

30 April 2018

Angela Ogier
Transmission Commercial Manager
First Gas Limited
(via email to angela.ogier@firstgas.co.nz)

Dear Angela

RE: Memorandum GTAC Next Steps

This letter is on behalf of MGUG is in response to First Gas' memorandum of 19 April regarding next steps for the finalisation of the GTAC.

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

We agree with the overall summary and proposal to initiate topic-based workshops.

We also note that the GIC's final assessment on the GTAC is not due until 25 May. Whilst it may be unlikely to expect a radical change from their draft assessment, the purpose of the submissions and cross submissions were to give the GIC feedback on both their methodology and assessments. Given the level of diverse feedback received by the GIC it may be premature to assume that all matters and priorities have been identified.

Nevertheless we think it is safe to assume that some matters could be safely addressed ahead of the final determination.

This may be implicit, but we would suggest that agendas for topics when issued, clearly outline the problem statement, the expected outcome of the workshop, as well as the workshop process. This is to ensure that there is alignment from the start of the workshop on what the workshop is intended to achieve.

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

MGUG have a view that the GTAC is a viable alternative to the status quo arrangements and it would seem self-evident to us that addressing high priority areas identified in the final assessment will position the GTAC for resubmission.

We also believe that the high priority areas will be identified from the final, not draft assessment.

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

Although the topics are presented as independent, and therefore have no particular order, we believe that consideration needs to be given to potential interconnected dependencies to give some logic to the ordering of topics. For example, MGUG's views on nominations will be strongly influenced by decisions on intra-day pipeline capacity flexibility, and pricing and rebating.

We would also suspect that the principles and parameters of line pack management should be determined ahead of other topics that flow from that. Topic 4, intra-day pipeline flexibility, appears to be a subset of Line Pack Management, rather than a separate topic.

TTP would fall under both line pack management (physical parameters), and then into ICA (commercial obligations)

Some topics appear unduly narrow in scope. For example, under the topic of pricing MGUG are not just concerned with under/over-run charges, but rather all incentive and penalty charges. This is based on a determining a wider principle that charges should be service based and cost reflective. This principle includes all charges, not just under/over-run.

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

MGUG's top priorities are:

1. Line pack management (principles and parameters influencing pricing and behaviours)
2. Pricing (all pricing as well as rebates)
3. Nomination Process

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

Given the level of discussion held on the topic, we would have thought that it would be necessary to consider the PR auction rules as part of the assessment.

Although not a supporting document to the GTAC itself, MGUG have raised a concern that we would like to have a better assessment of how the GTAC rules around balancing are likely to influence the gas trading market. This is in particular to the setting of ERM fees, tolerances, and impact of Park and Loan services on spare capacity as an alternative to gas trading. Industry views seem to diverge on this topic and we think that there is value in getting advice on how to set rules within the GTAC that are most likely to give efficient outcomes in the broader gas market.

Q6: Is the proposed timeframe realistic? Do you have any suggestions to improve the

We think the proposed timeframe is both necessary and achievable, but will largely hinge on the final assessment determining the real scope, and a logical ordering of workshop topics to prevent too many iterations between the topics.

Yours sincerely



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