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| From | Gas Industry Co |
| To | Industry Participants |
| Date | 28 March 2018 |

## Drafting comments raised in submissions on 8 December 2017 GTAC

On 13 February 2018, Gas Industry Co issued a Preliminary Assessment Paper (PAP) containing its assessment of the gas transmission access code (GTAC) submitted to it on 8 December 2017. In that paper, we noted that some of the submissions provided detailed comments on the drafting of the GTAC that we did not consider to have a material impact on our assessment of the GTAC. We said that we would issue a note following the PAP indicating whether we agree that any of the drafting concerns should receive additional consideration.

The proposed changes, stakeholders’ comments and our response are provided in the attached table. Please note that this paper does not address design issues or discuss matters that have been addressed in the PAP.

We would welcome comment on the matters in the table either as part of stakeholders’ cross-submissions on the PAP or in a separate submission. Any comments should be provided by 16 April 2018.

| Submitter | Section of GTAC | Submitter’s Proposed Change in red | Submitter’s Comment | GIC Comment |
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| Vector | 1.1 | Commerce Commission means the regulatory body for competitive and regulated markets | No definition for Commerce Commission | The Commerce Commission is only referred to in section 11.15 of the GTAC. We think that the Commerce Commission’s role in setting First Gas’s price-quality path is well understood. Accordingly, we think that inclusion of this defined term is unnecessary. |
| Greymouth | 1.1 “Day” |  | The VTC and MPOC refer to a period of 24 hours and expressly refer to New Zealand standard time, therefore bringing the definition within the exception set out in those Codes’ equivalent to section 1.2(x) of the GTAC. However, the GTAC does not include the express reference to standard time in its definition of day meaning, per section 1.2(x), on two days in the year, the Day, as defined, will either not have ended by one hour, or will double-up with the next day by one hour. | The definition of time in the MPOC and the VTC is New Zealand statutory time unless expressly referring to New Zealand Standard Time (MPOC s1.2(m) and VTC s1.3(u)). Vector’s suggested amendment seems a simple and effective fix that accords with the current codes. |
| Vector | 1.1 “Day” | Day means a period of 24 consecutive hours, beginning at 0000 NZST hours and Daily shall be construed accordingly | Definition of time under the MPOC and the VTC is in New Zealand standard time unless otherwise indicated. First Gas has decided to make time New Zealand statutory time unless otherwise indicated. As this has been raised previously in submissions, First Gas must have reasons for this change but the unintended consequence is that wherever Day is used in the context of quantity, Day is referred to in New Zealand statutory time. Vector proposes that First Gas change the definition of time back to the definition under the MPOC and the VTC. Otherwise, First Gas needs to carefully review the GTAC to ensure that when Day is being used in relation to a quantity, it is clearly a day in New Zealand standard time. For example: 3.28 - An AHP can only be requested in advance. An AHP may be for part of a Day and/or a full Day (or Days) up to a maximum of 7 Days. An AHP must commence at a time corresponding to the start of a nominations cycle. An AHP that starts on a Day must include all Hours from the time it starts until the end of that Day. |
| Greymouth | 1.1 “Distribution Network” |  | There is no equivalent in the MPOC. The VTC defines this as excluding the Transmission System, whereas the GTAC does not. This is a deficiency in the GTAC for a number of reasons:   * The Transmission System could be a Distribution System if it operates (regularly or just in Critical Contingencies) at less than 20 bar. * A distribution network, in theory, could convey gas to one customer (not just more than one) * To determine whether a Distribution Network is in effect, one needs to consider the design intent of that pipeline system. | The equivalent definition in the VTC is “Distribution System’’. We consider that the reference to “ordinarily operates at a pressure of less than 20 bar gauge” in the VTC is a useful clarification. We also agree that a Distribution Network could convey gas to one customer (the VTC refers to “one or more consumers” in the definition of “Distribution System’’). |
| Greymouth | 1.1 “Emergency” |  | The inclusion of subparagraph (c) creates too low a threshold; there should be significant impairment, otherwise any breach of TTP could technically be an emergency. In any event, it is not clear why this has been included – the focus of the VTC and MPOC in the context of what constitutes an emergency is the safety of the system, persons and the environment, not the deliverability of gas. | We do not consider that subparagraph (c) creates too low a threshold when compared to the MPOC. The MPOC and VTC permit First Gas to declare an Emergency in any circumstances reasonably believed by First Gas to constitute an Emergency. The MPOC also contemplates the insufficiency of deliveries of gas to the Maui Pipeline to constitute an Emergency.  The ability to determine an event or circumstance to be an Emergency under the GTAC is subject to the Reasonable and Prudent Operator obligation. |
| Vector | 1.1 | Gross Calorific Value means the total amount of heat released when Gas is burned | No definition for Gross Calorific Value, only Calorific Value. Calorific Value is never used on its own, so it makes more sense to remove and add a definition for Gross Calorific Value. | We note that the equivalent term “Gross Calorific Value” is used in the MPOC and the VTC, but it is undefined in those codes. Common industry practice would be to refer to the definition in the appropriate code, NZS 5259 in this case. |
| Greymouth | 1.1 “High Line Pack Notice” and “Low Line Pack Notice” |  | The language is not consistent between the definitions and section 8.6 or Schedule 2. | If a breach of an Acceptable Line Pack Limit is likely, section 8.6 only requires First Gas to issue of a High Line Pack Notice or a Low Line Pack Notice if “*the time and circumstances permit*”.  In Schedule 2, the timeframe for publication of a High Line Pack Notice or a Low Line Pack Notice is “*As soon as reasonably practicable, if Line Pack is decreasing or increasing excessively fast*”.  In our view, the words “*if Line Pack is increasing or decreasing excessively fast*” do not clearly fit within Schedule 2. Those words relate to the circumstances in which a High Line Pack Notice or a Low Line Pack Notice is published, not the frequency of publication. |
| Greymouth | 1.1 “Interconnection Agreement” |  | The VTC and MPOC refer generally to valid and existing agreements. However, the GTAC refers to agreements entered into on or after 1 October 2018. This definition would exclude ICAs entered into prior to that date (there may be various ICAs entered into before 1 October 2018 if that is the target start date for the GTAC), which would then be outside the GTAC ICA regime. | We think that ICAs entered into before the date of the GTAC would meet the definition of an “Existing Interconnection Agreement”. It is not clear to us whether that was First Gas’s intention. We agree that First Gas should reconsider the definition of “Interconnection Agreement” and “Existing Interconnection Agreement. |
| Greymouth | 1.1 “PR Term” |  | In the absence of the PR Auction rules, there are no principles or processes that govern the term of PRs. The issue is that if PR terms are to extend beyond the term of AG1 / AG2 End-User contracts with Shippers, then that will create competition issue unless PRs are held by those End-Users or there is a mandatory transfer of PRs between Shippers of the End-User switches supplier. The deferral of these points for consideration in the PR Auction rules makes the definition of PR Term unworkable at present. | We think the definition of “PR Term” is a separate issue from the transfer of PRs. Note that section 3.21 of the GTAC contemplates PRs being traded between Shippers. The impact on the ability for customers to change supplier has been noted in the PAP. |
| Greymouth | 1.1 “Priority Right” or “PR” |  | The definition does not work because the operative part of section 3.14 defines PRs at equal to 1 GJ, whereas we know from First Gas workshops that the intention is to scale back entitlement to PRs during Intra-Day Cycles if there are deemed flow issues preventing First Gas from giving full effect to the PRs purchased. | Priority Rights provide priority access to DNC. GTAC s3.14 simply defines the relationship between PRs and DNC (i.e. the effect of holding a PR). A participant who holds PRs will be at the head of the queue for DNC, but holding PRs does not guarantee Approved NQ (hence the use of the terminology “priority access to Approved NQ” in GTAC s3.14”).  Where curtailment occurs, it will be Approved NQ that will be curtailed, not PRs. |
| Vector | 1.1 | Maintenance means, in relation to any part of the Transmission System (including any Receipt Point, Delivery Point, Bi-directional Point, compressor or other facility, Metering, pipeline or pipeline equipment including any aerial, bridge or other crossing, culvert, drainage, support or ground retention works) any testing, adding to, altering, repairing, servicing, replacing, upgrading, inspecting, cleaning, pigging, decommissioning, removing or abandoning, as well as any preparatory or return-to-service work relating to any such activity; | All Delivery Points, Receipt Points etc are called a facility but in other parts of the GTAC it is called a station. | The definition is broad and refers to “any part of the transmission system” and a Receipt Point and Delivery Point are included as examples. We do not think the change is necessary, but it would appear to be non-controversial. |
| Vector | 1.1 | Operational Balancing Arrangement or OBA means a Gas allocation option available to an OBA Party under its ICA at one or more Receipt Points, or at one or more Individual Delivery Points, whereby at the relevant point:  ~~(a) each Shipper’s Receipt Quantity or Daily Delivery Quantity is its Approved NQ; and~~  ~~(b) any difference between the Scheduled Quantity and the metered quantity is the responsibility of the OBA Party;~~  (a) each Shipper’s Receipt Quantity is its approved NQ;  (b) each Shipper’s Daily Delivery Quantity is its Approved NQ | At a Receipt Point, there is no concept of Approved NQ, only approved NQ by the Interconnected Party. | We agree that there is an issue here as the definition of “Approved NQ” does not refer to Receipt Points.  It is not clear to us why Vector’s proposed amendments remove paragraph (b) of the definition. |
| Greymouth | 1.1 “Running Mismatch” |  | This definition is similar to that in the VTC and the MPOC. However, there is a workability issue insofar as the definitions pertain to ‘on that Day and all previous Days’. In the absence of codified transitional arrangements in the MPOC, VTC or GTAC relating to this point, it is assumed that the GTAC can only look back to the date of the Code. | We agree that this requires further consideration. We think it may be possible to create a pragmatic solution that ensures a clean transition from the current arrangements to the GTAC. |
| Greymouth | 1.1 “Running Mismatch Tolerance” |  | The quantity of Line Pack to provide for Shippers’ and OBA Parties’ Running Mismatches is subject to change at no notice and at First Gas’s discretion.  There are no timeframes in Schedule 2 (which sets out the information to be published by First Gas from time to time) that govern the timing of its publication.  There is nothing in section 8.5 that dictates how First Gas should split the quantity of Line Pack to provide for Shippers’ and OBA Parties’ Running Mismatches | GTAC s8.5(b) effectively limits First Gas’s discretion regarding the Running Mismatch Tolerance provided to Shippers and OBA Parties. The Running Mismatch Tolerance applies to each “Day”. Although First Gas can change the Running Mismatch Tolerance at any time, we would assume that any change would not be effective until the next Day. We agree that the GTAC could be clearer on this point.  We agree that section 8.5 is unclear regarding how First Gas determines the quantity of Line Pack to provide for Shippers’ and OBA Parties’ Running Mismatches. The definition of “Running Mismatch Tolerance” refers to section 8.5, but that does not indicate how the Line Pack is split between Shippers and OBA Parties. |
| Vector | 1.1 | *Running Mismatch Tolerance*  Further consultation is required. | Running Mismatch is calculated from the physical amounts of gas purchased and delivered. The tolerance given to this has been set by the DNC nominated by Shippers on the previous Day. Using DNC for a tolerance disadvantages Shippers who deliver under a Supplementary or Interruptible Agreements, who purchase from a non-OBA Receipt Point, and where AHPs have been used. It also creates significant benefits for Shippers who purchase from Receipt Points with an OBA and deliver to Delivery Points with an OBA. It is not acceptable to create different protections for different Shippers who are accessing the same transmission system. | We think that the application of tolerances to the various gas transmission products has been addressed at page 49 of the PAP. |
| Greymouth | 1.1 “Specific HDQ/DDQ” |  | There is no equivalent in the VTC and MPOC. In the absence of published values for Specific HDQ/DDQ, it is not possible to assess the fairness of this definition therefore it does not work at present. Schedule Two does require it to be published annually, but it should also be published before and as at the date of the Code. | In the PAP, we considered First Gas’s discretion relating to the publication of Specific HDQ/DDQ to be reasonable (given that it is governed by reasonableness obligations and the requirement that First Gas act in a neutral manner under GTAC s2.6). Although Schedule 2 of the GTAC requires publication “annually”, we think that is a reference to the frequency of revision. It would need to be published at the commencement of the GTAC in order for the definition to be effective. |
| Greymouth | 1.1 “Transmission System” |  | The VTC and MPOC have tightly prescribed definitions of the transmission system to which those codes apply. The GTAC definition is much more open-ended and lacks specificity   * The GTAC definition only refers to the pipeline system, not, for example (quoting the MPOC) ‘other items of plant, equipment, fixtures and fittings directly appurtenanced to the pipeline system but excluding any item controlled by a part other than First Gas’, * The breadth of the definition extends the reach of the GTAC to First Gas’ distribution systems (i.e. beyond its high pressure backbone) which cannot have been the intention, and * If First Gas were to purchase or construct other pipeline systems that it owns and operates, then those pipelines could fall under this definition. | In our view, the drafting of this definition should be revisited so that it clearly identifies which assets fall within the scope of the GTAC. It should also be flexible enough to cover future expansion of the gas transmission system. If definitions such as those in the MPOC and VTC are no longer accurate or adequate, perhaps it may be possible to define the transmission system by reference to other public documents (for example, regulation 10 of the Gas Governance (Critical Contingency Management) Regulations 2008 requires an updated map of the gas transmission system to be published). |
| Greymouth | 2.1 to 2.3 |  | GTAC s2.1 to 2.3 narrowly define transmission services as capacity. These provisions require First Gas to be “able to” receive and deliver gas. However, they do not unequivocally state that First Gas must actually transport the gas. This is materially worse than the VTC and MPOC which define all services as transmission services and explicitly require First Gas to transport the gas. | We consider that the reference to First Gas being “able to” receive and deliver gas takes into account that the supply of gas (as opposed to capacity) is outside of First Gas’s control. First Gas is providing the pipeline capacity to enable the gas to flow. |
| Greymouth | 2.3 |  | GTAC s2.3 says that First Gas is not required to even be able to receive or make available gas if it is in excess of MDQ and MHQ. The opposite is the case implicitly in the MPOC, and explicitly in VTC s2.3. This is therefore materially worse than the VTC and MPOC. | Under the MPOC, First Gas is required to receive and transport gas in accordance with a shipper’s Approved Nominations (MPOC s2.5(b)). In other words, First Gas has discretion regarding the amount of transmission capacity made available to a shipper (as First Gas must approve nominations). VTC s2.3 provides that First Gas may, in its sole discretion, make available to a Shipper a quantity of gas in excess of that Shipper’s MDQ and MHQ. We think the effect of those provisions is the same as GTAC s2.3. We do not agree that GTAC s2.3 is materially worse than the MPOC and the VTC. |
| Vector | 2.3 | Subject to the terms of this Code, First Gas shall at all times be able to receive Gas from a Shipper and, simultaneously, be able to make available equivalent Gas for that Shipper to take, up to limits of that Shipper’s MDQ and MHQ. First Gas will be deemed to have delivered Gas to a Shipper when that Shipper takes Gas at a Delivery Point. | As a core principle of the new transmission capacity products provided to Shippers, this clause does not fit with the concepts under the GTAC. There is no relationship between Gas purchased by a Shipper with the Gas that it delivers to Delivery Points. First Gas should either remove or reword this section. | This does not immediately come across as inconsistent with the concepts in the GTAC.  This provision requires First Gas to be able to receive gas from, and make available to, a Shipper up to that Shipper’s MDQ and MHQ (i.e. it’s not about Shippers’ gas purchases). It’s essentially First Gas’s obligation to transport gas and is equivalent to VTC s2.2. We think that the drafting should be improved by referring to the specific exceptions to the obligation rather than using “Subject to the terms of this Code”. In our view, the VTC approach, which directs the reader to the specific exceptions (e.g. curtailment and Operational Flow Orders), is better. |
| Greymouth | 2.4 |  | GTAC s2.4 only refers to receiving or supplying that gas to a Shipper – not from or to an interconnected party for a shipper. This is worse than the VTC and MPOC. | Shippers contract to have their gas transported through the gas transmission system under the GTAC, so we would expect GTAC s2.4 to refer to First Gas receiving gas from, or supplying gas to, a shipper. Given that Interconnected Parties are not contracting to have gas transported, and the terms of the GTAC only apply to First Gas and Shippers, we would not expect a reference to Interconnected Parties. |
| Greymouth | 2.5 |  | GTAC s2.5 is worse than the VTC and MPOC because the incentives charges do not sit with the party that has the legal risk in the gas (First Gas). Both the MPOC and VTC properly deal with this point. | We do not see the link between the various incentive charges in the GTAC and clause 2.5. The incentive charges relate to Shipper behaviour, not First Gas’s responsibility for gas in its possession. It’s unclear to us how the MPOC and VTC differ in this regard. |
| Greymouth | 2.6 and 2.7 |  | This section is worse than current arrangements because although it requires equal treatment for all Shippers, the GTAC does not include an equivalent to the VTC’s section 2.16 – i.e. a requirement that transmission services be provided only to Shippers. | GTAC s2.1 provides that First Gas shall provide transmission capacity only to Shippers. |
| Greymouth | 2.11 and 2.12 |  | The GTAC only requires First Gas and Shippers (but not Interconnected Parties) to act as RPO and nor does section 7 make this a requirement of an ICA. | Only First Gas and Shippers are parties to the GTAC. Our concerns regarding GTAC s7.13 have been discussed in the PAP. |
| Vector | 3.18 | Any amendment to the Auction TCs will also require consultation with Shippers and will be subject to approval by the GIC applying the criteria for changing this Code set out in section 17.11 | It needs to clearly state that amendments to Auction TCs will be subject to the same rigor as the original Auction TCs. | We think that this proposed change has been addressed in clause 3.18 of the GTAC. |
| Vector | 3.19 | First Gas will notify Shippers not later than 20 Business Days before a Scheduled PR Auction of the: | Vector is unsure why suggestions to increase this to 20 Business Days have previously been rejected by First Gas. Vector is concerned that this time period is too short for Shippers and impacted End-user(s) to agree potential terms for bids on Priority Rights. | The GTAC refers to 10 Business Days’ notice. We think that it would be useful to hear comments from First Gas and other Shippers regarding the proposed timeframes. |
| Vector | 3.30 | An AHP amends DNC. For all purposes of this Code, DNC amended by an AHP shall be treated as “standard” DNC unless specifically stated otherwise. The Shipper’s DNC shall be, where an AHP applies for:  (a) a full Day, equal to the sum of the Hourly amounts of transmission capacity set out in the AHP; or  (b) part of a Day, equal to: DNCP × H/24 + ∑HTCAHP  where:  DNCP is the Shipper’s DNC at the time the AHP starts;  H is the number of hours between 00:00 NZST on the Day until the AHP start time; and  ∑HTCAHP is the sum of the Hourly amounts of transmission capacity from the AHP start time until the end of that Day. | This again relates to the concerns around the definition of Day and time. Even if First Gas chooses to not make the changes, then as a minimum, NZST needs to be added to the definition of H. | We think that this should be considered at the same time as the comments on the definition of “Day”. |
| Greymouth | 3.32 |  | GTAC s3.32 requires First Gas to offer the most DNC it can, but there is no process available for Shippers to accept that. It is also unclear at which points AHPs will apply and what the overall purpose of them is. | The approval process in GTAC s3.32 relates to a request from a Shipper for an AHP and First Gas is unable to approve that request (if First Gas is unable to approve a request for an AHP it will offer the most DNC it reasonably can). There is no need for an acceptance process as the normal process for approving DNC will apply.  The overall purpose of AHPs is contained in GTAC s3.26: “an additional means for both a Shipper and First Gas to manage transmission capacity in respect of an End-user whose use of Gas is unusually variable”. The definition of an AHP provides that it will apply at Dedicated Delivery Points (i.e. a point that supplies gas to a single end-user). GTAC s3.27 provides that a shipper may request an AHP for a Dedicated Delivery Point. |
| Vector | 3.32 | Subject to section 4.16(b), where it is unable to approve a Shipper’s request for an AHP, First Gas will offer the most DNC it reasonably can up to a Shipper’s requested AHP. | At present, the clause allows First Gas to provide more DNC than requested by a Shipper. | We think that the proposed drafting is unnecessary as GTAC s3.31 requires First Gas to approve any requested AHP, except where it requires curtailment, exceeds Physical MHQ or increases the risk of breaching an Acceptable Link Pack Limit. We do not think that it is possible for First Gas to offer DNC in excess of a shipper’s requested AHP because, if it does so, First Gas should have approved the AHP under section 3.31. |
| Vector | 3.33 | First Gas may curtail any previously approved AHP where it determines that is necessary to avoid breaching an Acceptable Line Pack Limit or having to curtail DNC or Supplementary Capacity. Where it does so after the AHP start time, First Gas will convert the AHP into Approved NQ (or an adjustment to the Approved NQ prior to the start of the AHP) and then curtail the resulting Approved NQ at an equal priority to all Approved NQ. | Why is AHP being treated as a lower priority than DNC? Surely the AHP can be cancelled but the associated DNC is treated on equal footing as all other DNC where First Gas believes that an Acceptable Line Pack Limit may be breached. | In terms of the priority between an AHP and DNC, both are “Nominated Quantities” or “NQ” under the GTAC. The effect of section 3.33 is to automatically convert an AHP into an “Approved NQ’’ if necessary to avoid breaching an Acceptable Line Pack Limit or curtailing DNC or Supplementary Capacity.  Our view is that the proposed drafting is a step beyond the scope of this provision. The scope of this provision is possibly confused by the reference to “curtail any previously approved AHP”. In our view the provision seems to be more about revoking the AHP and providing a Shipper with Approved NQ instead of the AHP. However, we think there is a lack of clarity as to the method for converting the AHP to Approved NQ (i.e. how any “adjustment” is determined). |
| Vector | 4.1(b) | The Interconnected Party will be required (under its ICA) to approve, reject or curtail those NQs in accordance with section 4.12. | GTAC still gives the Interconnected Party no ability to reject a Shipper’s NQ. This is a requirement to ensure effective management of Interconnected Parties’ contracts with Shippers. It is unclear why First Gas is concerned about including the ability for Interconnected Parties to reject Shipper’s NQ as it has ignored previous proposed changes to include the ability to reject nominations. | In our view, if a NQ is curtailed to zero, then it is effectively rejected. We do not consider that the proposed drafting materially enhances this provision.  We note that the original drafting is consistent with GTAC s4.15 that relates to First Gas’s decision in relation to a Shipper’s NQ. If this change is accepted, further changes to the drafting will be necessary. |
| Vector | 4.12(a) | must either approve, reject or curtail Shippers’ NQs on OATIS not later than 30 minutes after the Provisional, Changed Provisional or Intra-Day Nominations Deadline (as the case by be); | GTAC still gives the Interconnected Party no ability to reject a change to a Shipper’s NQ. This is a requirement to ensure effective management of Interconnected Parties’ contracts with Shippers.  It is unclear why First Gas is concerned about including the ability for Interconnected Parties to reject Shipper’s NQ as it has ignored previous proposed changes to include the ability to reject nominations. | Please refer to our previous comment regarding GTAC s4.1(b). |
| Methanex | 4.14 and 4.15 |  | Having established a process for the partial application of Scheduled Quantities only when IPs are OBA Parties, First Gas’s analysis and response in GTAC ss4.14 and 4.15 then gives no consideration of the effect of ss4.12 and 4.13 (OBA Party approval). The definition of Nominated Quantity doesn’t assist either as it makes no reference to a quantity “approved or curtailed by an OBA Party”. | We agree that that GTAC ss4.14 and 4.15 could be clearer regarding the effect of OBA Parties’ approval under GTAC ss4.12 and 4.13. Given the reference to “a Shipper’s notification in OATIS to the Interconnected Party of the quantity of gas it wishes to be injected” in the definition of “Nominated Quantity”, it seems that GTAC ss4.12 and 4.13 are irrelevant for First Gas’s analysis under GTAC ss4.14 and 4.15. We are not convinced that is the correct position. |
| Vector | 4.16(a) | Any decreased NQ requested in an Intra-Day Cycle will be approved, provided that:  (a) at any Receipt Point or Delivery Point where an OBA applies, any change on that Day to the most recent Scheduled Quantity shall be subject to the limitation that 1/24th of the Scheduled Quantity applicable in each previous Hour of that Day (an Hourly SQ) shall be deemed to have flowed and accordingly the decreased Scheduled Quantity (for a Receipt Point) or deceased Proposed Scheduled Quantity (for a Delivery Point), respectively, shall not be less than the sum of the Hourly SQ for all the Hours of that Day up to and including the Hour in which the Intra-Day NQ must be approved; | A decrease in NQ at a Receipt Point with an OBA should not be automatically approved. This is a requirement to ensure effective management of Interconnected Parties’ contracts with Shippers. It is unclear why First Gas is concerned about automatic approval of decreases at Receipt Points as it has rejected proposed changes to exclude Receipt Points in previous submission. | It is confusing that GTAC s4.16 comes under the heading “First Gas Analysis and Response”, since it relates to situations where no analysis is required, and the response is automatic.  However, regardless of that, we agree with the submitter that, where a Receipt Point OBA applies, any nomination at that point is entirely a matter between the OBA Party and the Shipper. GTAC s 4.2 is clear that First Gas is not required to approve or curtail such nominations, so we would expect that any change to a nomination would require the agreement of the OBA Party and the Shipper, and not be subject to automatic approval unless they agree to that.  We think that this is a drafting issue in relation to GTAC s4.16 that could be easily fixed. |
| Methanex | 4.18 |  | There is no prescription provided in the GTAC as to the timeframe within which FGL is required to consider such a request before confirming or declining it. | We think that the timeframes for approval of an Intra-Day Cycle are covered in GTAC s4.19. |
| Vector | 4.18(a)(ii) | a major customer’s (or, where it is an End-user, its own) demand for Gas due to a plant or process malfunction including, where it loses the use of an alternative fuel, it’s demand for Gas materially increases or decreases; or | Shippers need the ability to call an emergency cycle if an End-user demand materially decreases | This provision does not preclude the provision of an extra nominations cycle due to a reduction in demand. Section 4.18 refers to a Shipper experiencing an “unforeseeable material change” in a major customer’s demand due to a plant or process malfunction. That could be either an increase or decrease in demand. The important point is that the change in demand must be caused by a plant or process malfunction. Accordingly, we do not think that that the original drafting precludes calling an emergency cycle if an End-user demand materially decreases. |
| Methanex | 5 |  | Interconnected Parties have no right to request an unscheduled test of metering even though they are exposed to charges derived from the metering information. | First Gas has elected to address the rights and obligations of Interconnected Parties in a separate agreement. We think that this is a matter to be considered as part of the development of ICAs. |
| Methanex | 5 |  | For metering not owned by FGL its undertaking to procure testing is limited to “whatever contractual rights First Gas may have”. Methanex would expect FGL to require that each IP complies with any reasonable request for metering testing but (a) that requirement is not set out in the code including in section 7.13 and (b) the fact that FGL has used the qualifying language in the first place contemplates that it may not necessarily impose such a requirement in all cases. | The PAP notes our concerns regarding the scope of GTAC s7.13 and the content of ICAs. We think Methanex’s concern should be considered together with Gas Industry Co’s comments on those aspects of the GTAC. |
| Methanex | 5.5(b) |  | In the case of non-First Gas metering, First Gas ensures that it has no exposure to costs but provides no requirement for the Metering Owner to pay costs when its metering is found to be inaccurate. | We think that Methanex’s view that the cost associated with the testing of metering that is found to be inaccurate should be allocated to the Meter Owner is reasonable. This is a matter that should be considered together with Gas Industry Co’s comments on the scope of GTAC s7.13 and ICAs. |
| Methanex | 6.14 |  | It doesn’t make sense to us to require each Shipper at a particular Delivery Point to ensure the “allocation methodology is acceptable to the Interconnected Party”. The formulation of the provision should be that each Shipper is required to comply with the allocation methodology set out in the relevant Allocation Agreement, which should in all cases be determined by the Interconnected Party (standardised for all Shippers at a given Interconnection Point). | As mentioned in the PAP, we think that Interconnected Parties would need to be a party to an Allocation Agreement and nomination and approval arrangements would be a feature of those contracts. If that approach is adopted, we think that these provisions are unnecessary because the agreement of the Interconnected Party to the terms of the Allocation Agreement will be required. |
| Methanex | 6.18 |  | As drafted GTAC s6.18 is meaningless. It is presumably intended to ensure that a Shipper does not monopolise supply to a particular end user. We assume this relates to a concern that a Shipper might gain exclusive access at a particular Delivery Point and perhaps this is a scenario contemplated by FGL in its drafting of section 6.14. However, Shippers don’t in practice exert any effective control over the flow of gas at Delivery Points, it is the Interconnected Party, so the requirement to prevent monopolisation of supply is misdirected. |
| Methanex | 6.19 |  | GTAC s6.19, in addressing the competitive restraint implied by section 6.18, contemplates that at most two Shippers can supply gas to a particular End-user (Methanex for instance has a variable number of Shippers supplying it any given time, sometimes only one but often three or more Shippers supplying to an individual Delivery Point). | We agree that this minor change should be made. |
| Vector | 7.13(a)(i) | the owner of such ~~station~~facility and the land on which it is located, and of any other equipment and facilities located within the ~~station~~facility; | All Delivery Points, Receipt Points etc are called a facility but in other parts of the GTAC it is called a station. This should be amended for consistency. | We have no view regarding the appropriate terminology, but we agree that the GTAC should be internally consistent. |
| Methanex | 7.13(b) |  | The term “monitoring rights”, used in GTAC s7.13(b) is confusing. It is unclear what the phrase means, but more importantly Methanex would have expected it to refer to “monitoring obligations’’. | We agree that the drafting of GTAC s7.13(b) weakens the clarity of the rights and obligations of Interconnected Parties in relation to metering. This has been mentioned in the PAP. |
| Methanex | 7.13(b) |  | In the template ICAs First Gas has made a general (and incorrect) presumption that it owns and controls the relevant facilities and metering at all Interconnection Points. As a consequence it has, for example, failed to address IP obligations where FGL does not own the metering in the ICA template, including for the purposes of procuring meter testing when a Shipper requests it under the GTAC, or procuring the provision of metering data for operational purposes (such as Section 5.5). | We think that the template ICA for Receipt Points assumes that the Interconnected Party owns the metering at Receipt Points (“Interconnected Party” is the “Metering Owner” in Schedule 1). The template ICA for Delivery Points assumes that First Gas owns the metering. If that does not reflect reality, then the drafting will need to be reconsidered.  The ICA for Receipt Points places obligations on “Meter Owner” (Interconnected Party), including a requirement that the Meter Owner provides the results of testing on request and access to certain data. These obligations seem to align with First Gas’s obligations to Shippers under the GTAC. |
| Methanex | 7.13(e) |  | TTP is only a commitment between First Gas and individual Receipt Points. This is despite TTP commitments being of equal importance to all Shippers and Interconnected Parties at Delivery Points. | We agree that the pressure commitments should be the same for Interconnected Parties with stations in similar situations. But we note that non-Maui pipeline pressures are higher than Maui pipeline pressures, so we would not expect the TTP to be applicable to non-Maui pipeline Interconnected Parties |
| Methanex | 7.13(e) |  | In GTAC TTP is defined only as a quantity “between 42 and 48 bar gauge” without any reference to the purpose or objectives of maintaining the pressure range. | As mentioned in the PAP, we think that there are potential efficiency gains from managing TTP within the TTP range and closer to the bottom of the range. |
| Methanex | 7.13(e) |  | Notes the difference between the MPOC requirement for Target Taranaki Pressure to be between 42 and 48 bar gauge and the GTAC requirements to use “reasonable endeavours” to fall within that range. |
| Methanex | 7.13(e) |  | In addition to the exceptions for TTP already established under MPOC, FGL has also added “subject to …the aggregate ERM of Shippers and/or OBA Parties” in section 7.13(e). This proviso has been added without any qualification. Conceivably any non-zero ERM could form an exception or waiver to a commitment that has already been reduced by FGL to a reasonable endeavours obligation (and further limited to Receipt Point IPs). | In relation to exceptions to TTP in the MPOC, the exceptions are preceded by “except as may be required as a result of”. In our view, that suggests that there must be a link between the relevant exception and the excursion outside the TTP range (i.e. just because a particular event has occurred, it does not necessarily mean that TTP will not apply). The equivalent drafting in the GTAC uses “subject to”. In the context of the new ERM exception, we think the proposed drafting is unclear as to whether the ERM must have an impact on TTP (i.e. any ERM could provide an exception from the TTP obligation). In our view, the GTAC drafting is not an improvement. |
| Vector | 7.13(g) | . . . and that First Gas ~~may~~must publish that information on OATIS | There should be a stronger obligation on First Gas to publish information on scheduled and unplanned outages. Unless the Interconnected Party can provide an explanation on why the information is confidential, then First Gas MUST publish the information on OATIS. This aligns with the core principle of transparency under the GTAC. | The term “may” was used in GTAC s7.13(g) as that provision effectively requires ICAs to give First Gas the consent of Interconnected Parties to publish outage information (i.e. the provision in ICAs is permissive). However, we agree that First Gas should be required to publish the information that is disclosed, but GTAC s7.13 is not the appropriate place for that obligation. Shippers cannot enforce First Gas’s obligations in ICAs, so the publication obligation should exist in the GTAC independent of GTAC s7.13. |
| Methanex | 7.13(g) |  | The requirement for Interconnected Parties to provide to First Gas information regarding scheduled and unscheduled outages raises issues in respect to the mandatory publication of sensitive information that should justifiably be treated as confidential. It is also not clear whether the term “outage” is associated only with the interconnection point itself, or extended to include upstream or downstream facilities. | Although the scope of the information that must be provided should be more tightly defined, the examples in GTAC s7.13(g) include the reason for and likely duration of the outage, the extent of the expected reduction or offtake of gas and the required notice. We do not see how that information is sensitive information. If information exists that is properly confidential, we think the drafting of GTAC s7.13(g) and ICAs can adequately address that issue. |
| Vector | 7.13(m) | that construction of any new Receipt Point, Delivery Point or Bi-directional Point, or material upgrade of any such existing ~~station~~facility is conditional on: | All Delivery Points, Receipt Points etc are called a facility but in other parts of the GTAC it is called a station. This should be amended for consistency. | We have no view regarding the appropriate terminology, but we agree that the GTAC should be internally consistent. |
| Methanex | 8.5 |  | The operation of GTAC s8.5 significantly weakens First Gas’s obligation to intervene and maintain line pack pressure within a conservative range (compared with MPOC s2.20 and s3.1). | GTAC s8.5 requires First Gas to determine the Acceptable Line Pack Limits so as to enable it to meet its obligations to Interconnected Parties (First Gas has an obligation to Interconnected Parties in relation to TTP in GTAC s7.13(e)). However, as First Gas’s obligations in GTAC ss8.5 and 7.13(e) require First Gas to use “reasonable endeavours”, we agree that the requirements in relation to TTP are less strict than the MPOC. That has been considered in the PAP.  We note that section 3.1 of the MPOC allows (but does not require) First Gas to undertake Balancing Actions with the objective of maintaining line pack/pressure on the Maui pipeline within operational limits. That provision appears less strict than GTAC s8.6 that requires First Gas buy or sell balancing gas if a Low or High Line Pack Notice did not result in corrective action.  We also note that MPOC s2.20, which requires First Gas to adjust Shipper’s Nominated Quantities and Approved Nominations to keep the expected Maui Pipeline pressure under the maximum TTP limit, uses “where necessary” which provides some discretion. We are not aware of a provision in the GTAC that expressly permits First Gas to adjust nominations to maintain TTP (the circumstances in which nominations may be curtailed are provided for in GTAC s9). |
| Vector | 8.24 | Consider re-wording or removing. | This creates ambiguity by implying Running Mismatch gets adjusted for trades. We believe the intention of the clause is to state that the Gas trade will be applied at the end of the day for the purpose of calculating the Running Mismatch. The clause seems unnecessary as a Gas trade is now captured under Mismatch. | We agree. For a shipper, “Running Mismatch” is calculated by adding the shipper’s Mismatch on the day and its Mismatch at the end of all previous days. The definition of “Mismatch” factors in a shipper’s Aggregate Trade Quantity (secondary trades). |
| Methanex | 9 |  | While there is some contemplation that IPs at DDPs may be issued OFOs instead of Shippers, it is entirely silent on addressing curtailments at Receipt Points (as contemplated in section 9.1). It is just as important to manage gas inflows and even more certain than for Delivery Points that Receipt Point Interconnected Parties will be better placed than Shippers to address OFOs, given that in most cases they will be the same party as the injecting party and even if not in direct control of the physical flow of gas will have effective control of the interconnection infrastructure. | We agree that these are concerns that should be addressed in the GTAC or ICAs. |
| Methanex | 9.6 |  | The qualification in Section 9.6 enabling a Shipper to be able to manage the safe shut down of end user facilities is not extended to Interconnected Parties given OFOs under Section 9.7. |
| Methanex | 9.11 and 9.12 |  | The Critical Contingency (section 9.11) and Failure to Comply (section 9.12) provisions only refer to Shippers. |
| Greymouth | 9.11 |  | This clause allows First Gas to instruct in critical contingencies different to the instructions it receives from the CCO. For example, instructing the ability to take gas to be curtailed, not just demand. | We do not consider this provision to be inconsistent with the Gas Governance (Critical Contingency Management) Regulations 2008. Regulation 54 requires a transmission system owner to comply with the instructions of the CCO. We do not see any inconsistency, but we note that the CCM Regulations will apply irrespective of the terms of the GTAC. |
| Vector | 10.3(a)(vi) | if Available Operational Capacity is still insufficient, curtail Shippers’ then current Approved NQs pro-rata in proportion to Shippers’ Approved NQs, subject to (as applicable) section 4.16(a) or (b). | The word “Approved” is missing. It has to be Approved NQ, not NQ, as it is the curtailment of offtake. | We agree with this proposed change. |
| Greymouth | 10.4 |  | It is unreasonable for a Shipper to warrant its end-users’ requirements if it simply acts as an agent for them for all intents and purposes. Conversely, the clause could be read as requiring Shippers to form a view on the accuracy of end-users’ nominations – it is not the job of Shippers to second guess its customers, who are best placed to know how much gas they will use. | We think that this clause reflects the fact that, although a Shipper is nominating quantities of gas on behalf of its customers, the Shipper has ultimate discretion regarding the NQs. To the extent that it can, a Shipper should ensure that its NQs align with the End-user’s requirements.  At many delivery points (particularly Delivery Points that serve mass market customers) a Shipper will form a view regarding its customers’ gas usage.  The scope of this provision is narrow. It only applies to Congested Delivery Points. |
| Vector | 10.7(b)(i) | that expected maximum daily offtake is greater than either 400 GJ or 10% of the current peak Daily offtake of the relevant Delivery Point; and/or | The word “offtake” is missing. | We agree with this proposed change. |
| Vector | 11.13 | Each Month, First Gas will credit each Shipper a share of the total transmission-related incentive charges and Priority Rights Charges payable by all Shippers in respect of the previous Month, equal to: | The calculation of the credit does not appear to cover the change in DOCTOTAL due to wash ups of Shippers’ Delivery Quantity. First Gas is crediting the total Priority Rights Charges, which includes the Reserve Price. How can First Gas claim that the Reserve Price covers reasonable direct costs if First Gas returns that amount to Shippers? | We have considered the level of incentive charges in the PAP. |
| Methanex | 12 |  | Unlike MPOC s17.7, the GTAC places no requirement on the injecting party to mitigate the effects of non-specification gas entering the pipeline. | First Gas has elected to address the rights and obligations of Interconnected Parties in a separate agreement. This matter should be considered as part of GTAC s7.13 and the development of ICAs. We note that clause 6.5(b) of the draft ICA for Receipt Points contains an equivalent obligation to GTAC s17.7. |
| Methanex | 12 |  | An equivalent to s17.7(b) of the MPOC is missing from the GTAC. That provision requires the Direct Injecting Party that injected Non-Specification Gas to take all steps reasonably practicable to prevent any repetition of non-compliance with the Gas Specification. | First Gas has elected to address the rights and obligations of Interconnected Parties in a separate agreement. This matter should be considered as part of GTAC s7.13 and the development of ICAs. We note that clause 6.5(c) of the draft ICA for Receipt Points contains an equivalent obligation to GTAC s17.7. |
| Methanex | 12 |  | There is no comparable provision to MPOC s17.16 that requires First Gas and Welded Parties to co-operate to identify the injecting party responsible for the injection of Non-Specification Gas. | We note that GTAC ss12.4 and 12.5 require First Gas and Shippers to notify each other when Non-Specification Gas has flowed and provide certain information regarding the Non-Specification Gas incident. We do not think that a general requirement for the parties to cooperate provides any additional value. |
| Methanex | 12.2 |  | Interconnected Parties have no rights to request proof of compliance of other Interconnected Parties with GTAC s12.2. | First Gas has elected to address the rights and obligations of Interconnected Parties in a separate agreement. This matter should be considered as part of GTAC s7.13 and the development of ICAs. |
| Methanex | 12.2 and 12.6 |  | Under GTAC s12.6, First Gas includes the statement “First Gas shall have no liability to the requesting Shipper in connection with the exercise by First Gas under this section 12.6, of its rights under section 12.2(b)”.  It is unclear whether there is any consequence or protection for Shippers (and other Interconnected Parties or end-users) if First Gas does not exercise its rights to require an Interconnected Party to demonstrate compliance under GTAC s12.2(b) or an Interconnected Party does not adequately comply with First Gas’s request. | We agree that GTAC s12.6 requires further clarification. Given the broad exclusion of liability, it is not clear to us that First Gas or Interconnected Parties have appropriate incentives to adequately comply with a Shipper’s request under GTAC s12.6. |
| Methanex | 12.3 |  | There is no requirement upon FGL (or Shippers) to mitigate the loss that might be incurred by IPs; who have not caused the non-specification gas to flow under Section 12.3 | First Gas has elected to address the rights and obligations of Interconnected Parties in a separate agreement. Any obligation on First Gas to mitigate loss is a matter for the terms of the ICAs. GTAC s12.1 requires Shippers to ensure that their contracts include a term that requires compliance with the Gas Specification. It is unclear to us what additional actions Shippers can take to mitigate an Interconnected Party’s loss, given that the Shipper does not control the physical infrastructure. |
| Methanex | 12.4 |  | There is no requirement of First Gas to notify Interconnected Parties under Section 12.4 | First Gas has elected to address the rights and obligations of Interconnected Parties in a separate agreement. Any requirement for First Gas to notify Interconnected Parties is a matter for consideration as part of the development of ICAs. |
| Methanex | 12.6 |  | The Section 12.6 provision only applies to Shippers, it does not extend to Interconnected Parties (including OBA Parties), who have an equally valid right to have the compliance of other Interconnected Parties with gas quality undertakings verified.  An Interconnected Party that is concerned about or exposed to consequences of Non-Specification Gas entering the system at another interconnection point has no recourse at all under Section 12. | First Gas has elected to address the rights and obligations of Interconnected Parties in a separate agreement. This matter should be considered as part of GTAC s7.13 and the development of ICAs. |
| Methanex | 12.8 |  | The MPOC contemplates First Gas monitoring (or procuring the monitoring of) gas composition. Section 12.8 reduces First Gas’s obligations and responsibilities to its customers in relation to gas quality. | The MPOC does not require First Gas to undertake monitoring in relation to gas quality. The obligation to monitor rests with Injecting Welded Parties. Therefore, we do not consider that the absence of a requirement for First Gas to monitor non-specification gas in the GTAC reduces First Gas’s obligations. |
| Methanex | 12.10 and 12.11 |  | Methanex considers it unlikely that First Gas will cause gas to become Non-Specification Gas. However, the GTAC fails to address the circumstances where it has contributed to a party’s Loss by failing to act as a Reasonable and Prudent Operator in any of its obligations in respect of gas quality. | GTAC s2.11 requires First Gas to act as a Reasonable and Prudent Operator when exercising any of its rights, powers, obligations and duties under the GTAC. That obligation overlays First Gas’s obligations in relation to the gas quality. Accordingly, we think that Methanex’s concern is addressed. |
| Vector | Schedule 2 5.8 Gas Composition data | By ~~1200~~1000 each Day, data for the previous Day | This reflects current practice. In addition, delaying the contracted publication time to 12.00 delays the submission of retailers’ daily TOU data until after 12.00. This in turn delays the downstream daily allocation process and the calculation of the balancing gas calculations, and limits Shippers’ information in managing their DNC and balancing gas position until ID4. If all of the previous day’s delivery data (Shippers and transmission) is available by 12.00, then Shippers have information on their previous day’s position to use in ID3. | It is not clear to us why the current standard should be changed. If the change is due to a performance/cost trade-off, then we think that is a matter for industry to discuss. |
| Vector | Schedule 2 (New) | “DNC Total”, to be provided at the conclusion of the day | DNC Total is required to be published enable Shippers to estimate their Running Mismatch Tolerance for the day. This was a major reason of First Gas’ selection of DNC in the first place. | We think that this request is reasonable. |
| Methanex | Schedule 4 |  | It should be the exclusive right of the Interconnected Party to appoint the Allocation Agent (or be the Allocation Agent).  It makes little sense for Shippers to determine the Allocation Agent given each particular Shipper may only nominate to a specific DDP on a periodic, temporary or discontinuous basis.  First Gas has also not addressed a situation where a Dedicated Delivery Point may at times have only one Shipper nominating to it and at other times multiple Shippers. This is a normal scenario at Methanex delivery points which FGL has failed to consider. | As mentioned in the PAP, we think that Interconnected Parties would need to be a party to an Allocation Agreement and nomination and approval arrangements would be a feature of those contracts. In that context, we think that the Allocation Agent could be agreed as part as part of the negotiation of the Allocation Agreement. |