

18 January 2018

Ian Wilson
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By email: info@gasindustry.co.nz

Dear Ian

Gas Transmission Access Code: Submission

Contact Energy Limited (Contact) thanks First Gas Limited (First Gas) and the Gas Industry Company (GIC) for the opportunity to make a submission on the Gas Transmission Access Code.

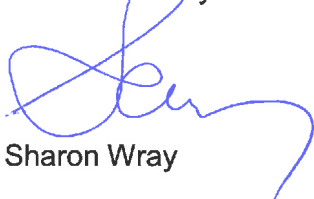
Contact remains concerned at the level of complexity provided by the new code and the uncertainty with respect to fees and charges. And on balance Contact believes that the GTAC will not be significantly better than the current two codes.

Contact is involved in the transport, trading, storing and end use of natural gas. The main aspects of the GTAC which Contact believes are better than the current code are the increased transparency and the potential to better utilise the pipeline as a whole rather than treat as individual pipelines.

However there are a number of areas that as drafted create uncertainty and deliver more complexity than the current two codes. These are set out in the attached template. In addition there are sections the impact of which are still unknown to Contact because there is still policy, criteria and costs that have not yet been provided by First Gas.

Contact is happy to discuss further any of the points made.

Yours Sincerely

A handwritten signature in blue ink, appearing to read "Sharon Wray".

Sharon Wray

Gas transmission Products	Better/ Worse	Efficiency	Fairness
GTAC s2 Transmission Services	Better	Being able to amend capacity booking on a daily basis – providing to do so doesn't create additional administration.	More transparency provides more information to all parties.
GTAC s3 Products and Zones	Better Worse	AHP: Promote efficient use of the pipelines. Promotes access to infrastructure. PRs: The impact of requiring retail load to bid for PR's may create a barrier to entry for new retailers and increase cost. Provides upward pressure on price.	PRs: Retail (residential and SME) load at a congested point is not protected. Given this load cannot be controlled and is not affected in a CC Event (but for extreme situations where requests can be made to conserve gas use) it is unfair to require that load to participate in auctions for PRs where it may be competing with other non-retail customers who are prepared to pay more.
GTAC s7 Additional Agreements (SA & IA)	Worse	Under the GTAC there is no DNC attached to Supplementary Agreements therefore they receive no tolerance at a dedicated delivery point. This is likely to lead to increased costs of balancing, reduce incentives for investment and increase barriers to entry.	Contact has SAs but has not been advised of any changes so cannot assess against new code. However the complexity with how these contracts work within the context of tolerances, overruns etc reduces the fairness of owners of these contracts compared to other participants. Currently Contact is afforded a share of tolerance against its nominations including gas nominated under its Supplementary Agreements. Under the GTAC it appears this will be excluded and we will be charged on any mismatch. Contact's Supplementary Agreements are in respect to Power Stations which use gas in direct response to spot electricity prices. The changes in these can be dynamic and unpredictable as far as nominations for gas to generate from go. Particularly on the evening peak when there may be little time to re-nominate and clear mismatch before the end of the day.
GTAC s4 Nominations	No change	Initially it is likely to be more complex with new systems etc and may require amendments to fix unforeseen bugs. However once the systems are bedded down it is assumed there will be little change under the new code.	

		Better	The ability to have nominations aggregated over the pipeline (zones) rather than at individual delivery points should provide more efficient use of the asset.	
Pricing Terms				
GTAC s11 Fees and Charges		Worse	There is now a charge for under booking capacity in the form of underrun charges. A shipper would already be paying more by paying DNC charges on quantities above their uplift plus any running mismatch so why also add an underrun charge. This will increase the cost incurred and therefore passed on to customers.	It is unclear if the rebates of incentive fees will be fair across parties. It does appear to create an unnecessary level of complexity.
System Operation				
GTAC s5 Energy Qty Determination		Same		
GTAC s6 Energy Allocations		Same		
GTAC s7 Additional Agreements (ICA)		Unknown		Contact has ICAs but has not been advised of any changes so cannot assess against new code
GTAC s8 Balancing		Worse	<ul style="list-style-type: none"> - This does not create downward pressure on prices as there is no definitive tolerances. This creates uncertainty and potentially higher costs of mismatch. The charge is not a cash-out with associated title to the gas over or under taken rather a penalty of the act. - The regime does not present a trade-off between quality and price given the unknowns. - It appears that park and loan is only available across one day so this is unlikely to permit correction of mismatch just more administration costs. 	
GTAC s9 Curtailment		Worse		S 9.12(b) it may not be impossible for a shipper to control an end users over take or their compliance with an OFO. Therefore to be liable for any loss suffered by FG is unfair.
GTAC s10 Congestion management		Unknown	This will depend on the ability of FG to find interruptible contracting parties to alleviate any congested points. It could in fact be worse if PRs result in retail customers paying more.	

GTAC s12 Gas Quality	No change		
GTAC s13 Odourisation	No change		
GTAC s14 Prudential Requirements	No change		
GTAC s15 Force majeure	No change		
GTAC s16 Liabilities	Unknown		
GTAC s 17 Code Changes	Worse		In respect to parties who must sign up to the code and therefore have a commercial interest the change request does not provide voting rights on changes, as is available under the VTC. Therefore although parties have rights to submit on a proposed change the decision to accept or reject a change made by the GIC. The GIC has only to consider its co-regulatory framework as set down under the Gas Act and Government Policy Statement and not any commercial implications that may arise as a result of the request. As such changes may result in unfair treatment to one or more parties while still meeting policy objectives.
GTAC s18 Dispute Resolution	Same		
Other			
Information yet to be developed and notified on OATIS	Worse	<ul style="list-style-type: none"> - Security Standard Criteria - Tolerances - Auction Rules - Prices - Specific HDQ/DDQ <p>These absences create unnecessary uncertainty and an inability to assess the impact on shippers and other parties to the code compared to the status quo.</p>	

