



30 April 2018

VECTOR LIMITED
101 CARLTON GORE ROAD
PO BOX 99882
AUCKLAND 1149
NEW ZEALAND
+64 9 978 7788 / VECTOR.CO.NZ

Angela Ogier
Transmission Commercial Manager
First Gas Limited
Wellington

By email: angela.ogier@firstgas.co.nz

Dear Angela

Response to the First Gas Memorandum – GTAC Next Steps

This is Vector Limited's (Vector) response to the First Gas memorandum, *GTAC Next Steps*, dated 19 April 2018 (the Memorandum).

We generally agree with First Gas' proposals on the topics that will be covered in the forthcoming workshops on a revised GTAC, and the prioritisation of those topics. However, we have some concerns in relation to the proposed timeframes, which we discuss in the Appendix.

We set out in the Appendix our responses to the six questions in the Memorandum.

No part of our response is confidential.

Please contact me if you need further information, or wish to discuss any of our responses, at Anna.Carrick@vector.co.nz or 04 803 9044.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Anna Carrick", written over a light blue circular scribble.

Anna Carrick
Manager Natural Gas Trading

APPENDIX: Vector's responses to First Gas' questions

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

1. Yes, Vector agrees that having a series of topic-based workshops on the GTAC is the best way for the industry to resolve the issues identified during the Gas Industry Company's (GIC) submission and cross-submission processes as requiring further discussion. Future industry discussions on these issues will further inform the GIC's determination whether the revised GTAC is "materially better" than the existing code arrangements.

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

2. Yes; however, the identification of the highest priority topics is likely to vary between Shippers, who are the potential signatories to the GTAC. It is also possible that the GIC and stakeholders, such as the Major Gas Users Group, will have different sets of priorities.

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

3. Yes, we generally agree with the 10 topics listed in the First Gas Memorandum. However, we do not believe that discussions on Interconnection Agreements (ICA) should be part of the discussions on the revised GTAC. In our view, subject to ICAs being compliant with the principles stipulated in the GTAC, and published when completed, discussions on ICAs should be conducted by the relevant parties separately from the revised GTAC discussions.
4. Noting that First Gas has agreed to change the setting of F for overrun and underrun charges to balance these charges, we consider the two remaining issues around pricing to be: 1) the application of the Hourly Overrun Charge, and 2) the arrangements for setting Excess Running Mismatch charges.
5. Given the limited timeframe, and assuming a 1 November 2018 deadline for producing a revised GTAC, we suggest that the remaining nine topics be discussed in four workshops. Each workshop should have a set topic for the morning session and another for the afternoon session.
6. We also suggest having a final workshop in October 2018 to discuss minor adjustments to the GTAC that have already been proposed and discussed, and that would significantly improve the workability of the code.
7. Should time permit, we would like to see some discussion on gas quality issues outside of the discussions on Non-Specification Gas liabilities in the GTAC, in line with those proposed by Methanex.

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

8. In our view, the following topics should be prioritised (assuming ICAs are covered in a separate process):
 - a) liabilities;
 - b) linepack management; and
 - c) intra-day pipeline capacity flexibility.

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

9. We would like to see the standard terms and conditions for the following prior to First Gas' submission of a revised GTAC. We prefer to see them earlier than later so these documents can meaningfully inform the discussions leading to a revised code.
 - a) proposed Park and Loan scheme;
 - b) proposed Priority Rights auction terms; and
 - c) Standard ICA.
10. In addition, it would be desirable for the industry to make progress on gas quality issues other than the liability provisions in the GTAC. We recognise that may not be possible given the tight timeframe.

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

11. The proposed timeframe indicates that the industry has five and a half months (14 May to end of October 2018), rather than six months, to produce an acceptable revised GTAC for the GIC's assessment. We believe such a code can be produced within this timeframe so long as industry participants recognise that while a revised GTAC will not necessarily be perfect from their perspective, it must be widely recognised to be practical and workable. This may require parties to adjust their expectations of what a revised GTAC, in its entirety, can deliver for them.
12. We are concerned that the submission of a revised GTAC to the GIC on 1 November 2018 may not provide the GIC sufficient time to make a draft or final determination by December 2018 or January 2019. We note that the GIC will be closed for business over the Christmas period.
13. The proposed timeframe further indicates that the implementation of the new IT system will commence on 1 January 2019, when the GIC may still be assessing the revised GTAC. In our view, the proposed go-live date of 1 October 2019 can only be achieved if First Gas adheres to the 1 January 2019 implementation date of the new IT system, regardless of whether the GIC has made a determination or not.

