

12 October 2018

Angela Ogier
Transmission Commercial Manager
First Gas Limited

Nova Energy Limited
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By email: Angela.Ogier@firstgas.co.nz

Dear Angela

Re: Stakeholder Consultation on Sept 18 version of the GTAC

Nova Energy and Todd Energy (together as Todd) have considered the GTAC as presented in September 2018. Todd apologises for not having responded earlier on these points. Todd has been pleased with the process of engagement and progress made in the improvement of the GTAC.

Todd's responses to the specific questions raised by First Gas are as follows:

1. *Do you consider that the positive features of GTAC identified in the FAP are retained in the current GTAC draft that incorporates changes made during 2018?*

Yes. In particular the benefits of a single code from an operational and governance perspective, as well as the change to pricing methodology away from the annual fixed capacity regime which is complex and detrimental for gas consumers with a variable or seasonal demand profile.

The single Receipt Zone is also an important feature of the GTAC for production and trading purposes.

2. *Do you have any concerns about how the three key issues identified in the FAP have been addressed in the GTAC?*

Todd specifically raised those issues as its primary concerns with the earlier GTAC. It is satisfied that these have largely been addressed. There are some issues with the Receipt Point ICA's that warrant further consideration. Details on these points are appended to this submission.

3. *Do you have concerns about how we have implemented the solutions from the workshops to address the other FAP findings?*

There are parts of the early GTAC that needed significant redrafting, and this has been undertaken; for example the peaking charges and tolerances allowances. While there has been consultation on all of the changes made, there remains a risk that given the amount of material that has been worked through over a compressed time frame that further changes may be required to refine the Code.

The same issue arises for interconnection terms which have not been exposed to the same levels of scrutiny as the core GTAC.

It is important that the adoption of guidelines on gas quality incidents similar to the AEMO Guidelines progresses as discussed and agreed during the workshops. Balancing the needs of gas producers to run their production stations efficiently and maintain throughput while also ensuring that all gas that reached consumers is within specification is difficult to codify effectively.

4. *Do you consider that the changes we've made together have the intended impact and retain the positive features of GTAC identified in the FAP?*

First Gas has dropped its proposal to rebate overrun charges in response to submissions and concerns from consumers. Todd is still of the view that the alternative will prove to be more of a problem than the rebate structure proposed. This is because Shippers will find necessary to on-charge to customers all overrun and underrun charges incurred, either calculated directly on nominated volumes or on a pro-rata basis. Todd acknowledges that the change has been made at the behest of the majority of respondents. Further, the expected costs have been mitigated to some extent by reducing the penalty factors, together with an increased number of intraday nominations cycles.

The revised overrun fees and additional nominations cycles should help ensure that Shippers do not need to over resource to manage their costs under the new Code.

5. *Do you consider that our decision to not make certain changes to the GTAC has deteriorated access provisions in relation to the existing codes?*

Todd acknowledges the trade-offs between First Gas retaining flexibility in the way it manages the pipeline and providing users with certainty on their rights and obligations. Overall it believes the balance achieved in the revised GTAC is about right.

Nova is available to discuss these and the additional concerns in the attachment to this letter as appropriate. It is still in the process of undertaking a detailed review of the Code and may still have further issues of detail that it will raise with First Gas.

Yours sincerely



Paul Baker
Commercial & Regulatory Manager

CC: Ian Wilson, Gas Industry Company
Tony Bissell, Todd Energy

Appendix: Proposed changes to GTAC

- 1.1 Definition 'Receipt Point': Todd wishes to be assured that the concept of a station or facility under this definition is inclusive of the current physical arrangements where metering and/or control valves are not always located within a single compound close to the welded point.
- Schedule 5
 - The timing for Section 4.4(a) may not be feasible if the meter is sourced from a location with a long shipping lead time. Suggest re-wording to allow FG to use discretion to provide for greater than 3 months when 3 months is infeasible
 - Clause 6.4 is unnecessarily restrictive as it requires that in the event of a momentary injection of Non-Specification Gas the Interconnected Party must cease injecting any gas.
 - Clause 6.4 could be deleted as the actions to be taken in the event of injecting Non-Specification Gas are adequately covered by clause 6.5.
 - If clause 6.4 is not deleted, then at a minimum it should be amended to state '...immediately halt further injection of **Non-Specification Gas**...'
 - The proposed changes are consistent with the VTC Interconnection agreement for the KGTP:
 - 6.2 The Interconnected Party shall not knowingly inject Non-Specification Gas into Vector's Pipeline (except for the shortest practicable time necessary to terminate its injection of gas after becoming aware that it has been injecting Non-Specification Gas).
 - Under clause 6.7 FG should be required to advise the Interconnected Party of the reasons for its concerns under 6.6, and accordingly give notice to the Interconnected Party why these concerns have not been resolved before taking any other action under 6.7.
 - Clause 6.17 is still expressed inappropriately and Todd is very concerned with the implications of this clause as currently drafted with respect to "the failure to act as a RPO". Todd notes that this clause is inconsistent with Clause 12 of the Code. Under clause 12 of the Code, First Gas has obligations with respect to Non-Specified Gas of the Code but there is no suggestion that First Gas is failing to act as a RPO in the event it causes or contributes to Non-Specification Gas reaching a Delivery Point. Instead, the Code provides that First Gas indemnifies a Shipper for any Loss as a result of taking such gas. These provisions should be mutually applied to the Interconnected Party's obligations in Schedule Five with respect to Non-Specified Gas and the reference to "failure to act as a RPO" should be deleted. Doing so would also more accurately reflect the intention of clause 12.2(b) of the Code.

With respect to clause 6.17 of Schedule Five, Todd has no issues with indemnifying First Gas for losses it sustains if Todd injects Non-Specified Gas and this obligation could be better dealt with by adopting a provision like clause 12.10 of the Code. The intent of clause 6.17 is maintained and liability is clear if the current clause 6.17 is deleted and replaced with the following:

“The Interconnected party shall indemnify First Gas for Loss incurred by First Gas arising out of or in relation to that Interconnection Party injecting Non-Specified Gas at a Receipt Point, except to the extent that:

- (a) such Loss arose from First Gas causing or contributing to the Non-Specification Gas entering the Transmission System; and/or
 - (b) First Gas has not mitigated its Loss to the fullest extent reasonably practicable.”
- ICA SCHEDULE TWO, 1.2 (d) 1.5 and 1.6 Refer to definition of Receipt Point above. Allowance should be made for these requirements associated with the Receipt Point being located at various points on the gas supply pipeline and not necessarily within a single compound.
 - ICA SCHEDULE TWO, 1.8 add: ‘...for safety or emergency purposes.’