

MEMO

From Gas Industry Co
To GTAC Stakeholders
Date 3 July 2018

Interconnected Party (IP) Rights and Obligations

In relation to Interconnection Agreements (ICAs), the Final Assessment Paper (FAP) determined that:

In summary, we consider that there is significant uncertainty about ICA terms because:

1. The GTAC at s7.13 provides a relatively narrow range of minimum prescribed terms, meaning that the ICAs themselves will define much of the detail; and
2. The ICAs contemplated by the GTAC are yet to be negotiated.

Overall, we see the uncertainty about interconnection terms as detrimental to efficiency and fairness, and consider it to be a substantial negative factor in the assessment of the GTAC.

(FAP, section 6.2 Associated arrangements, Interconnection agreements)

First Gas's GTAC Workshop Plan refers to two objectives relating to ICAs:

- Determine which are the common and essential terms of interconnection that need to be standardised; and
- Establish how ICAs should be integrated into the GTAC (eg via a list in the GTAC, specification of the common terms in the GTAC, or in some other form).

This will be discussed at Workshop 1 on Tuesday, 10 July 2018.

To facilitate the discussion, First Gas asked Gas Industry Co to provide a comparison of the MPOC interconnection arrangements with those set out in the draft Receipt Point Interconnection Agreement (RP ICA). We have done this in Table 1 below. The table sets out the principal rights and obligations that apply to Welded Parties (WPs) under the MPOC¹, **in blue**, and cross-references these to the broadly equivalent terms in the RP ICA, **in red**. The list does not include aspects of the MPOC that did not feature in the new arrangements proposed in the GTAC submitted on 8 December 2017, such as:

- TP Welded Parties, Notional Point Welded Parties, and Indirect Injecting Parties;
- Displaced gas nominations; and
- The incentives pool.

We have taken reasonable care in preparing the table but it has not been legally reviewed and we encourage stakeholders to consider the actual wording of the MPOC and RP ICAs.

¹ Note that some of the MPOC provisions not addressed are: the requirement for WPs to maintain insurance up to the liability caps; the requirement for WPs to meet prudential requirements; minimum technical standards, station access rights; and maintenance requirements.

We have not considered the non-Maui pipeline interconnection agreements. As noted in the Final Assessment Paper, we cannot assess, or require First Gas to terminate such agreements.

Table 1 Cross reference of MPOC key rights and obligations with those proposed in RP ICA

| Theme | Reference | Summary of provision |
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| Interconnection services/products | MPOC s2.1(a) | Each ICA to include MPOC and "individual information" such as welded point name and location, AQ volume etc. |
| | RP ICA s1.3 | (These are the RP ICA terms that incorporate the GTAC) First Gas discretion re operation of the transmission system is subject to the GTAC. |
| | RP ICA s3.1(b) | Except for the TTP provisions of the GTAC, First Gas is not required to alter the operation of its pipeline to facilitate the injection of gas. |
| | RP ICA s4.13 | In accordance with the GTAC, First Gas will produce DDRs and HDRs. Metering Owner must provide the data. |
| | RP ICA s5.2 | The OBA GTAC provisions will apply if an IP determines that an OBA will apply at a RP. |
| | RP ICA s5.11 | IP must manage Shipper Nominated Quantities as required by the GTAC regardless of any Agreed Injection Profile (AIP). |
| | RP ICA s9.8 | When it issues an OFO, First Gas will curtail Shipper Approved Nominated Quantities according to the GTAC. |
| | RP ICA s11.10 | If the IP is an OBA Party, according to the GTAC terms it will: |
| | RP ICA s11.13 | <ul style="list-style-type: none"> • pay Balancing Charges and ERM charges • receive associated credits |
| | RP ICA s14.10(b) | <ul style="list-style-type: none"> • pay outstanding Running Mismatch on termination |
| | RP ICA s16.4 | Liabilities capped at levels in GTAC. |
| | RP ICA s16.12 | IP will not claim against a Shipper in contract or negligence for a GTAC breach. |
| | RP ICA s20.3 | IP rights and obligations under the GTAC can be changed when the GTAC is amended. |
| Confidentiality | MPOC s1.1 Confidential Information | <p>Confidential Information is:</p> <ul style="list-style-type: none"> • MPOC s20 (Prudential requirements) information • A shipper's rolling forecast, nominated quantities and mismatch • Information identified by a shipper or WP, excluding the information identified in MPOC s4 as public. |

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| | RP ICA s19.3 | Either party may disclose the RP ICA and First Gas will publish it on OATIS. |
| | MPOC s2.1(b) | Any "special terms and conditions" will be disclosed. |
| | RP ICA s19.3 | Either party may disclose the RP ICA and First Gas will publish it on OATIS. |
| | MPOC s4.3 | Information restricted to each WP includes, for example: <ul style="list-style-type: none"> • Nominations • Operational Imbalance • Excess peaking |
| | MPOC s23.3(b) | Information related to a dispute resolution is confidential. |
| | MPOC s24 and Schedule 4 | Ring fencing provisions. |
| | RP ICA | No comparable provisions. |
| Balancing | MPOC s2.8 | First Gas will not enter into any pipeline storage contract with a shipper or WP. |
| | RP ICA | No comparable provision. |
| | MPOC s2.9 | First Gas will not contract to allow a WP to exceed a Peaking Limit unless they agree to an MPOC s13.2 operational profile. |
| | RP ICA s5.8 | First Gas will approve any requested AIP except where it would cause: curtailment of DNC or Supplementary Capacity; the RP MHQ to be exceeded; or an undue increase in linepack. |
| | MPOC s12.9 | WP to use reasonable endeavours to manage ROI towards zero (and any Accumulated Excess Operational Imbalance will be cashed-out). |
| | RP ICA | No comparable provision. |
| | MPOC s12.15 | WP may trade its ROI. |
| | RP ICA | No comparable provision. |
| TTP | MPOC s2.19 | Requires First Gas to maintain the TTP between 42 and 48 barg except for maintenance, FM or contingency. Any change to the TTP requires a successful Change Request and First Gas to give 12 months' notice. |
| | RP ICA s3.1(b) | First Gas is not required to operate the pipeline at any particular pressure other than code provisions relating to TTP (GTAC 17.13(e) requires First Gas to use reasonable endeavours to maintain the TTP). |

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| | RP ICA s3.16(b) | No comparable provision in RP ICA relating to changing the TTP, although RP ICA s 3.1(b) does make it clear that the TTP provisions of the GTAC would guide operation of the pipeline, and GTAC s7.13(e) requires any change to the TTP to be subject to a Change Request and not be effective earlier than 12 months. |
| Pressure | MPOC s2.18 | Each WP must inject Gas against the prevailing pressure in the Maui Pipeline at that Welded Point (and First Gas will maintain sufficient linepack). |
| | RP ICA s3.1(a) | The IP is responsible for achieving the pressure necessary to inject gas. |
| | RP ICA s3.1(b) | Except for the TTP provisions of the GTAC, First Gas is not required to do more to facilitate the injection of gas. |
| Allocation | RP ICA s3.1(c) | The IP won't exceed the MAOP, and indemnifies First Gas if it does. |
| | MPOC s10.1 | OBAs apply at all WPs. |
| | RP ICA s5.2 | The OBA GTAC provisions will apply if an IP determines that an OBA will apply at a RP. |
| | RP ICA s5.3 | IP may terminate OBA with 40 business day notice. |
| | MPOC s10.2 | Each Shipper is allocated its Approved Nomination. |
| | RP ICA s5.1 | Unless there is an OBA, shipper's Receipt Quantity at an RP will be determined by the Gas Transfer Agent according to the relevant Gas Transfer Agreement. (And GTAC s6.1 provides that where an OBA applies, a Shipper's Receipt Quantity will be its Approved NQ.) |
| | MPOC s10.3 | First Gas will provide Gas Transfer Agent with WP information. |
| Nominations/OBA | RP ICA | No comparable provision. |
| | MPOC s8.7 | Shipper Rolling Forecast relating to a Welded Point to be available to WP. |
| | RP ICA | No comparable provision. |
| | MPOC s8.16(b) | WP to amend and confirm Scheduled Quantity at each WP within 30 minutes after Intra-Day Nomination Deadline. |
| | RP ICA 5.5.2 | Where an OBA applies, the IP must comply with GTAC nomination provisions, including GTAC s4.1(b) requiring the IP to approve or curtail NQs. |
| | MPOC s9.3 | Between 4pm and 5pm on the provisional cycle nomination day (ie once a week), WP to confirm or reduce First Gas's Proposed Scheduled Quantity. |

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| | RP ICA | RP ICA s5.2 requires that, when the IP becomes an OBA Party, it will comply with the OBA Party provisions of the GTAC. |
| | MPOC s9.6 | Between 4pm and 4.30pm each day, WP to confirm or reduce changed provisional cycle nominations. |
| | RP ICA | No comparable provision. |
| | MPOC s9.8 | Within 30 minutes of Intra-Day Nomination Deadline, WP may confirm an amended Scheduled Quantity |
| | RP ICA | No comparable provision. |
| Gas Quality | MPOC s2.7 | First Gas will not enter into a contract to allow a WP to inject any non-specification gas. |
| | RP ICA s6.1 | IP must monitor gas it injects, and |
| | RP ICA s6.2 | IP will not knowingly inject non-specification gas (except for the short time it takes to terminate its flow). |
| | MPOC s17.5 | WP will notify First Gas if it detects or suspects that non-specification gas is flowing (and reciprocal obligation on First Gas). |
| | RP ICA s6.3 | First Gas to notify IP if non-specification gas is detected or suspected, and |
| | RP ICA s6.4 | IP will stop injecting gas until it investigates, and |
| | RP ICA s6.5(a) | IP will notify First Gas where it finds it did inject non-specification gas, and |
| | RP ICA s6.16 | IP must provide test results. |
| | MPOC s17.18 | WP to pay all costs of monitoring and testing the gas it injects. |
| | RP ICA s6.1 | IP must monitor the gas it injects at its cost. |
| | MPOC s17.22 | First Gas indemnifies WP for loss resulting from gas delivered to it. |
| | RP ICA s16.11 | If an IP claims against First Gas for a breach by another IP or shipper, subrogated rights apply and IP will indemnify First Gas. |
| | MPOC s17.23 | WP indemnifies First Gas for loss resulting from gas delivered to it. |
| | RP ICA s16.10 | If a Shipper claims against First Gas for a breach by the IP, subrogated rights apply and IP will indemnify First Gas. |
| Interruptions and OFOs | MPOC s15.1 | Immediately, and without liability, First Gas may curtail nominations and associated Scheduled Quantity: to prevent receipt or delivery of non-specification gas; where un-scheduled maintenance is required; where FM occurs; where a contingency occurs; where WP has excess daily imbalance exceeding its peaking limit; and, to prevent OI at Notional WPs. In these |

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| | | circumstances First Gas may, in addition, or as an alternative, give the WP an OFO to curtail or shutdown the transfer of gas. |
| | RP ICA s9.1 | First Gas will use reasonable endeavours to avoid curtailing the injection of Gas at an RP except where: an emergency is imminent; an FM has occurred; a critical contingency would otherwise occur; shipper is not entitled to receive gas (eg GTA has expired); or, RP ICA expires or terminates. |
| | MPOC s15.2 | Immediately, and without liability, WP may reduce Scheduled Quantity: to prevent receipt or delivery of non-specification gas; where un-scheduled maintenance is required; where FM occurs; and, where a contingency occurs. |
| | RP ICA s9.3 | First Gas may carry out unscheduled maintenance where there is an emergency, FM or critical contingency, and |
| | RP ICA s9.5 | IP must give First Gas as much notice as possible and advise the likely duration of any work that would significantly affect gas flow. |
| | MPOC s2.20 | First Gas can adjust shipper nominations to keep pressure under the TTP limit. |
| | RP ICA s9.10 | No comparable provision. |
| | MPOC s2.23 | First Gas can suspend injection or off-takes if WP breaches an OFO. |
| | RP ICA s9.10 | First Gas can curtail injection if IP fails to comply with an OFO. |
| | MPOC s2.24 | WP can suspend injection or off-takes if First Gas is in material breach of an ICA provision. |
| | RP ICA s9.6 | No comparable provision. |
| Energy quantity determination | MPOC s16.3 | Metering Owner will ensure that WP metering complies with MPOC sch1. |
| | RP ICA s4.1 | IP (the Metering Owner under Schedule 1) will ensure Metering. |
| | RP ICA s4.3 | IP to ensure meter accuracy. |
| | MPOC s16.6 | First Gas or WP may request special test of WP metering, no more frequently than once every 60 Days. |
| | RP ICA s4.5 | First Gas or IP may request special test of IP metering, no more frequently than once every 9 months. |
| Peaking | MPOC s13.2 | WP can agree an operational profile with First Gas, which will be published on OATIS. |
| | RP ICA s5.8 | First Gas will approve an API unless it would require it to: curtail Shippers nominations, DNC or Supplementary Capacity; exceed the MHQ of the RP; or, unduly increase the risk of breaching an Acceptable Line Pack Limit, and |

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| | RP ICA s5.9 | First Gas may curtail AIP to avoid breaching an Acceptable Line Pack Limit. |
| Termination | MPOC s22.9 | WP may terminate ICA on 90 Days' notice. |
| | RP ICA s14.4 | Either party may terminate RP ICA on written notice if: other party defaults in payment; IP fails to comply with prudential; other party defaults on material covenant etc. |
| Disconnection | MPOC s5.3 | First Gas may require WP to disconnect where reasonably required by or agreed with WP. |
| | RP ICA s14.8 | Where terminating the RP ICA, First Gas may disconnect or require IP to disconnect. |
| | MPOC s5.4 | WP may disconnect where reasonably required by or agreed with First Gas. |
| | RP ICA s14.9 | Where terminating the RP ICA, IP may disconnect or require First Gas to disconnect. |