



## Gas Transmission Access Issues Review

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**Ian Wilson**

Senior Adviser - Pipelines

Gas Industry Co is reviewing transport arrangements on New Zealand's high pressure transmission pipelines to assess whether the objectives of the Gas Act and Gas Policy Statement are being met.

# Requirements of Gas Act and GPS

- Part 4A of the Gas Act 1992 relates to governance of the gas industry. In particular, Section 43ZN sets out the objectives of the Gas Industry Co (the “industry body”) in relation to governance regulations. Since most of these objectives are relevant in varying degrees to the matters discussed in this paper they are quoted in full below:
- *“The objectives of the industry body, in recommending governance regulations under section 43F, are as follows:*
- *(a) the principal objective is to ensure that gas is delivered to existing and new customers in a safe, efficient, and reliable manner; and*
- *(b) the other objectives are –*
- *(i) the facilitation and promotion of ongoing supply of gas to meet New Zealand’s energy needs, by providing access to essential infrastructure and competitive market arrangements;*
- *(ii) barriers to competition in the gas industry are minimised;*
- *(iii) incentives for investment in gas processing facilities, transmission, and distribution are maintained or enhanced;*
- *(iv) delivered gas costs and prices are subject to sustained downward pressure;*
- *(v) risks relating to security of supply, including transport arrangements, are properly and efficiently managed by all parties;*
- *(vi) consistency with the Government’s gas safety regime is maintained.”*
- In addition, Section 5 of the Government Policy Statement on Gas Governance (October 2004) includes among the specific outcomes being sought:
- *“...access to essential infrastructure...”;*
- *“Incentives for investment in... transmission... are maintained or enhanced...”; and that*
- *“Risks relating to... transport arrangements, are properly managed by all parties...”*
- Also, in the context of industry-led solutions, it provides that, where appropriate, the Gas Industry Co will develop arrangements for... *“The establishment of an open access regime across transmission pipelines so that gas market participants can access transmission pipelines on reasonable terms and conditions.”*

March, April and May 2006

Stakeholder Interviews



Issues Analysis



27 June 2006

Issues Paper Released



Submissions Received



Early October 2006

Submissions Analysis  
and Work Programme  
Paper Released

## 1. The Issues Paper 9 Themes

## 2. Review:



Legal Framework



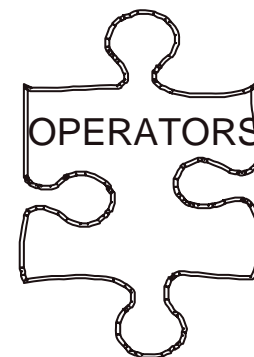
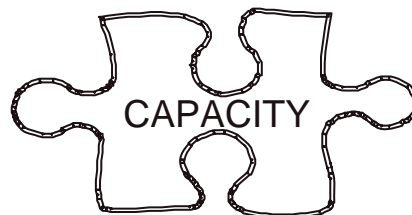
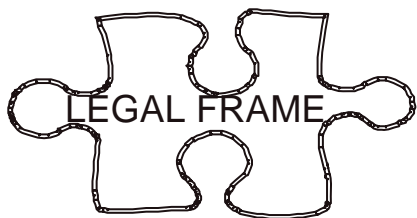
Capacity



Balancing

## 3. Where to from here

## The 9 Issue Paper Themes





### Issues:

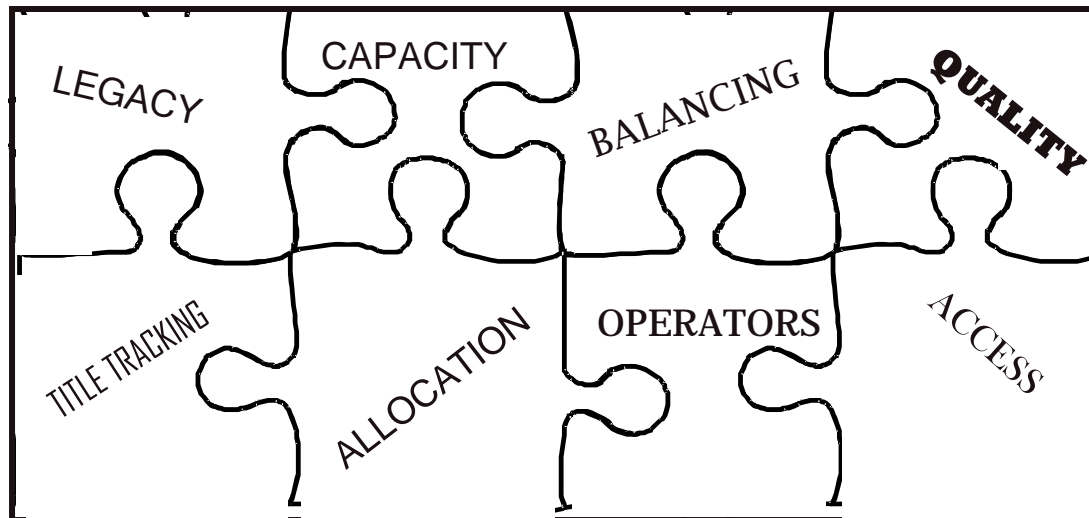
- Patchwork of different frameworks to manage the issues
- Change processes ineffective or unproven
- Multilateral issues arise in each of the themes

### Suggested fix:

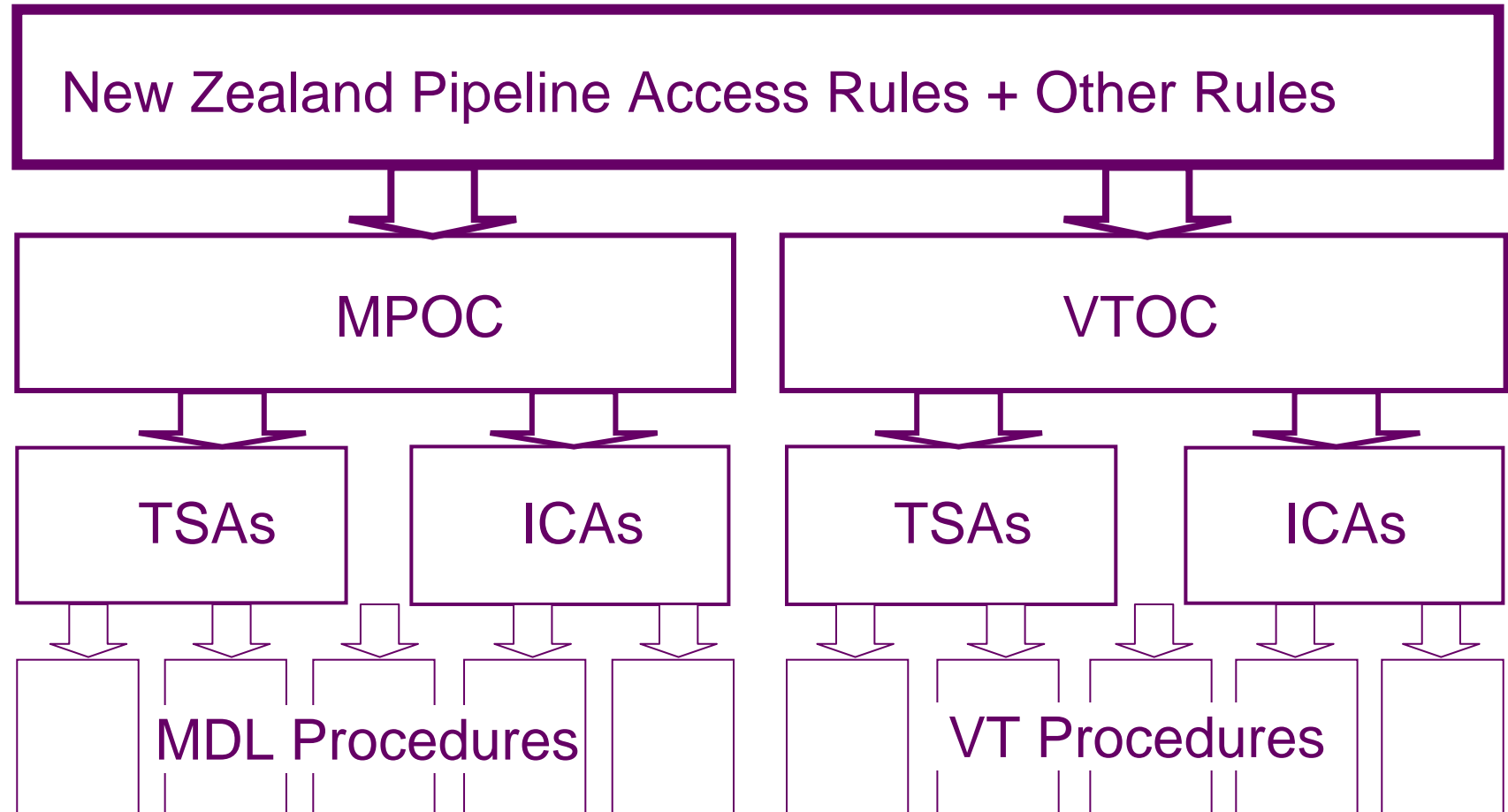
- Convert certain Industry Arrangements to Rules
- Develop Vector Transmission Operating Code (VTOC)
- Develop Operating Procedures

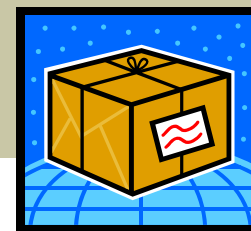


### LEGAL FRAMEWORK







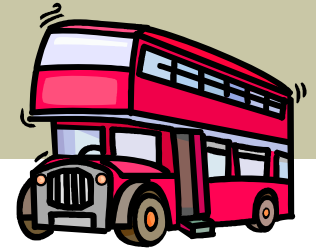


### Submissions:

- Fix conflicts of interest first
- “pragmatic” approach before rules
- Further analysis required

## Capacity Theme

Issues Paper analysis – shippers want alternatives



### Issues:

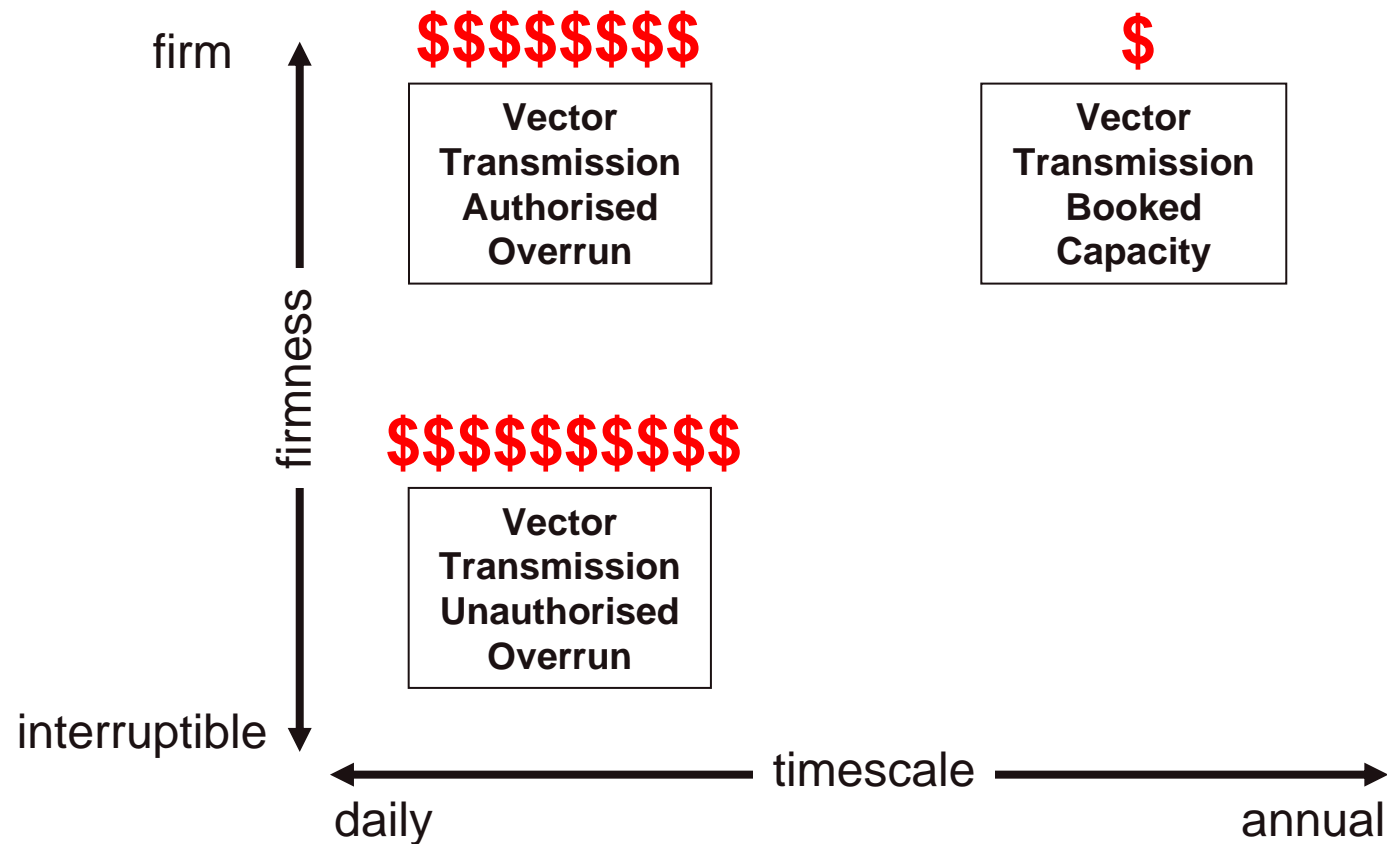
- short-term capacity on the Vector pipeline
- long-term capacity on Maui pipeline
- capacity hoarding?

### Suggested fix:

- VT urged to develop short-term capacity product
- Better definition of VT interruptible service
- Maui pipeline issues should be addressed through change process in Maui Pipeline Operating Code (MPOC)

# Capacity Theme

Issues Paper analysis – shippers want alternatives





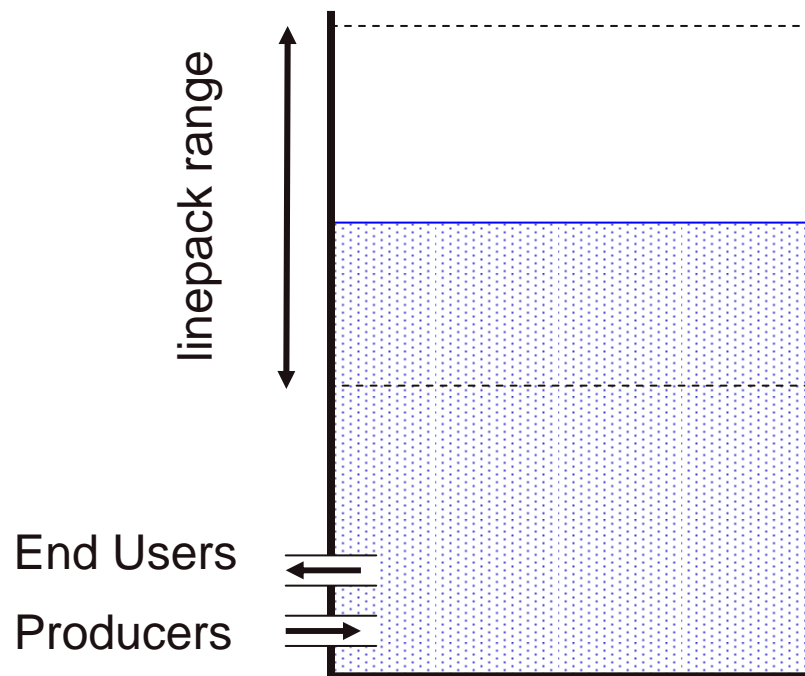
### Submissions:

- Shippers want reasonably priced short-term capacity
- Offering short-term capacity would undermine “fundamental” need for long-term capacity
- Part of Vector pipeline should be reserved for shippers short-term needs



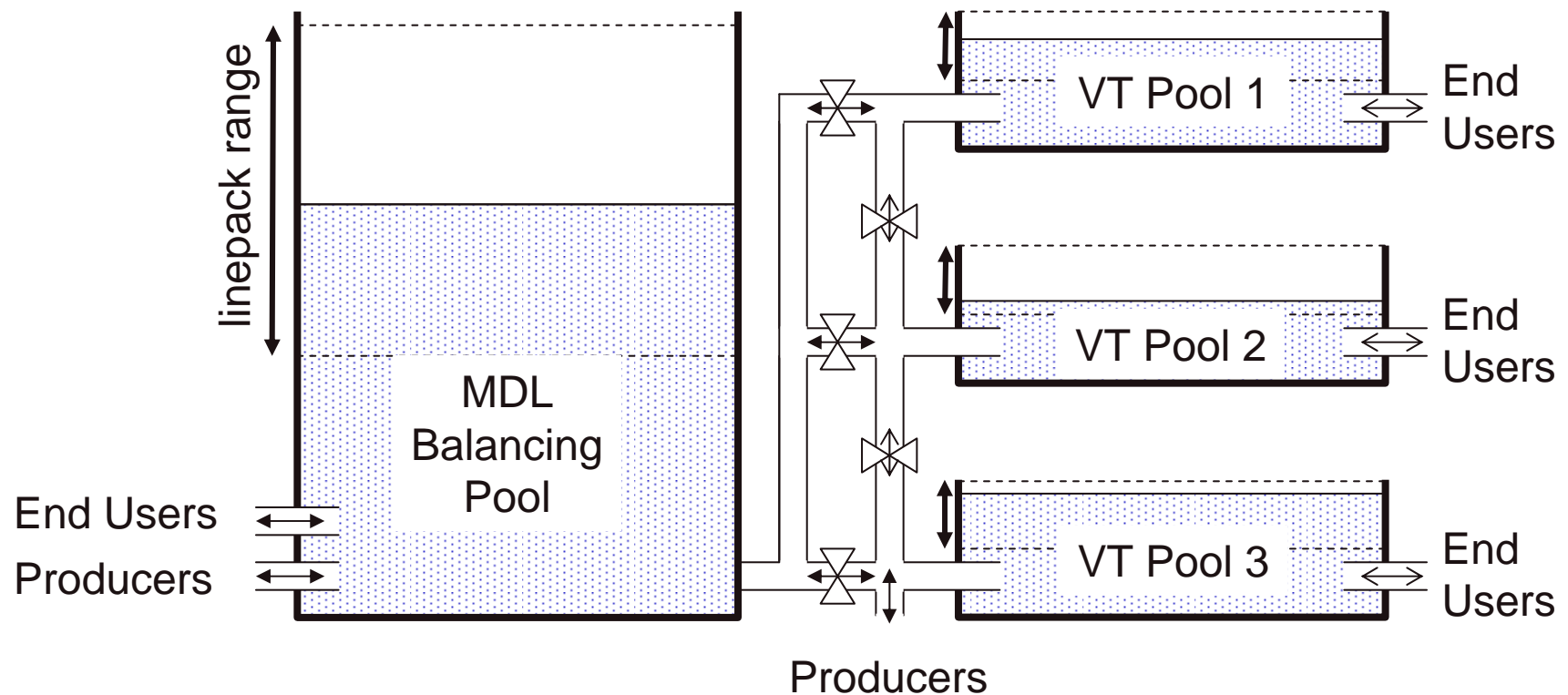
*“Balancing a pipeline boils down to maintaining the Line Pack... within acceptable limits.”*

*(section 4.1.2 Vector Transmission Information Memorandum)*



## Balancing Theme

Issues Paper analysis – too complex?



## Balancing Theme

Issues Paper analysis – too complex?



### Issues:

- Multiple Pools complex – possibly high cost
- Operators may struggle to be “reasonable and prudent” if costs of balancing actions cannot be allocated
- Impact on customers may be unfair

### Suggested fix:

- Detailed procedures
- Shipper education
- Review after 6 months





### Submissions:

- Multiple pools are appropriate and should not be significantly more expensive
- Multiple pools ok, but should have a single balancing protocol

## Next steps

- Submissions Analysis and Work Programme paper released early in October
- It will test the co-regulatory model