



GREYMOUTH GAS

5 October 2016

Ian Wilson
Senior Technical Adviser – Infrastructure
Gas Industry Company Limited

Dear Ian,

RE: Gas Transmission Access – Single Code Options Paper – Part 1

Greymouth Gas New Zealand Limited (“GGNZ”) is underwhelmed by the ‘background’ paper.

NZ Inc. will ultimately demand a new code where balancing, D+1, and gas quality etc. are not simply viewed as supporting arrangements¹.

For market based balancing (“MBB”) to be usefully included in a later options paper, industry needs to know soon if it and D+1 are ever going to be workable to the satisfaction of the industry.

If MBB is retained in First Gas Limited’s (“FGL”) new code then a version of D+1 also needs to be retained. If D+1 is retained then the pilot arrangement needs embedding in the new code², regulations, and other supply chain contracts. GGNZ considers that the Gas Industry Company Limited (“GIC”) should focus on these³ in Q4 2016.

Failure to properly address these issues, which are clearly GIC (and not FGL) things, has the potential to be a bottleneck in FGL’s sequential code construction process.

Any delay caused by GIC should not be used by GIC to justify regulation.

The big picture risk for the GIC is in terms of optics and where the GIC fits in the future. Any perception of an unjustified parallel process or poorly allocating resources will likely do more harm than good.

1 The first draft of the SCOP2 contents page seemed to place primary emphasis on access and pricing and it made no mention of D+1.

2 This might be about 20% of the industry D+1 future-state work.

3 I.e. a comprehensive MBB review including an assessment of the cost-benefit analysis, and D+1 cost-benefit, policy and supply chain planning work.

It will be difficult for the GIC to be too proactive on regulatory counterfactual work given that a problem needs to emerge first – but the GIC’s role here is a well-established and valued part of the process.

GGNZ has some suggestions for business objectives for the new code⁴, but declines to answer the questions on SCOP1.

Ultimately VTC and MPOC signatories need to sign a new code. GGNZ considers that there will be 5 - 10 tricky code amalgamation issues to work through – of which access and pricing is but one.

Yours sincerely,



Chris Boxall
Commercial Manager

⁴ I.e. The new code should:

- Comply with all relevant legislation and government policy steers,
- Provide a comprehensive, yet simple and transparent, framework that allows open-access to FGL’s gas transmission pipelines,
- Do what is best for NZ Inc. including from a cost-benefit perspective, and
- Facilitate an efficient and effective upstream / downstream gas industry that can be agile in a potentially disruptive future.