



3 September 2018

Angela Ogier
Transmission Commercial Manager
First Gas Limited
By email

Dear Angela,

Re: Block 2 Consultation

This letter and its attachments form Greymouth's response to the Block 2 Outputs consultation.

To ensure the current process is as constructive as possible, we have endeavoured to identify as many substantive issues as possible. However, due to the short time available for consultation, and the concurrent need to attend and prepare for subsequent workshops, we have not been able to comprehensively review these outputs. Therefore, there may be other issues we have not yet identified.

1) Output 2 – ICA common and essential terms

We note that one of the primary reasons given for using separate ICAs, annexed as schedules to the GTAC, was to ensure all provisions for interconnected parties were located in one place so that prospective interconnected parties would not have to navigate the whole of the GTAC. However, clause 1.3 of the proposed ICAs incorporates any obligations on ICA parties that are contained in the GTAC, meaning parties will need to have reference to the GTAC as well as their ICA.

We consider that the stated purpose of excluding the operative provisions of Interconnected Parties from the GTAC has not been achieved, and that the GTAC is less efficient and effective as the result of having those parties excluded. We consider the proposed approach does not address the issue raised in the FAP of ensuring that provisions between Shippers and Interconnected Parties are "meshed". The addition of two ICA schedules has increased the size of the GTAC document by about a third.

More detailed feedback is attached. For efficiency, drafting comments will be provided during the page turn workshop on 4-6 September.

2) Output 3 – Curtailments and OFOs

We consider further work is needed on these provisions to ensure they are fair and workable. We have attached further details.

3) Output 4 – Rebates and Output 6 – ERM Charges

We consider the amendments made to these provisions address the findings of the FAP in both these outputs.

4) Output 5 – Transmission Incentive Fees

Overall, we are satisfied that the proposed amendments address the findings of the FAP. However, we query whether the reduction of “F” from 2 to 1.5 is sufficient to allay industry concerns about the penalising nature of incentive fees during periods of non-congestion.

5) Output 7 – Peaking and Support Materials 7 – Wash-ups

We consider both of these require some more work to make them fair and workable. A more detailed analysis is attached. We have not focused on drafting at this stage or had time to digest the charging regime due to the condensed nature of the consultation period.

Yours sincerely

Chris Boxall
Commercial Manager

Block 2 Output 2: ICA Common and Essential Terms

Substantive matters

- 1) The exclusion of interconnected parties from the GTAC and addition of common and essential terms in 2 schedules which largely duplicate existing terms of the GTAC:
 - reduces the overall efficiency and effectiveness of the proposed transmission access arrangements, and
 - does not address the FAP finding that terms applying to Shippers and Interconnected Parties should “mesh”.

In particular:

- Clause 1.3 incorporates into the ICAs any rights and obligations imposed by the GTAC on Interconnected Parties. One of the primary reasons given for excluding Interconnected Parties from the GTAC was to ensure all relevant provisions were easily accessible to potential Interconnected Parties – i.e. that it would not be reasonable to expect prospective parties to have to navigate the GTAC when many of the provisions of the GTAC apply only to Shippers. Clause 1.3 means that Interconnected Parties will need to be able to specifically identify which provisions are deemed to be incorporated into their ICAs.
 - Clause 1.3 also deems an ICA to be amended as necessary to reflect any amendments made to the GTAC. This means that, over time, the wording of an ICA may increasingly fall out of alignment with its actual terms (there is no guarantee that parties will avail themselves of the right to a new agreement), meaning that the collection of terms intended to be more efficient for Interconnected Parties will become less accurate.
 - Many of the terms contained in the ICAs are duplicates, or near duplicates, of terms contained in the GTAC. This results in some terms being repeated three times in the one document, and the two ICA schedules have added 64 pages to an already lengthy document.
 - There are some terms in the ICAs that impose obligations on Interconnected Parties in respect of Shippers, for example the obligation to give 40 days’ notice of an OBA under cl 5.2 RP ICA and cl 5.5 DP ICA. This is not a right (Shippers) or obligation (Interconnected Parties) that is contained in the GTAC. Moreover, clause 4.1 of the TSA schedule explicitly excludes the ICA terms from the incorporation of the GTAC into the TSA – the mechanism by which Shippers sign up to the GTAC. In those cases, there is no “meshing” of Interconnected Parties and Shippers.
- 2) There should be good reasons for definitions or core terms to differ between the GTAC and ICAs, e.g:
 - Definition of “emergency” should be aligned
 - TTP is a core requirement and should not be made conditional within ICAs.

Block 2 Output 3: Curtailment and OFOs

Substantive issues

- 1) With the amended definition of "OFO":
 - There is now a circular reference such that no OFO will apply in respect of Delivery Points. I.e. nominations (DNC) must be adjusted, and if First Gas tells a party (by way of an OFO) to effectively reduce DNC, then that meets the definition of "Congestion" and the provisions of section 10 override the provisions in section 9.
 - In relation to item 2.26 in the memo, the decision maker needs to have careful regard for a) identifying parties it wants to curtail, and b) what it expects those parties to do. I.e., in addition to broadening the scope to consider trades, the scope is also (quite rightly) broadened to allow, by inference, parties to consider their multi-day balancing obligations, and the effect of any Wash-ups on Running Mismatch positions. First Gas will presumably look at all this prior to making curtailment decisions and supply appropriate real time information to parties and itself, rather than issuing full industry OFOs.
- 2) When setting the timeframe for Extra ID Cycles, we think regard needs to be made for allowing Interconnected Parties a sufficient window for them to be able to act (i.e. not just shippers and First Gas) and to pre-plan flexible automation options. Whether this is better than s15 of the MPOC is debatable.
- 3) There appears to be no link between the GTAC and the Curtailment SOP, and no discussion of order. For example:
 - Clause 9.1 should also be subject to the Curtailment SOP, and/or the order of curtailment options should be more wholly set out in the GTAC. A particular concern (on a narrow reading of the block output not the latest interim GTAC) is how First Gas may use OFOs to strictly maintain TTP. We think OFOs should be a last resort, e.g. having first exhausted buying and selling balancing gas.
 - First Gas says it would curtail flow at receipt and delivery points if there was an issue at one of these points. The point of this is unclear given that those points would, by inference, already be reducing flow themselves.
 - Better allowance could be made for situations when letting an event go to critical contingency would be a more efficient outcome, e.g. where such outcome would be inevitable regardless of the curtailment actions that First Gas took.
- 4) Clause 9.5, while the insertion of wording 'to take such actions as it is able to take' is better than before, it is unclear how such notices would work in practice in relation to s20.1 and 20.2. For example:
 - These sections are quite light when compared to s26 of the VTC.

- Presumably, First Gas acknowledges that the IT system and cell phones are not agents of shippers, and the taking of such actions first requires the shippers' officers to have received the message (i.e. not just the cell phone to have received the message) before they are able to take such actions as they are able to take. We wonder whether an OFO SOP would be of use here, to provide for different communication methods depending on time of day, etc.
 - Will First Gas also provide industry with an app so parties are able to use the IT system without opening up a larger device (which is less likely to be near a person)?
 - It is unclear whether OFO notices would be operational notices or legal notices. I.e. s20.1 qualifies that a requirement of operational notifications is that they are required to be provided via OATIS – however, very few notices, e.g. OFOs or those in Schedule Two, are required to be provided via OATIS. Does this make those notices legal notices and not operational notices?
- 5) Clause 9.12 still has a shipper deemed to be a non-RPO if it fails to comply with an OFO. While this is being addressed in the liabilities work-stream, the proposed amendment (as consulted) does not address the FAP finding.

Drafting issues

- "Curtailement SOP" should be a defined term, with principles codified.
- There is no trigger defined in the "OFO" definition that ensures that a) First Gas issues a targeted OFO to the causer of the situation, or b) defines the basis on which a shipper (but not all shippers) will be issued an OFO. Further, other OFO actions should not be precluded such as increasing the quantity of Gas being injected or taken which may equally solve a problem, or not taking action if the notified reason is not valid (apart from full industry curtailments).

Block 2 Output 7: Peaking

Substantive issues

- 1) Removing the previous complexity is helpful. However, we consider that issues of principle remain with clauses 3.27 and 3.28 which have had a number of design changes already. For example:
 - It is not clear what effect clause 3.27 is intended to have. It reads as more of a preamble, and appears to have a drafting error in it: "...in respect of which have...". If this clause is intended to inform the discretion in clause 3.28, then it should be included in that clause or cross-referenced to it.
 - We consider the discretion in 3.28 should be better qualified. "substantially meets" is a vague test. We suggest incorporating subs (e) into the opening part of 3.28, to give some context to the rest of the section.
 - Taking more than 1/16th of gas in an hour has no context. I.e. this is based on a maximum daily quantity, average daily quantity, or a daily quantity each day?
 - All users can go from full capacity to zero (possibly not safely or without damage) within an Hour – so query what the intent of this clause really is.
 - While excluding Turangi and Kowhai makes sense (and in principle no flatter load should be a Peaky Party as it could generally receive credits), there does not appear to be a link between sub-part (c) and asset owners in the CC Regulations required to report on asset damage. We query whether there should be a link.
 - Likewise gas users having an adverse effect in the relevant part of the Transmission System – all users arguably have an adverse effect when they take gas. We query whether the test should be written such that, with reference to the VTC, it comes into play when there is an interruptible agreement in a particular location (i.e. where during the normal course of business, First Gas wants the ability to interrupt load). Otherwise, you would have to say that gas taken, while reducing the system, would not be an adverse outcome.
- 2) Further to clause 3.29, a Shipper should cease to be a Peaking Party if the relevant End-User switches supplier.
- 3) Further to the discussion at the 22-23 August workshop, we make no comment on the planned and unplanned maintenance profiles as this is to be dealt with at the workshop on 4-6 September.

Block 2 Support Materials 7: Wash-ups

Substantive issues

- 1) The thinking behind this paper appears to be on the right track, subject to drafting issues, save for some areas of concern, as follows:
 - First Gas and industry should discuss the items proposed in a workshop.
 - At '(g)' on page 4 of the memo, subsequent to the block 1 consultation process, First Gas is changing the context of the "industry agreement" referred to in clause 6.11(a) of the GTAC. Technically, this does not work unless the GTAC is properly amended. As written in the second interim version and with the new context applied:
 - o That agreement needs to be approved (not acknowledged) by all parties – this means that any one party has a veto which, if used, would mean the default methodology would always apply,
 - o That agreement needs to be approved by GIC as being compatible with the DRR – this adds a conflict to GIC's GTAC assessor role, and
 - o "initial" allocations (as defined in the DRR) cannot be determined pursuant to the agreement – "special" allocations can, but these can only be approved by GIC after the end of the month. In this regard point (e) on page 5 of the memo is wrong and there is no contractual certainty that First Gas will use the pro-forma "special" allocations as the prevailing DDQs before the same are formally ratified after month end as "special" allocations.
 - Item (c)(i) on page 3 of the memo and item (h) of the memo raise the question about whether, in fact, the MBB D+1 Agreement will be terminated in its entirety. If not, then the VTC will not have been terminated and the GTAC will not be able to come into effect. We thought that First Gas had agreed to include further schedules to the GTAC giving effect to forward wash-ups (volume and dollar) from period prior to go-live of the GTAC. We are unsure how this is going to work, particularly applying different GTAC charges and concepts (per item (c)(ii) on page 3 of the memo) to wash-ups prior to go-live of the GTAC.
- 2) Item 4.1 in the memo about the New Wash-up Schedule is highly disappointing because it replicates some of the compromises made with the TSO to rapidly adapt to the MBB regime. Matters such as (f) and (h) in that section are, in addition to being neutral vs the current codes, simply unwarranted if industry is to get a modern proper code that is fair and fit for purpose.