

23 November 2017

Ben Gerritsen  
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By email: [info@gasindustry.co.nz](mailto:info@gasindustry.co.nz)

Dear Ben

### **Gas Transmission Access Code Development: Second Revised Draft Submission**

Contact Energy Limited (Contact) thanks First Gas Limited (First Gas) for the opportunity to make a submission on its Second Gas Transmission Access Code Draft.

Contact remains concerned at the level of complexity provided by the new draft and the uncertainty with respect to fees and charges. This makes it difficult to assess whether or not the GTAC in its current draft will be significantly better than the current two codes.

Contact has not provided mark-ups at this stage as it does not believe it has had the time to work through the examples in sufficient detail to make workable drafting changes. As has been evident at the recent workshops, industry has put significant time and effort into discussing various alternative proposals but First Gas has not been able to respond in time for this submission round.

Contact suggests, as has been advised by email, that further workshops be scheduled to advance the remaining concerns. While First Gas has chosen not to provide further submission rounds, Contact is pleased that First Gas is willing to work with stakeholders to advance its drafting as a result of these submissions.

As an overview, Contact provides the following feedback.

#### **1. Complexity**

- 1.1 The GTAC has more complexity than the two current codes with respect to a number of issues. Fee types have increased and contain more uncertainty. Receipt Points and Delivery points are treated differently and therefore shippers must manage imbalance/mismatch charges on a daily basis for both gas coming into the system and going out of the system. Whilst there was an element of this under the VTC with capacity overruns the shipper had at least a forward position and more certainty around these costs.
- 1.2 With the level of discretion afforded to First Gas under the code in a number of areas, this creates both complexity and uncertainty for the outcome for pipeline users. Added to this there are 48 items on the workshop action list dated 20 November 2017 allocated to First Gas that have yet to be answered or addressed. At this time in the process this suggests a high level of confusion over the current drafting, creating more uncertainty.
- 1.3 First Gas has also deferred a number of items until 2018 which again adds to pipeline user uncertainty particularly when these deal with pricing methodology, balancing, PR Auction arrangements etc.

## **2. Fees and Charges**

- 2.1 The draft provides for a number of fees and charges including; Capacity Charges, Priority Right Charges, Daily Overrun and Underrun Charges, Hourly Overrun Charges, Over-flow Charges, Congestion Management Charges, Balancing Gas Charges and Excess Running Mismatch Charges.
- 2.2 While the two tariffs for transmission charges under MPOC and the throughput and capacity charges under the VTC have been simplified to one Capacity Charge under the GTAC the remaining 8 charges are a far more complex list of fees replacing the cash-outs, peaking and overrun charges under the two existing codes. This may dissuade new entrants from becoming shippers.
- 2.3 In addition the new charges are dependent on factors set by First Gas and as yet unknown, or based on allocated volumes which are also unknown at the time of the fee. This uncertainty is not in line with the GPS that the full costs of producing and transporting gas will be signalled to consumers.

## **3. Allocations**

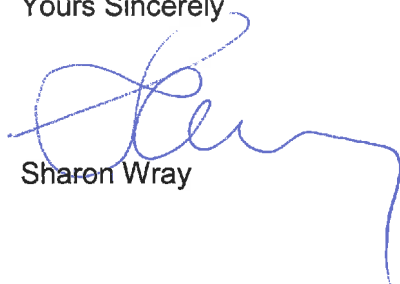
Contact remains concerned that the arrangements for allocating volumes are not codified and may cause uncertainty and additional costs.

## **4. Process Update**

Contact remains concerned that the timeframe for the IT replacement to OATIS is very tight and may not be achievable. Contact would also encourage First Gas to communicate more regularly of its progress in this area.

Contact is happy to discuss any of the points made above and looks forward to further workshops in order to progress the resolution of the outstanding issues.

Yours Sincerely



Sharon Wray