



18 January 2019

Submissions

Gas Industry Company Limited

By email: [info@gasindustry.co.nz](mailto:info@gasindustry.co.nz)

**Re: Consultation Paper - Preliminary Assessment of GTAC (PAP)**

Todd Corporation (**Todd**), through its subsidiaries Todd Energy and Nova Energy, supports the Gas Industry Company's (**GIC**) conclusion that the Gas Transmission Access Code (**GTAC**) is materially better than the combination of the Maui Pipeline Operating Code (**MPOC**) and Vector Transmission Code (**VTC**) (the **existing codes**).

The GIC's methodology for assessing the GTAC was consulted on and tested in the earlier version of the GTAC (**GTAC1**). As such, the evaluation is sufficiently robust that assessments of individual elements of the GTAC do not have an undue impact on the overall analysis. Todd does not consider there any bias in the evaluation, and there are no conclusions in the GIC analysis that Todd particularly disagrees on.

As documented by the GIC; First Gas, industry participants, and external advisors, worked together to resolve the key failings of GTAC1. The key faults that Todd highlighted with GTAC1 have been addressed. The result is a more comprehensive code that is now workable for market participants. It balances the interests of producers and large industrial consumers through to mass market retail customers.

Todd believes the primary benefits of the GTAC will accrue through:

- a) A simpler, single IT system that will be more accessible to participants and interested parties;
- b) More efficient overall management of transmission volumes, aided by the single receipt zone and separation of delivery and receipt nominations;
- c) Those consumers that may have been marginalised under the VTC due to highly seasonal demand patterns will particularly gain due to the need to only pay for capacity on a daily basis.

For existing major gas users connected to the gas transmission pipelines, the benefits of the new Code may seem marginal, but it is Todd's view that given the small size of the New Zealand gas market it is important that the market is able to work effectively at all levels.

It is not possible to really know until the GTAC is fully operational just how effective the incentives regime will be in causing Shippers to align their nominations with demand and balance shipping quantities over time. In any event, there is sufficient flexibility in the code to be able to make adjustments to the incentives as experience is built up.

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Similarly, Todd still believes the rebate system would be a better method of returning incentive fees to gas users. This may be reviewable in the future once participants are familiar with the pass through of penalty charges from Shippers once GTAC is in operation.

As with the above elements, there are probably other aspects of GTAC that will only become fully apparent once parties become accustomed to its operation.

In respect of the specific questions raised by the GIC:

Q.1 – Q.18 & 21. Todd is in broad agreement with the GIC's analysis. In respect of some specific points:

Q.15 Todd maintains its position that while a gas producer should be liable for losses arising from injection into the transmission pipeline of Non-Specification Gas; the producer does not need to be automatically deemed a non-RPO to give that effect. While the GTAC is similar to the MPOC in this respect, the opportunity could have been taken to correct an anomaly that producers were always reluctant to accept under the MPOC in the first instance.

Q.19 Todd does not believe that the removal of the Incentives Pool (MPOC) and Balancing and Peaking Pool (VTC) will have a significant detrimental impact on Shippers or consumers. The incentives on Producers and Shippers to deliver gas within the code requirements remain strong under GTAC, and given the lack of precedent, it is not clear that accessing compensation for loss under the existing codes is easier than seeking compensation for loss from First Gas under GTAC.

Q.20 The question of managing the pipeline pressure in the Receipt Zone (RZP) is complex. Figure 13 of the PAP demonstrating historical RZP would suggest that the MPOC, for whatever reason, fails to achieve its stated objective. The GTAC requires First Gas to use 'reasonable endeavours' to manage the RZP. (Todd agrees with the GIC that it is the pressure that is to be managed, not the TTP.) The RZP is a function of how the transmission system is being managed overall, inclusive of Shippers' and First Gas' actions, and the tools available to incentivise behaviours. It is Todd's view that the GTAC should provide improved control over the RZP. If it doesn't, then there are sufficient levers within GTAC to achieve that.

Q.22 In respect of First Gas' ownership of the Ahuroa UGS facility, Todd agrees there is sufficient provision within GTAC to protect users from costs that could possibly result from First Gas adopting strategies in its operation of the gas transmission system to maximise its non-regulated revenues at Ahuroa.

Todd's conclusion is that the GIC should approve the GTAC to replace the existing codes.

Yours sincerely



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