sound, changes should be made to improve the way we work together. We agree. The feedback we heard was:

- Workshops need to be focussed on a particular topic
- A dedicated, independent facilitator needs to be in place to ensure:
 - All voices are heard
 - Matters are resolved within the workshop (or a way forward is determined)
- Stakeholders would like to have the results of the workshop updated in the GTAC and consulted on an incremental basis

The proposed way of working is shown in the figure below.



We have asked the GIC to engage the independent facilitator for these workshops. It is anticipated that the independent facilitator will need secretariat support to turn around workshop outcomes and consultation results to First Gas in a timely manner. We suggest that the GIC provide secretariat support to the independent facilitator.

First Gas approach and resourcing

In response to this new way of working, First Gas has made the following adjustments to our team:

- We have engaged external legal support to assist in the workshops process and provide mark-ups based on the outcomes of each workshop
- Our commercial and operations team will support the process as subject matter experts.

We need a forward programme to go live on 1 October 2019

There is much to do in the time given prior to submitting a revised code.

The following table gives a high-level view on the forward programme for the GTAC. The code revision phase is proposed for 6 months. We are not sure how long the GIC review phase will take. However, it is hoped through incremental consultation on the code following each workshop we can provide an opportunity for all stakeholders to comment on the code

while streamlining the final consultation. This timeline is indicative only – we think the process should dictate timelines, not the other way around. That said, it is important to maintain momentum and deliver progress in a timely way.

Step	Indicative Timing
First Gas memo on next steps and facilitator TOR	19 April 2018
Comments on memo on next steps and facilitator TOR	30 April 2018
Independent facilitator engaged	7 May 2018
Code workshops and consultation on resulting GTAC changes	14 May to end October 2018
Submit revised GTAC	1 November 2018
GIC Assessment of revised GTAC	From 1 November
Implementation of new IT system	1 January 2018 to 30 September 2019
GTAC go live	1 October 2019

We need to tailor the programme to ensure key issues are addressed in order to give the best chance of success with the GIC approval. Stakeholders were asked in the workshop on 27 March to take a pragmatic look at the list of issues to be addressed prior to GTAC submission to ensure that the work programme is realistic.

Q6: Is the proposed timeframe realistic? Do you have any suggestions to improve the chances of meeting this timeline?

Feedback on this memo

This memo has proposed a total of 6 questions. First Gas seeks feedback on these questions and is open to other suggestions to ensuring the forward programme is fruitful in producing a materially better code. Feedback is sought by 30 April 2018. Please provide responses to Angela Ogier, Transmission Commercial Manager angela.ogier@firstgas.co.nz.

Appendix A – Possible Workshop Topics (not in any particular order)

1. Interconnection terms:

- Form (in GTAC, other code, something else)
- List of common and essential terms
- Receipt point nominations processes
- TTP
- Hourly limits (AIPs/AHPs)
- Interconnection fees
- Provision of outage information

2. Liabilities

3. Line pack management:

- Upper/lower limits
- Running Mismatch tolerance
- Park and loan
- Interplay with other concepts (e.g. AHPs)

4. Intra-day pipeline capacity flexibility: Hourly overruns, specific HDQ/DDQ, AHPs

5. Allocation:

- Specifying list of allocation options in the code
- D+1 agreement and processes
- Wash-up agreement

6. Treatment of mass market load:

- Nominations requirements (and options for auto-nominations)
- During congestion (interruptible load, PRs)

7. Nominations processes

- Number of ID cycles
- Structure of nominations
- Value of nominations outside areas/periods of congestion

8. Pricing:

- Overrun/underrun charges
- Rebate of transmission incentives

9. Methods of allocating pipeline capacity during scarcity (i.e. interruptible agreements, PRs, others)

10. Termination and confidentiality