

Submission prepared by: Major Gas Users Group (MGUG) – len.houwers@aretelimited.com

	QUESTION	COMMENT
Q1:	<p>Do you agree with the proposed regulatory objective? If not, how would you propose describing the objective??</p>	<p>In general MGUG would agree with the regulatory objective provided that the overall context of the efficiency of the gas industry as a whole is clearly communicated and understood by the industry.</p> <p>The Gas Act objectives invite a holistic approach to meeting the principal objective to deliver gas to existing and new customers in a safe, efficient, and reliable manner.</p> <p>The regulatory objective for a single transmission code therefore needs to be considered within an overall context of the total gas industry, and where this sits within the broader energy system.</p> <p>The regulatory objective as drafted could be interpreted in this context but it is not obvious that it will be. By narrowing the focus on efficient operation of transmission systems there is a risk that a reductionist approach is taken to assessing what constitutes an efficient arrangement. Transmission integrates with gas commodity contracts and trading markets as well as gas networks and the total delivered gas bundle compares to competing energy sources. It is the efficiency of the integrated bundle that is of primary concern.</p> <p>The underlying overall objective is therefore to reduce or minimise the barriers to gas uptake and upstream and downstream investment in gas.</p> <p>MGUG would suggest that the GIC assesses transmission efficiency not just for allocative and dynamic efficiency on transmission but also whether access arrangements improve efficiency of other market arrangements. These include opportunities for short term gas trading and impact of pricing structures on inter-fuel competition where gas competes in the mass-market with substitutes such as LPG, electricity, coal, and potentially in longer term investment decisions for industrial plant. It should also be clear that the regulatory objective is assessed against end use consumer outcomes rather than a narrower definition of customer meaning shippers.</p>
Q2:	<p>Do you agree that it is not necessary to specify what elements of the access regime will be addressed in a new code at this stage of the process??</p>	<p>MGUG agrees that it is not necessary to specify the elements of the access regime to be addressed in a new code at this stage. We expect more detail and ongoing dialogue on this topic in the next steps of the process.</p> <p>It would however be useful to specify the principles that would guide whether an element might reside in a code, regulation, operating rules, or contract.</p> <p>MGUG would suggest that a key principle might be balancing stakeholder legitimacy with efficiency. Whereas for example an operating procedure might be considered an efficient way to implement changes in that the TSP has full flexibility to decide and</p>

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		<p>vary without stakeholder input, it may lack the necessary legitimacy from stakeholders to exercise that right. Lack of legitimacy is corrosive to trust.</p> <p>This also applies to contracts where the legitimacy of the counterparty might be acknowledged in the agreement. However if contract terms materially impact other stakeholders then a contract arrangement may not achieve legitimacy from wider stakeholders. (special agreements favouring an individual party through wider cross subsidies is an example here)</p> <p>This will be a judgment call by First Gas and the GIC. The key principle on whether an access regime element is contained in a code vs a contract vs an operating procedure is perhaps best determined by the impact a change might have on consumers and whether such an arrangement can be seen as legitimate by the wider consumer group.</p> <p>Where the impact is on the wider consumer group it needs to be in the code (with governance arrangements that gives regard to consumer impacts through a consultative approach). Where the impact is only on a single customer a contract may be the most appropriate structure.</p>
Q3:	Do you agree with the suggested synthesis of the PEA's guiding principles?	<p>The PEA guiding principles seem appropriate and still relevant.</p> <p>The only caveat relates to our submission on Q1 that the overarching consideration remains the efficiency of the gas industry of which the gas transmission access regime is a critical element.</p>
Q4:	Do you agree with the suggested initial scope of the options?	<p>MGUG considers that the initial scope of options has already been considered and compared in previous work by the GIC. The outcome was a strong preference being indicated by the GIC for a flow on nominations (common carriage) regime based on a broadly similar regulatory objective.</p> <p>Although First Gas should look at different options it would be preferable to do this in context of whether there is new information that might alter the tentative outcome or earlier work.</p>
Q5:	Do you consider that the process outlined above is appropriate?	<p>MGUG supports the process and reasoning underpinning these arrangements.</p>