



6 December 2017

Ben Gerritsen  
GM Commercial and Regulation  
First Gas Limited  
By email

Dear Ben,

### RE: GTAC Action Item B – Agreed Hourly Profiles

This proposal is all over the place. On the one hand the intention of the detail is honourable and takes a good step towards addressing some of the November action points. On the other hand, there are so many drafting and structural errors that it is difficult to follow the changes proposed.

#### High-level

- ~60% of 7 pages of the GTAC have been re-written – we are surprised at the quantum of changes in what is effectively a 4<sup>th</sup> draft GTAC. Expecting industry to properly review and comment on such extensive changes in a truncated timeline shows a lack of reasonableness and good faith by First Gas.
- First Gas should better manage the optics of its documents. Normally, drafts are 1<sup>st</sup> draft, 2<sup>nd</sup> draft, 3<sup>rd</sup> draft etc. However, First Gas has named their drafts, respectively, draft, revised draft, and second revised draft. This is tautological. It is also becoming hard to follow.
- There are many simple errors with this proposal. Query whether it has had legal review. Query whether First Gas will commit to the absence of, or significant minimisation of, errors in the final draft GTAC which it intends submitting to the GIC. This raises the serious question of whether or how the GIC will manage the need for drafting amendments that may be needed during the course of its review.
- There are also missing clauses and inaccurate section references supplied with this proposal. This makes it difficult to wholly consider the proposal. If First Gas is committed to proper consultation, it should repeat the consultation process on the proposal, supply the missing clauses, and correct the references.
- None of the relevant definitions or assessments of Hourly overruns have been amended to reflect wash-ups. It does not make sense not to have done this when

those changes should have been reflected in the sections that were subject to consultation.

- Contrary to the memorandum, the second part of action item 12 (implications of AHPs on PRs) has not been addressed. For example, there is no requirement in section 3.33 to curtail AHPs to give effect to PRs, nor is there protection not to curtail AHPs if the holder holds PRs.
- Contrary to the memorandum, action item 46 has not been addressed. While the memorandum talks about the solution to the mathematical problem being to dilute the value of PRs (rather than, for example to limit their use to the CP cycle), there is no amendment proposed to section 3.14.

## Detail

- The definition of AHP should be requested and approved pursuant to the relevant clause of the GTAC.
- The definitions of MDQ and MHQ now conflict with section 2.6 of the GTAC because First Gas has control, possession and risk in all Gas in the system, not a Shipper.
- Part (a) of the definition of MDQ now has a circular reference because DNC is defined as MDQ which is defined as DNC.
- The “or” should be deleted from the end of part (b) of the definition of MDQ.
- Part (a)(iii) of the definition of MHQ and the definition of Specific HDQ/DDQ do not work because Daily Delivery Quantity is not a defined term in the GTAC.
- Part (b)(ii) of the definition of NQ may not work because it seeks to define NQ by AHP which only has hourly amounts of transmission capacity and is not explicitly defined as a daily total. One solution is to say somewhere that daily capacity equals the sum of hourly amounts of transmission capacity in an AHP. However, the clause appears superfluous because regardless of whether or not there is an AHP, DNC is still required so won't NQ also be defined as DNC?
- The definition of Specific HDQ/DDQ should provide industry with more than 1 month to adapt to changes to the ratios. Query why this couldn't be published at the same time transmission prices are published?
- Query what the intention of 'specified' means in relation to Specific HDQ/DDQ – is this all Dedicated Delivery Points, or just some. The approach needs to be fair.
- Section 3.26 of the proposal appears to amend section 3.25 of the 3<sup>rd</sup> draft GTAC – query whether the number formats are correct and / or whether the addition of a previous clause changes the interpretation of the sections in the proposal. For completeness, section 3.26 should have been shown as section 3.25 crossed out and replaced by section 3.26.

- Query the need to redefine AHP in section 3.26 given the changes proposed to the definition of AHP.
- Not sure that section 3.26 adds much. If it stays, query whether the word 'unusually' is from the perspective of First Gas, the Shipper, or the End user?
- The last sentence of section 3.27 is confusing because AHP and DNC are different concepts (hourly capacity vs. daily capacity), and so there should be no need to distinguish the concepts.
- Section 3.28 should be subject to section 3.27.
- Query why there is a 7 Day limitation to a particular AHP in section 3.28.
- In the last sentence of section 3.28, First Gas needs to determine whether or not 24:00 is a valid and unambiguous time for midnight.
- What is "standard" DNC in section 3.30, and what other types of DNC can there be? Interesting addition at this stage of the process.
- Part (b) in section 3.30 could perhaps be made more clear that, if an AHP applies, then the then DNC in place should be reduced as much as possible with regard to deemed flow, otherwise the DNC at the time the AHP starts could be much higher than is intended by using the AHP to, in a roundabout way, determine DNC.
- Section 3.32 makes sense but the wording is problematic. For example, AHPs need to happen during a nominations cycle yet the wording implies that, at the end of that nominations cycle, First Gas will make an offer to the Shipper (which goes against the principles of deemed flow and AHP start time). We suggest that the word 'offer' is replaced with 'approve (on a pro-rata basis)'. The IT system will need to cover of the revised offer / acceptance process.
- Section 3.33 is confusing insofar as it is curtailment of capacity, not of Gas flow. The question is if AHP is curtailed, when does that have effect from (and if it does not have effect from the end of the next nominations cycle (if any) then what rules and protection govern DNC for the period in between the curtailment and the next nominations cycle)? There is also the question of how AHP is curtailed – this should be via OATIS to match the cancellation provisions in section 3.34 together with provision of an urgent notice.
- What is the logic for not being able to cancel a previously approved AHP on a Day in section 3.34? It shouldn't matter that AHP goes through to the end of a Day – if needs change part-way through a day then the interplay between AHP and DNC should be able to accommodate this (and indeed it needs to further to our points on section 3.32).
- Section 3.35 does not work insofar as it says that changes to AHP are possible pursuant to section 3.27 – however, section 3.27 only allows a Shipper to request (not amend) an AHP in a nominations cycle. We suggest the wording in section 3.27 is amended accordingly.

- Section 7.12(h) is confusing in isolation as it introduces a new concept of an 'agreed hourly profile' for Receipt Points, yet the GTAC does not contain further particulars around Receipt Point supply of gas nor the process surrounding agreed hourly profiles. Query whether the lower case use of 'agreed hourly profile' means that it does not have to conform to the requirements set out in the GTAC.
- First Gas has erroneously numbered the congestion management clauses 9.3 and 9.4. These should be numbered 10.3 and 10.4.
- Sections 9.4 and the definition of DDQdnc in section 11.5 do not work because the new references do not exist in the 3<sup>rd</sup> draft GTAC nor is an amended section 10.3 or section 11.4 supplied as part of this proposal.
- Subject to the comment above, the definition of MHQdnc in section 11.5 may mean that Hourly overruns are not possible (which is good) because HDQs need to be shipped using DNC in that hour (which pertains to MDQ) which may mean take greater than MDQ and / or any tolerance is not technically an Hourly overrun.
- If the end of section 11.5 relates to 60 Business Days, then there may as well be a Change Request process which would be fairer on industry.
- The last paragraph of section 11.5 should require First Gas to increase M not sooner than a timeframe after it advises that there are no Shipper objections or after it has notified that it does not consider that any compelling evidence has been supplied (after supplying such evidence and commenting on its position). Otherwise, Shippers could use some or all of those 60 Business Days to generate evidence, supply this to First Gas, then find, on very short notice, that First Gas has not accepted its evidence. In addition, First Gas could provide a window, say 30 Business Days, for Shippers to provide compelling evidence after receipt of First Gas' notice of intent.

## Conclusions

This proposal should not have been made public until it was complete and in a much tighter form. Further consultation, in a less demanding timeframe, should be mandatory.

Yours sincerely



Chris Boxall  
Commercial Manager