

22 January 2018

Steve Bielby
Chief Executive
Gas Industry Company
Level 8, The Todd Building
95 Customhouse Quay
WELLINGTON 6143
Submitted via GIC website

Dear Steve,

Assessment of 8 December 2017 GTAC

First Gas welcomes the opportunity to make a brief submission to the Gas Industry Company (GIC) on the Gas Transmission Access Code (GTAC) dated 8 December 2017.

As you know, we have been leading the development of the GTAC and consider that the GTAC access arrangements are materially better for all industry stakeholders than the existing codes (see our presentation of 8 December 2017, slides 21-32). We do not reiterate those points in this submission.

This submission focuses on how the GTAC will affect First Gas in its role as Transmission System Owner/Operator (TSO). We consider that this narrower, TSO-focused perspective is valuable for the GIC's assessment, and may not have been fully canvassed in the GTAC development process to date given our leadership role.

We have populated the GIC's suggested tabular format for our submission, which can be found as Appendix 1 to this letter. Where we have no comment on a particular section, or the section neither positively nor negatively impacts our operations, we have omitted these sections from the table.

Nothing in our submission is confidential or commercially sensitive.

If you have any questions regarding this submission, please contact me on 021 911 946 or via email at ben.gerritsen@firstgas.co.nz.

Yours faithfully



Ben Gerritsen
General Manager Commercial & Regulation

Appendix 1 – First Gas Submission on 8 December Version of GTAC

Gas Transmission Products	
2. Transmission Services	<ul style="list-style-type: none"> • A single transmission code will greatly simplify pipeline operations for the Transmission System Operator (TSO) • The GTAC will remove the need for operational activity and transactions at the interfaces between the Maui pipeline and ex-Vector transmission systems
3. Transmission Products and Zones	<ul style="list-style-type: none"> • The zone definition will be more coherent and complete, which makes it easier for the TSO to manage commercial operations • Removing the need to approve capacity transfer requests will avoid unnecessary administrative effort by the TSO (which can be focused on more productive tasks)
7. Additional Agreements (Supplementary Agreements (SAs) and Interruptible Agreements (IAs))	<ul style="list-style-type: none"> • Additional agreements will be public and the TSO will be better able to demonstrate arm's length treatment of all stakeholders (shippers and users) • The GTAC will allow the TSO to offer SAs to parties connected to the Maui pipeline, allowing the TSO to respond appropriately to uneconomic bypass and maximise pipeline utilisation • The criteria in s7.1 will limit the use of SAs to circumstances where they are genuinely warranted, which increases the transparency of arm's length treatment of all parties by the TSO
4. Nominations	<ul style="list-style-type: none"> • System-wide week ahead and day ahead nominations will help to give the TSO an early indication of any deliverability constraints • Nominations will provide information to allocate capacity at delivery points where they are congested • Underruns and overruns will provide a contractual tool for the TSO to ensure shipper and interconnected party behaviour is in the interests of all system users • The “de-linking” of Receipt and Delivery Nominations will avoid automatic, and frequently unnecessary, curtailment at either the supply or demand end • Agreed Hourly Profiles will provide valuable operational information to the TSO where a party wishes to flow an unusual profile that may have impacts on system security or other users • Extra ID Cycles will provide users with flexibility to respond to changing circumstances (particularly after last ID cycle) and therefore give better operational information to the TSO • Gas trading will be simplified as all trades are in the receipt zone and the TSO will not have to manage complex measures like “displaced gas nominations” • There will no longer be a need for the TSO to maintain a notional point for emsTradepoint trading nominations

Pricing Terms	
11. Fees and Charges	<ul style="list-style-type: none"> • Prices will be more clearly linked to Transmission System usage • Using an auction to value scarce capacity will better inform future growth-related TSO investment decisions • Publication of all contracts will avoid suspicions of unjustified “price discrimination” by the TSO • The number of standard transmission capacity fees charged will be reduced, and the number of separately priced locations will be reduced from 120 to around 20 • Hourly Overrun Charges will better signal to the TSO the effect of large, variable loads on capacity and system operation • Worse: Moving from annually based capacity charges (CRFs) to daily (DNC charges) will likely increase the seasonality of TSO revenue
Systems Operation	
7. Additional Agreements (ICAs)	<ul style="list-style-type: none"> • Having a clear set of common and essential interconnection terms will expedite the negotiation of new ICAs, while preserving flexibility to deal with site-specific and relationship-specific issues as required • New ICAs will keep step with the relevant code changes which will be easier for the TSO to manage
8. Balancing	<ul style="list-style-type: none"> • Line Pack will be managed as a single system which will be easier to understand, allow for more efficient and optimal use of compressors, and improve system security through transparency and flexibility • The TSO will no longer be compelled to buy or sell Balancing Gas via cash-outs, which will strengthen parties’ primary balancing obligations and reduce the potential for the TSO to be the market maker or influence market behaviour or outcomes • The TSO will be able to adjust ERM charges in situations that warrant such a response and signal to customers when Line Pack is scarce, with automatic adjustments applying when Acceptable Line Pack limits are breached • The park and loan option will give better information to TSO to manage primary balancing (i.e. where a party intends to run an imbalanced position across days)
9. Curtailment	<ul style="list-style-type: none"> • The TSO will be able to better target an OFO (i.e. to the Interconnected Party rather than Shippers, where relevant)

<p>10. Congestion Management</p>	<ul style="list-style-type: none"> • The GTAC will give the TSO a range of tools to manage congestion, including investment, interruptible load and PRs, rather than curtailing flow as required under the current regime • The congestion tools in the GTAC will allow the TSO to better link AMP modelling of congestion with investments to meet growth • The price of PRs will assist the TSO in prioritising investment in system development • The GTAC will require information to be provided to TSO regarding prospective new or increased loads, which can also be factored into TSO planning and decision-making
<p>Governance</p>	
<p>14. Prudential Requirements</p>	<ul style="list-style-type: none"> • The single prudential compliance will be easier for both the TSO and Shippers to manage
<p>16. Liabilities</p>	<ul style="list-style-type: none"> • The liability regime will ensure that parties most interested in resolving a claim are able to step in and claim for damages through subrogation and the TSO can be removed from the dispute (where the TSO is not alleged to have caused loss) • The liability regime will remove the existing ambiguity/exposure under the VTC that the TSO may end up indemnifying a party for a loss that the TSO did not cause and cannot recover
<p>17. Code Changes</p>	<ul style="list-style-type: none"> • The GTAC will remove inconsistencies between code change processes that apply to different systems (Maui and non-Maui) • The TSO anticipates an annual code update and a shipper forum to evolve the code in line with industry needs • The fast-track process for minor and urgent changes will allow the TSO to react to industry needs quickly • Worse: The TSO veto right will be restricted to changes that would lead to costs that cannot be recovered, narrowing the scope to veto changes that are not supported by the TSO
<p>Other Matters</p>	
	<ul style="list-style-type: none"> • The combination of the codes to a single contractual framework will allow a single IT system to be developed for the whole system. This will save around \$500k in licencing costs for the redevelopment of the IT system, and will save a larger sum in having to develop/configure the new system for two sets of arrangements.