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Dear Ian

Gas Transmission Access Single Code Options Paper – Part 1

Genesis Energy Limited welcomes the opportunity to provide a submission to the Gas Industry Company (“the GIC”) on the consultation paper “Gas Transmission Access Single Access Code Options Paper – Part 1” dated 13 September 2016 (“the Consultation Paper”).

We support the proposed process

Genesis Energy supports the process proposed in the Consultation Paper, and particularly welcomes First Gas Limited’s (“First Gas”) commitment to working collaboratively with the sector and GIC. Ensuring the sector is well-engaged throughout the development phase will increase the likelihood of a smooth and timely transition from the existing codes to a new single access code.

There appears to be two key phases to the proposed process. The first, analysing the current arrangements, setting the key objectives, and developing initial ‘core’ options for consideration, is well underway. The timeline for this appears tight, but achievable with proactive stakeholder engagement.

The second phase; developing the supporting arrangements, followed by final agreement between parties and enactment, is yet to be detailed in the project timeline. Although we appreciate the difficulty in predicting what will be the best way to approach phase two given the initial options are yet to be developed and consulted on, we suggest First Gas gives consideration to this second phase as soon as possible. This will allow stakeholders ample opportunity to be appropriately resourced and ready to assist effectively in the process

Keep it simple

Genesis Energy appreciates the work that has gone into detailing the objectives the new access code must meet under the Gas Act and Government Policy Statement, and found the tabled comparison of the Vector Transmission Code and Maui Pipeline Operating Code of particular value. We are also pleased to see that First Gas intends to incorporate the previous work completed by the Panel of Expert Advisors (“PEA”) as part of the new code development process.

In synthesising the PEA advice, we urge First Gas not to lose sight of the importance of ‘ease of use’ for the end user. An overcomplicated solution which attempts to satisfy all recommendations from the PEA is unlikely to facilitate competition and support the entry of new participants into the market. We suggest First Gas looks to simplify and standardise throughout the access code wherever appropriate.

On this basis, Genesis Energy believes a ‘Fit for Purpose’ statement should be added to the regulatory objective. This will better recognise and capture the need for the regime to be functional from the customer’s perspective.

Getting the balance right

For the new regime to be considered reasonable and more readily taken up by the sector, First Gas will need to achieve the right balance between certainty and flexibility in the regime. Deciding what must be included in the code, operating procedures, and individual contracts, and the level of detail required, will be key to delivering a durable new access code.

We encourage First Gas Limited to publish a framework which describes how they intend to make these decisions. We believe First Gas will need to consider the relative importance of certainty and discretion in various aspects of the regime, and also consider the appropriate mechanism to achieve the desired objective¹. Of particular note is the ‘mechanisms required’; we would encourage First Gas to, as a minimum, consider high level Governance arrangements in this first phase of the code development rather than the second phase. We believe the Governance arrangements are not entirely design dependant and will assist in the development of the decision making framework.

If you would like to discuss any of these matters further, please contact me on 04 839 0015.

Yours sincerely



Victoria Parker
Regulatory Advisor

<http://www.regulatorytoolkit.ac.nz/resources/papers/book-3/chapter-4-certainty-and-discretion-in-new-zealand-regulation>

Appendix A: Responses to Consultation Questions

QUESTION	COMMENT
Q1: Do you agree with the proposed regulatory objective? If not, how would you propose describing the objective?	Yes, with the addition of a 'fit for purpose' statement. 'Efficient operation' emphasises the physical operation of the network from the perspective of the owner rather than the customer. Although we agree that this objective is likely to benefit the customer by default, we believe 'ease of use' from the customer's perspective should also be a key consideration and objective.
Q2: 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?	Yes.
Q3: Do you agree with the suggested synthesis of the PEA's guiding principles?	Yes, but note that there is a wide menu of options. Simplification and standardisation should be pursued where possible.
Q4: Do you agree with the suggested initial scope of the options?	Yes, however we suggest that First Gas also considers: <ul style="list-style-type: none"> - developing a decision making framework to guide what to include in the Code, operating procedures, and individual contracts etc. - high level governance arrangements, as discussed in our cover letter - "Getting the balance right". We believe these will not be design dependent and should be socialised amongst stakeholders as early as possible.
Q5: Do you consider that the process outlined above is appropriate?	Yes.