

MEMORANDUM

TO: GTAC Stakeholders
FROM: First Gas
DATE: 24 July 2018
RE: Block 1 Outputs – 1 GTAC ICAs

This memo describes proposed changes to GTAC provisions on ICAs to address the findings of the Final Assessment Paper (FAP) following on from the workshop on Tuesday, 10 July 2018 as documented in the Draft Minutes issued by the GIC on 17 July 2018.

The proposed GTAC drafting changes are provided in appendix 1 of this memo. These terms are a starting point for the discussions to be held during the workshops on Tuesday 7 and Wednesday 8 August. Proposed drafting for consultation will be issued following that workshop.

Final Assessment Paper (FAP) findings

The findings of the FAP on ICAs and were summarised in the GTAC work programme as follows:

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1. Terms that apply to interconnected parties through ICAs must mesh with the terms that apply to all other interconnected parties and to shippers through TSAs. The terms and conditions of access to, and use of, the gas transmission system must be fully described for all system users and be coherent (i.e. work together).
2. The core terms of interconnection should be standard across all interconnected parties (so that coherent, non-discriminatory access is assured), except to the extent that individually negotiated terms are appropriate.

Positions reached

Common Terms

Stakeholders generally agreed with First Gas's proposed list of items to be included in the list of common and essential terms:

1. Applicable technical standards
2. Gas quality
3. Metering
4. Peaking
5. Flow to nominations
6. Pressure

7. TSO instructions
8. Changes
9. Liability
10. Liability for non-specification gas

In addition, stakeholders raised a number of additional common and essential terms. Stakeholders reviewed list and the generally accepted position is reflected in brackets below:

11. Fees and charges (balancing common plus obligation to follow interconnection policy)
12. Confidentiality (common)
13. Curtailment (common)
14. RP nominations and gas scheduling (options for nominations and confirmation)
15. Right to OBA/allocation (options for nominations and confirmation)
16. Termination (common)
17. Interconnection change requests (common)
18. Delegated authority/agent (individual, but how agents are treated is common)
19. Force majeure (common)
20. Terms of allocation (common)
21. Status of obligations in critical contingency events (common)
22. Term (individual)
23. Renewal rights (individual)

Integration with the GTAC

Of the four options for integration of ICAs into the GTAC, the broad view seemed to be that option two (specification of common terms in an appendix to the GTAC) was the best approach. First Gas's legal advisors were asked to put together a draft of option two in the most comprehensible manner possible.

Proposed solution

The proposed provisions to be included in the GTAC to reflect the discussions regarding ICAs are:

- a new section 8 of the GTAC addressing ICAs;
- Schedule 5 containing the identified common and essential terms of Receipt Point ICAs (noting that new TTP provisions have been included);
- Schedule 6 containing the identified common and essential terms for Delivery Point ICAs;
- Existing sections 7.13 to 7.15 of the GTAC will be deleted (as section 8 replaces them).

As discussed at the ICA workshop:

- the Schedule 5 and 6 provisions have been taken from the forms of Receipt Point ICA and Delivery Point ICA that formed part of the 8 December GTAC assessment package;
- the provisions included in Schedules 5 and 6 have not been changed from those 8 December documents (so people are able to work from documents with which they are already familiar);
- for this reason (i.e., ease of reference), the existing ICA section numbering has not been changed. The numbering in Schedules 5 and 6 will be updated later in the review process;
- as discussions in relation to the GTAC and the ICAs continue, it is expected the relevant provisions in Schedules 5 and 6 will be updated to reflect those discussions and so that they remain consistent. They will also be updated as appropriate to take into account comments in subsequent workshops.

Two principles that were identified in the first ICA workshop were that the:

- ICAs First Gas uses should be self-contained and easy for new and existing users of the Transmission System (as well as for First Gas) to use and follow; and
- GTAC and the ICAs were to mesh and be consistent.

First Gas has a number of Existing Interconnection Agreements and they will continue in accordance with their terms. These are bilateral agreements which in general terms contain much of the content identified in Schedules 5 and 6 and follow a similar format. When these Existing Interconnection Agreements expire (or if before expiry an interconnected party wishes to transition to new ICAs), any new ICAs will be in the form of a bilateral agreements but will include the provisions of Schedules 5 and 6.

There is benefit to First Gas and Transmission System users in having uniformity in the nature and style of ICAs as well as the common and essential content of ICAs (while allowing for the inclusion of appropriate individual terms). This approach makes the ICAs easy to use and follow, and means they are largely self contained. This was identified by several interconnected parties, as well as First Gas, as important to them.

In relation to meshing and consistency:

- a number of the ICA provisions that were identified in the workshop as common and essential will reflect provisions included in the GTAC with appropriate changes for context (e.g., Metering, TTP and Liabilities);

- section 20.4 of each ICA has been further developed to expressly incorporate any GTAC changes into ICAs (including where the common terms under Schedules 5 and 6 are changed under a change request), and to provide that the Code prevails where there is inconsistency;
- section 20.1 has been updated so that any common definitions in the GTAC (including any changes) flow through into ICAs;
- the TTP provisions to be reflected in the GTAC have also been included in Schedule 5 at this stage in order to provide clarity on how they are proposed to be incorporated (see Schedule 5 – section 3.1(b) and new section 3.2);
- the common ICA terms for both Receipt Point and Delivery Points expressly provide for the Interconnected Party to choose to become an OBA Party, and where the Interconnected Party does so it is expressly required to comply with the GTAC provisions that apply to an OBA Party (see section 5.3 of Schedule 5 and section 5.5 of Schedule 6);
- section 8.4 of the GTAC and section 19.6 of each ICA provides for the publication of any new ICA (and any amendment) on OATIS. This will enable any Transmission System user to have full visibility on the full terms on which an Interconnected Party is connected to the Transmission System. First Gas believes this is an important aspect for both it and all Transmission System users.

This approach and these changes means the GTAC and the ICAs will appropriately mesh.

First Gas notes there are separate common and essential terms schedules for Receipt Point ICAs and for Delivery Points ICAs. This is because while many of the terms are the same, there are a number of provisions that, while addressing similar issues, do differ between Receipt Point ICAs and Delivery Point ICAs – although it adds some length to the GTAC, such an approach is significantly simpler and clearer than amalgamating the two schedules.

We look forward to receiving industry feedback, as well as any comments or questions on the detail of Schedules 5 and 6, at the Workshop to be held on 7 and 8 August.