



27 April 2018

Angela Ogier  
Transmission Commercial Manager  
First Gas Limited

By email: [angela.ogier@firstgas.co.nz](mailto:angela.ogier@firstgas.co.nz)

Dear Angela

Re: GTAC next steps

Thank you for providing an outline of the proposed process for refining the key components of the GTAC. Todd is supportive of the process and believes that it critical that this work goes ahead.

Todd agrees with the summary provided and proposal to initiate topic-based workshops. Todd is keen to see most of the key issues addressed, rather than just those that might be adequate to get GTAC 'over the line'. Todd has specified below its highest priority topics; it also believes that it is worth trying to address some of the other topics if that can be achieved without overcommitting the time and resources available.

Work on some of the less critical elements can quite reasonably be deferred until the major priorities are first resolved.

One recurring theme to submissions that is not covered in your list is the extent of discretion retained by First Gas under GTAC. Todd does not fully subscribe to some of the concerns expressed over First Gas' right to set operating parameters; but it does believe there is scope to reduce the concerns if First Gas generally undertakes to seek feedback from the industry before exercising its discretion. Some of the workshops should also provide an opportunity to clarify the reasoning why First Gas needs discretion in certain cases.

In addition to the Interconnection Terms and Liabilities, Todd would like to have priority given to:

- a) Line-pack management,
- b) Intra-day pipeline flexibility, and
- c) Nominations processes.

These three topics are closely interrelated in that they impact on shippers' ability to meet customer demand patterns at lowest cost, while not impinging on the rights of other parties, or First Gas' ability to manage the pipeline; which is manifest through its management processes, linepack and TTP.

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The Termination and Confidentiality should be able to be resolved relatively quickly, and therefore could be included in the priority items also.

Nova's 2<sup>nd</sup> priority topics are the Allocation methodology and Pricing. It would seem that the pricing issues are largely a matter of parties understanding the implications of the alternatives

The treatment of Mass Market Load during Congestion would seem to come under the more general 'Methods of allocating pipeline capacity during scarcity'. While these topics are important, they are not core to the day to day functionality of GTAC as long as there is adequate capacity in the system, and as such do not need to be fully resolved before the GTAC is adopted.

Todd concurs with the view that some aspects of gas demand may be dealt with through auto-nominations, but does not see that as something that needs to be addressed before the GTAC is adopted. In summary, Todd's rankings are:

**Priority 1 - Critical**

- Interconnection Terms
- Liabilities
- Line pack management
- Intra-day pipeline flexibility
- Nominations processes

**Priority 2 - High**

- Termination & confidentiality
- Allocation
- Pricing

**Priority 3 - Medium**

- Treatment of mass market load
- Methods of allocating pipeline capacity during scarcity

Todd agrees that the proposed supporting documents should be produced prior to submission of the revised GTAC, and believes the topics listed cover the key issues remaining.

Please feel free to contact me directly if you wish to discuss any aspects of this letter.

Yours sincerely



Paul Baker

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