

## MEMORANDUM

TO: GTAC Stakeholders  
FROM: First Gas  
DATE: 24 July 2018  
RE: Balancing Tolerances

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This memo describes proposed changes to GTAC provisions on gas balancing to address the findings of the Final Assessment Paper (FAP) following on from the workshop on Wednesday, 11 July 2018 as documented in the Draft Minutes issued by the GIC on 17 July 2018.

Some of the workshop outcomes and discussions are relevant to the Balancing Standard Operating Procedure (SOP) and will be reflected as appropriate in the development of the Balancing SOP. Many of the points raised below will be addressed in this document rather than changes to the GTAC. The Balancing SOIP will be discussed during the workshops on 18 to 20 September.

The proposed GTAC drafting changes are provided in appendix 1 of this memo. This drafting is open for consultation until 7 August 2018. Submissions should be made to First Gas via the GIC website. The drafting will be further discussed at the Drafting Review Workshops between 4 and 6 September.

An MS Excel tool is also available for parties to model the balancing tolerances available under the proposed approach.

### **Final Assessment Paper (FAP) findings**

The findings of the FAP on balancing related to the setting of Running Mismatch Tolerances and were summarised in the GTAC work programme as follows:

- FG has not defined the amount of line pack to be set aside for shipper tolerances and no constraint on setting tolerances. As this is outside GTAC, there is no constraint on FG to act neutrally (19, 75)
- Principles for setting running mismatch tolerances or the tolerances themselves to be included in GTAC (19, 75)

### **Position reached**

*There was general agreement with First Gas' proposal that a minimum tolerance would be provided for all parties on a system wide basis to address the concern that the amount of linepack set aside for shipper tolerances is uncertain.*

This has been addressed in the GTAC by amending the definitions of Running Mismatch Tolerance for each of Shippers and OBA Parties based on the greater of:

- 400 GJ (or such other quantity as notified by First Gas); and
- a calculated amount proportional to their allocated quantities (for Shippers) or Metered Quantities (MQs) for OBA Parties at receipt and delivery points.

This Tolerance is based on separate pools for Receipt Points and Delivery Points. Please refer to the amended definition of Running Mismatch Tolerance.

**Points raised during discussions**

Item	Addressed by
<p>1. First Gas to consider the relationship between Line Pack Notices and TTP.</p>	<p>As described in the memo ‘5 Target Taranaki Pressure’, the revised drafting of section 8.5(b)(iv) creates a relationship between Line Pack and TTP.</p> <p>This relationship will be reflected in the Balancing SOP that will accompany the GTAC.</p>
<p>2. First Gas to consider whether Line Pack Notices should be issued a period of time before a Line Pack threshold is likely to be breached, and confirm whether multipliers on ERM fees apply at the point of the threshold being breached or the issue of the Line Pack Notice.</p>	<p>First Gas has considered this point and has made changes to section 8.6 clarify that a Line Pack notice is issued before the Line Pack threshold is breached. This includes acknowledging First Gas may buy/sell Balancing Gas where a Line Pack notice has not yet been issued, and also broadening the circumstances where First Gas can buy/sell Balancing Gas (including for anticipated breaches of line pack limits).</p> <p>Changes have been made to GTAC sections 8.12 and 8.13. These amendments change the trigger for the multipliers on ERM fees, which are now triggered at the point of the Acceptable Line Pack Limit being breached. They also clarify that multipliers will apply for the entirety of the relevant day(s).</p>
<p>3. First Gas to consider whether GTAC section 8.5(b)(i) to (iv) should be subject to the ability to provide Running Mismatch Tolerance (i.e. the reverse of the current drafting).</p>	<p>The relationship between 8.5(b)(i) to (iv) and Running Mismatch Tolerance has been amended to clarify that First Gas will have regard to the items in (i) to (iv) in setting Running Mismatch Tolerance (rather than it being subject to them). This reflects how First Gas makes these determinations in practice.</p>
<p>4. First Gas to confirm whether tolerances should have priority over park and loan.</p>	<p>The revised drafting of GTAC section 8.5(d) reflects that point raised at the workshop that park and loan will be offered once other line pack uses (section 8.5(a) to (c)) have been considered.</p>

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<p>5. First Gas to consider whether different tolerances should apply when the Mokau compressor is/is not running.</p>	<p>First Gas has considered this point, and has made an amendment to section 8.5(b)(i) to expressly refer to compressor availability/operability, as well as prevailing transmission system operating conditions.</p>
<p>6. First Gas to provide further detail regarding the allocation of tolerances at Receipt Points and Delivery Points.</p>	<p>Included in the GTAC draft by way of a revised Definition of <i>Running Mismatch Tolerance</i> for</p> <p>each Shipper</p> <p style="padding-left: 40px;">(a)(i) for Receipt Quantities</p> <p style="padding-left: 40px;">(a)(ii) for Delivery Quantities</p> <p>each OBA Party</p> <p style="padding-left: 40px;">(b)(i) for Receipt Quantities</p> <p style="padding-left: 40px;">(b)(ii) for Delivery Quantities.</p> <p>Please also refer to the introductory comments in this memo and the detailed drafting appendix.</p> <p>An MS Excel tool is available for parties to model the balancing tolerances they will receive under the proposed approach.</p>
<p>7. First Gas to consider whether there should be a product for start-up/shut-down to the extent that it is not covered by AHPs.</p>	<p>Allowance for start-up and shut-down has been addressed in discussions on peaking as documented in the memo ‘<i>Peaking</i>’.</p>
<p>8. First Gas to consider whether a greater tolerance can be allowed for having regard to system impact of doing so.</p>	<p>GTAC enables First Gas to provide additional flexibility as and when available through the Balancing SOP and potentially availability of Park and Loan should system conditions allow.</p>
<p>9. First Gas to review whether the approach to allocating:</p> <ul style="list-style-type: none"> <li>a. tolerances to shippers/OBA parties based on the DNC nomination/metered quantity for the previous day is the preferred approach having regard to the need for certainty</li> <li>b. balancing gas and cash-out costs based on the metered quantity for the</li> </ul>	<ul style="list-style-type: none"> <li>a. The definition of RMT in the GTAC has been amended to be based on the average of the last 10 days’ allocated quantities for shippers and metered quantities for OBA Parties. This allows for averaging of weekly fluctuations in flow at receipt points.</li> <li>b. Current GTAC drafting of sections 8.8 and 8.9 allocate balancing gas and balancing gas costs is based</li> </ul>

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<p>previous day is the preferred approach</p>	<p>on the previous day's metered quantities (following allocation). We believe this is the correct position as it allocates costs to those contributing to First Gas balancing actions.</p>
<p>10. First Gas to review the proposed 400GJ minimum tolerance for each party to understand where it comes from, whether that tolerance is appropriate, and the impact on existing and new shippers.</p>	<p>The minimum 400GJ Tolerance has been calculated based on allocating the system-wide tolerance across the current number of parties (16). It assumes that that less than 80% of the parties will be using their allowable tolerance to the same direction (positive or negative) at the same time.</p> <p>If there are changes to the number of shippers using the system, then a change to this minimum Tolerance would be pursued via a Change Request.</p>