

MEMORANDUM

TO: Stakeholders
 FROM: First Gas
 DATE: 26 June 2018
 RE: GTAC Workplan 2018 – [Feedback from 21 June Workshop](#)

This memo sets out a proposed set of workshops and supporting documents to be completed before the GTAC is resubmitted to the GIC. This ~~will be~~ workplan was discussed at ~~the an~~ initial workshop on 21 June 2018 and ~~we welcome~~ incorporates stakeholder feedback on the proposed workshop topics, order and structure. Stakeholders have agreed that t~~t~~he GIC’s Final Assessment Paper (FAP) provides the basis of the proposed workshop plan, ~~along and this aligns well~~ with the priority issues identified by stakeholders from our memo of 19 April 2018. We will retain flexibility to add or remove items from the workplan where there is consensus that doing so will help to achieve the materially better test.

Summary

- Scope:** Work to be completed on the GTAC and supplementary arrangements up to resubmission of the GTAC to the GIC.
- Objective:** Develop revisions to the GTAC in consultation with stakeholders that leads to an assessment of the code by the GIC as ‘materially better’.
- Timeframe:** From June 2018

1. Workstream Outline

We have grouped the issues raised in the FAP into the following workstreams. We have then ensured that the proposed set of workshops covers the priorities identified by submitters in response to our memo of 19 April 2018. The high-level themes (in proposed order of treatment) are listed below. Further detail on each workstream is provided in the subsequent sections of this memo:

1. Interconnections

- 1.1. Integration of ICAs in the GTAC
- 1.2. Core terms of interconnection
- 1.3. Detail on core terms of interconnection
- 1.4. Associated documents (how they will be integrated into the code)
- 1.5. OFOs/Curtailments

2. Linepack Management and Intraday Flexibility

- 2.1. Taranaki Target Pressure
- 2.2. Balancing Tolerances
- [2.3. Peaking \(HORs, HDQ/DDQ, AHPs etc.\)](#)
- [2.3.2.4. Allocation Methods](#)
- [2.4.2.5. Metering Requirements Technical Update](#)

3. Nominations and Governance

- 3.1. Nominations (automatic nominations for Non-Daily Metered load)
- 3.2. PRs
- 3.3. Washup Principles
- 3.4. Termination
- 3.5. Confidentiality
- 3.6. Supplementary Agreements governance
- 3.7. Change request process

4. Liabilities

- 4.1. Interaction between TSAs and ICAs
- 4.2. Definition of RPO
- 4.3. FG liability for non-spec gas
- 4.4. Inflation of liability caps
- 4.5. Deeming non-RPO
- 4.6. Subrogated claims and indemnity arrangements for non-specification gas
- 4.7. Incentives Pool and BPP
- 4.8. Mitigation obligation

5. Transmission Fees

- 5.1. Transmission incentive fees (daily overruns/underruns)
- 5.2. ERM charges
- 5.3. Rebate mechanism

The detail provided on each workstream also indicates the parties that indicated in their responses to the 19 April Next Steps consultation that this was a top priority issue. All parties are welcome to participate in all workshops.

The FAP also identified a number of documents that sit outside the GTAC that, if available, would provide more certainty to stakeholders. In addition, First Gas will provide the following supporting documents for stakeholder comment before resubmitting the GTAC to the GIC:

- Metering Requirements
- Balancing SOP
- Interconnection Policy
- Scope of work for developing PR Auction Terms
- Transitional Arrangements
- [Summary of GTAC pricing approach](#)
- [Guidance on the use of First Gas veto in change request process](#)

As some supporting material will be informed by the outputs of the workshops, these documents will be consulted on later in the programme.

GTAC Workstream 1

Interconnections

Top Priority from Next Steps Memo for: All Parties

No.	Topic	GTAC Reference	FAP finding (page reference)
<u>15.1</u>	Integration of ICAs in the Code	s.7.13	D.1 1. Terms that apply to interconnected parties through ICAs must mesh with the terms that apply to all other interconnected parties and to Shippers through TSAs. The Terms and conditions of access to, and use of, the gas transmission system must be fully described for all system users and be coherent (i.e. work together).
<u>15.2</u>	Core terms of interconnection	s.7.13	D.1 2. The core terms of interconnection should be standard across all interconnected parties (so that coherent, non-discriminatory access is assured). Except to the extent that individually negotiated terms are appropriate.
<u>15.3</u>	Core Terms of ICAs (final list based on part 2 of workshop 1)	s.7.13	<ul style="list-style-type: none"> • Accuracy requirements need to be contained within the ICA (65) • OBAs have no entitlement to AHPs, etc. (18, 68). IC parties discouraged from using OBA accordingly • Shippers not best placed to choose the allocation method (68) • IPs best placed to react to OFOs under curtailment (21, 83) • Obligations to protect customers from <u>n</u>Non-spec gas have been reduced, in particular the shipper right to seek confirmation of compliance (94) <p>D.1 Needs to include:</p> <ul style="list-style-type: none"> • 7.13(b) Metering requirements (location, ownership, monitoring rights) (160) • 7.13(g) details on disclosure of outage information (27, 160) • 7.13(r) liability (160) • 12.2 injection and monitoring of off-specification gas (160) • Assuring equality of access to IPs • Need to mesh, shipper and IP and those of other IPs to ensure there is coherency of arrangements • Absence of confidentiality arrangements for IC parties (27)
<u>15.4</u>	Associated documents (how they will)	IC Policy Metering Requirements	<ul style="list-style-type: none"> • Absence of Metering Requirements document so can't be assessed by GIC (64) • Not having Metering Requirements document as a schedule so can be changed without consultation (64)

No.	Topic	GTAC Reference	FAP finding (page reference)
	be integrated into code)		<ul style="list-style-type: none"> • 9 month interval between special tests is worse than under VTC and MPOC (16, 64) • Obligations to protect customers from Non-spec gas have been reduced including shipper right to seek confirmation of compliance (94)
15.5	OFOs/ Curtailments	9.12 and 4.18	<ul style="list-style-type: none"> • Deemed non RPO if fail to comply with OFO (21) (Alongside Liabilities Workstream) • Adverse timing implications of replacing MPOC section 15.2 with option for shippers to request an extra intra-day cycle under GTAC 4.18 (22)

GTAC Workstream 2

Linepack Management and Intraday Flexibility

Top Priority from Next Steps Memo for: Genesis, Methanex, Vector, emsTradeport, Trustpower, Nova, MGUG

No.	Topic	GTAC Reference	FAP finding (page reference)
2.1	Taranaki Target Pressure	7.13 (e)	<ul style="list-style-type: none"> • Efficient and prudent to at least maintain level of control under MPOC (187) <ul style="list-style-type: none"> ○ Reasonable endeavours to keep between 42-48 ○ Reasonable endeavours to keep towards low end ○ Reference to aggregate ERM ○ RPICA not mirror of section 7.13(e) (180) ○ Inclusion in the GTAC as well as in the ICAs (per 7.13) Not an issue for many submitters (187)
2.2	Balancing	8	<ul style="list-style-type: none"> • FG has not defined the amount of linepack to be set aside for shipper tolerances and no constraint on setting tolerances. As this is outside GTAC, there is no constraint on FG to act neutrally (19, 75) • <u>Principles for setting running imbalance-mismatch tolerances or the tolerances themselves</u> to be included in GTAC (19, 75) • <u>First Gas role as balancing agent</u>
2.3	Peaking	3.26 -3.33 11.5	<ul style="list-style-type: none"> • Hourly overruns only apply at DDPs (13, 50, 61) • HORs may be avoided through Specific HQ/DQ and AHPS but no guidance on how these will be applied. Potential for inefficient usage of the pipeline. (55) • AHPs are uncertain and require further design work (13, 50, 55). Case for applying AHPs not well justified (55) • AHPs only available at DDPs – this is unfair (50) • OBA parties don't have access to AHPs (18, 68) • Operational flexibility important but should not be provided without discrimination (182)
<u>2.4</u>	<u>Allocation methods (upstream and downstream)</u>	<u>6</u>	<ul style="list-style-type: none"> • <u>Range of receipt point and dedicated delivery point allocation methods lack clarity/specificity (18)</u> • <u>Absence of D+1 agreement under GTAC to replace existing one under VTC</u>
2.54	Metering Requirements Technical Update		<ul style="list-style-type: none"> • Absence of Metering Requirements document, and not incorporated into the GTAC • Obligations to protect customers from <u>n</u>Non-spec gas have been reduced including shipper right to seek confirmation of compliance (94) • 9 month interval between special tests is worse than under VTC and MPOC (16, 64)

Other topics (could be addressed outside GTAC process, e.g. via EMS OWG):

- Structure and workings of gas trading and trading information exchange

- Need for EMS to have an ICA

GTAC Workstream 3

Nominations and Governance

Top Priority from Next Steps Memo for: Methanex, Nova, MGUG

No.	Topic	GTAC Reference	FAP finding (page reference)
3.1	Nominations	4	<ul style="list-style-type: none"> Workload of nominations accepted by most shippers (44) Not required at uncongested delivery zones. Burden largely on shared delivery points. UK system operator makes nominations on behalf of mass market load (46) IPs approval of nominations Nominations cycles and ability to manage exposure to overrun/underrun charges Bigger concern is overrun/underrun fees (166)
3.2	PRs	3.13, 3.25	<ul style="list-style-type: none"> FG discretion to negotiate SAs could allocate scarce capacity outside PR process (88) Transfer between end-users if they change shippers not clear (43) Shippers may not give best estimate of capacity and FG may not police this (43)
3.3	Wash-up principles and approach		<ul style="list-style-type: none"> Wash-up agreement should be simple to prepare (68) Not concerned that a wash-up agreement is still to be negotiated (126)
3.4	Termination	19	<ul style="list-style-type: none"> Parties should be able to remedy default rather than terminate (105) Termination if unpaid for 10 business days is unfair (105) Termination should depend on expiry or sale of all PRs (106) Term too short to be efficient (103) <u>Continuity following termination (111)</u>
3.5	Confidentiality	20	<ul style="list-style-type: none"> Should have ability for other parties to identify material as confidential (106) CA should be required for authorised disclosure (106) MPOC clearer on obligation on FG not to disclose confidential information (106) Shipper should have an ability to appoint an auditor (106) <u>Link between confidentiality and termination</u> <u>Requirements to publish information</u>
3.6	Supplementary Agreements Governance	7.1	<ul style="list-style-type: none"> FG discretion to negotiate (49) <u>Checks and balances on entering into SAs (44)</u> No requirement for FG to publish its analysis (163) <u>Impacts of legacy SAs on MPOC parties</u>
3.7	Change Requests	17	<ul style="list-style-type: none"> 5 business day deadline for additional information is unfair (26, 105) Draft change request timing does not give enough time for change requestor to review submissions (26, 105)

GTAC Workstream 4

Liabilities

Top Priority from Next Steps Memo for: All parties

No.	Topic	GTAC Reference	FAP finding (page reference)
4.1	Interaction between TSAs and ICAs	7	<ul style="list-style-type: none"> Differences between liability arrangements (183)
4.2	Definition of RPO	1.1	<ul style="list-style-type: none"> Including “having due consideration to other users of the Transmission System” (183)
4.3	FG liability for non-spec gas	12.11	<ul style="list-style-type: none"> Liability for non-spec gas excluded and inconsistent with 12.3 (183)
4.4	Inflation of liability caps	16.4/16.5	<ul style="list-style-type: none"> Liability caps imported without adjustment for inflation. (183) Not clear if charges included within caps (183)
4.5	Deeming non-RPO	16.1 9.12(b) 11.9(b) 12.2 12.10	<ul style="list-style-type: none"> Deeming non RPO for injection of non-spec gas and non-compliance with OFOs (184)
4.6	Subrogated claims and indemnity arrangements for non-specification gas	16.12 16.2	<ul style="list-style-type: none"> Concerns expressed about subrogated claims provisions (16.12) and exclusion of liability for third party losses in context of non-spec gas (16.2) (184) <u>Inability to take action on behalf of another party and First Gas in relation to the same event</u>
4.7	Incentives Pool and BPP		<ul style="list-style-type: none"> No equivalent mechanism to the MPOC Incentives Pool and BPP (184)
4.8	Mitigation obligation	16.1; various	<ul style="list-style-type: none"> Loss mitigation concept expressed in an inconsistent way

GTAC Workstream 5

Transmission Fees

Top Priority from Next Steps Memo for: Genesis, Trustpower, MGUG, Nova

No.	Topic	GTAC Reference	FAP finding (page reference)
<u>45.1</u>	Transmission incentive Fees (daily overruns/ underruns)	11.4	<ul style="list-style-type: none"> • Incentive charges (daily overruns/underruns) not symmetrical (12) • Level of incentive charges too high (12) • May encourage inefficient pipeline usage decisions or excessive efforts for nominations accuracy (54) • Higher fees should not apply at congested delivery points when congestion is not evident (13, 55) • High incentive charge reduces competition as it is not cost reflective (13, 60) • <u>Disproportionately high in non-congested situations (60)</u> • <u>Hourly overrun fees and rebates</u>
<u>54.2</u>	ERM	8.11	<ul style="list-style-type: none"> • Asymmetry of ERM charges may create inefficient incentive to park gas (15, 57) • <u>ERM charge may not be effective relative to market spread (App D - 173)</u> • <u>Ability to change ERM fees (21)</u> •
<u>54.3</u>	Rebates	11	<ul style="list-style-type: none"> • <u>Rebate mechanism worse due to a new entrant coming up against incumbents with rebates (59)</u> • <u>Pass-through of rebates may increase costs to consumers. Size of incentive fees a larger concern.</u>

Other issues to consider in discussions (not explicitly considered in the FAP):

- Whether the definition of delivery zones creates barriers to entry
- Whether First Gas needs a TSA