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Submitted online via GIC website

Re Gas Transmission Access Code

emsTradepoint Limited welcomes the opportunity to provide feedback on the current draft of the Gas Transmission Access Code (the Code), published 11 September 2018.

emsTradepoint is a commodity exchange designed to provide transparent pricing and transactional certainty to physical energy markets such as natural gas. Our aim is to develop the market as a sustainable and integral part of the natural gas supply chain through facilitating efficient trading of gas for today and forward delivery.

We support the process that First Gas Limited (FGL) and the Gas Industry Company (GIC) are following in developing the Code.

We complement FGL's efforts to conclude the process. Using focused workstreams to address specific areas identified in the Final Assessment Paper (FAP) reworking contentious points, and the addition of David Coull and team from Bell Gully, has, in our view, produced a far more inclusive and engaged process for all concerned.

Revisions to the draft Gas Transmission Access Code (GTAC)

We have followed the revisions to the draft Code to ensure alignment of Code objectives with emsTradepoint's gas spot market. While we are generally positive with the latest version of the GTAC, we discuss residual concerns, below, in two areas: confidentiality and excess running mismatch (ERM) charges.

Confidentiality – We consider the current draft does not sufficiently ringfence the First Gas Commercial operations from its system operations.

First Gas needs to ensure confidential information remains confidential. We consider the Maui Pipeline Operating Code's section on Confidentiality is a good model. Although the section was for a different purpose, it does provide a workable backbone that could be incorporated as a schedule to the current GTAC version.

Another example of a robust Conflict of Interest (COI) framework that could be incorporated into the GTAC is the COI section of the Electricity Industry Participation Code (EIPC). The EIPC sets out the duties and responsibilities that apply to industry participants and the Authority.

The Code and related service provider agreements set out conflict of interest protocols for Transpower as System Operator and any of its other participant functions, including Transpower as Grid Owner.

In the EIPC there are several means to manage COI, one that seems very relevant is section 138.5A *“Establish a clear division of management and staff roles. This may include the establishment of separate teams that are physically isolated from each other.”*

In our view the addition of a confidentiality schedule to the draft GTAC would provide a level of comfort that several market participants seek.

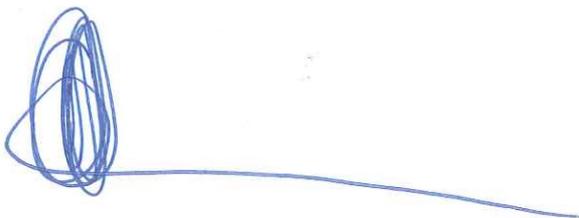
Excess Running Mismatch (ERM) Charges – We consider that the level of proposed ERM charges do not create an appropriate disincentive to Shippers and OBA parties. Unless the ERM charges are set at higher levels we believe that ‘gaming’ is a likely outcome based on current listed ERM charges. There is a strong chance that the risk of incurring an ERM fee will be more attractive than the costs of self-balancing, ultimately leading to reduced liquidity in the spot market.

A reduction in liquidity will act as a significant market entry barrier. A market with adequate levels of liquidity becomes an essential requirement for acceptable levels of competition and effectiveness in wholesale energy markets.

A reasonable level of liquidity in the NZ gas spot market would mean that commodity prices better reflect changes in supply and demand fundamentals and would allow gas to flow to the highest economic use. This would, in turn, provide accurate price signals for investment, promote competition and lower barriers to entry.

If you would like to discuss any of the above points, please contact me by phone 04 590 7312 or email quintin.tahau@emstradepoint.co.nz.

Yours sincerely,



Quintin Tahau

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