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Ian Dempster
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Dear Ian,

Revised Draft GTAC

Genesis Energy Limited (**Genesis**) welcomes the opportunity to provide comments to the Gas Industry Company (**GIC**) on the “Revised Draft GTAC” published 11 September 2017 (**revised draft**).

Reflecting on the process to-date, Genesis considers progress has been made, and continues to be made, towards a single gas transmission access code (**GTAC**). The revised draft we comment on now is the result of months of refinement via submissions, workshops and teleconferences; an exercise in endurance for everyone involved.

Along the way, Genesis has appreciated the continued efforts of First Gas and the GIC to understand industry concerns and respond accordingly. The revised draft is markedly different from the GTAC design presented in the emerging views paper in May 2017, and arguably better reflects the design objectives agreed in earlier consultation.

Unfortunately, this willingness to respond has a downside too: the GTAC has been a moving target with material changes in each iteration of drafting to-date. While many of those changes are no doubt positive moves in the right direction, some of them affect the fundamental design of the regime and require time to work through and evaluate.

This is not the first time we have commented that the fluidity of First Gas’ views has made it difficult to comprehend the opportunities and risks of the GTAC, and we must admit to becoming increasingly nervous that this late in the piece we still do not

understand what material impact it will have on our business, our customers and our shareholders.

Genesis is not alone in this view, and there remains a considerable lack of understanding on some of the design fundamentals, as was evidenced by the split of the room at the 15 September workshop while working through examples on priority rights (**PR**).

In fact, we were one of several stakeholders to request more time to work through the potential operational and financial impacts the new arrangements will have on the industry. We are pleased that a further round of engagement has been planned for November 2017 and look forward to resolving remaining concerns between now and then.

Remaining concerns and proposed improvements

Genesis notes that at this point in the process, the intention is for stakeholders to propose improvements and highlight any remaining concerns, which we have outlined as follows:

Concern	Notes	Proposed solution
Unknown annual transmission costs	We are currently unclear what the new GTAC will cost Genesis in total gas transmission costs per annum. As we plan our next and subsequent financial years, it is very difficult to have conversations with our finance team about gas transmission costs and admit that we do not know if we should expect the status quo, or a material increase or reduction.	Final pricing and fees need to be provided as soon as possible so that we can come to a view on the likely cost implications for our business.
'Difficult day' balancing obligations are unclear	The revised draft provides for greater fees to apply to excess running mismatch when	We request that First Gas please provide clarity as to how this is going to operate in

	<p>there is a low or high line pack notice issued i.e. a 'difficult day'.</p> <p>We are concerned about how to manage balancing on a 'difficult day', and are uncertain how to account for the timing of linepack notices, information about outages, and the potential to use an emergency nomination cycle.</p>	<p>practice to increase certainty around physical and financial impacts.</p>
<p>Park and loan has potential, but needs to be better understood</p>	<p>Genesis considers that First Gas' Park and Loan (P&L) product has great potential, but there is currently little detail provided in the GTAC as to how this would be offered.</p>	<p>We would like to see more detail on the design of the P&L product, including: the timeframes allowed for parking and loaning gas in the pipeline; procedures to allocate quantities of gas if requests to P&L are oversubscribed; parameters for pricing P&L gas e.g. run it like a PR auction with a reserve and clearing price.</p>
<p>Daily and running mismatch management</p>	<p>To reduce a running mismatch towards zero a party is required to trade rather than use nominations or flow to correct the running mismatch without getting charged overruns and underruns.</p>	<p>We would like clarity of this and the purpose.</p> <p>We would also like the ability to manage running mismatch towards zero by changing nominations and/or flow without getting charged.</p>

<p>Specific maximum hourly quantity at dedicated delivery points: please explain.</p>	<p>Since the first draft of the GTAC was published, First Gas has changed its view on the maximum hourly quantity (MHQ) allowed at dedicated delivery points (DDP), providing for a specific value to apply with a 200 GJ <i>de minimus</i> threshold.</p>	<p>Genesis urges First Gas to provide more details about the specific MHQ it expects to impose at each DDP. We are, unsurprisingly, most concerned about how this affects our Huntly Power Station and the cost of running at the site.</p> <p>The current 1/16 ratio would limit existing gas flow and is likely to limit the expansion of gas use at Huntly to displace coal and discourage investment in this space. Our solution is to limit hourly offtake to physical flow capability.</p> <p>We are willing to provide increased information on anticipated hourly flow to facilitate this.</p> <p>The day to day approval process of the Agreed Hourly Profile (AHP) does not provide sufficient certainty.</p>
<p>The impact of the GTAC on existing supplementary agreements</p>	<p>Genesis understands that First Gas is open to existing supplementary agreements continuing under the GTAC.</p>	<p>We require more information about how First Gas intends for supplementary agreements to transition to the GTAC and how it intends to resolve any pricing issues.</p>

<p>We need to have an indication of the parameters around running mismatch tolerance</p>	<p>At this stage, there are no parameters in the revised draft around the running mismatch tolerance shippers will be provided before they go into excess.</p>	<p>Genesis seeks some indication from First Gas on its proposed tolerance e.g. notice of a minimum tolerance to be drafted into the GTAC.</p>
<p>Notice prior to a PR auction is too short</p>	<p>The revised draft provides for First Gas to give 10 days' notice prior to holding a PR auction. We consider this to be too short notice given shippers will need to coordinate to purchase PRs on behalf of customers.</p>	<p>A minimum of 15-20 business days' notice is more appropriate.</p>
<p>Daily over and underrun charges: do not agree with refund proposal at workshop</p>	<p>At the workshop held 15 September there was a suggestion that daily overrun and underrun charges could be refunded back to shippers monthly on a volume basis for each delivery zone.</p> <p>We consider this would increase the cost of overruns for retailers that have more unpredictable loads (e.g. the mass market and SME segments) compared with retailers supplying TOU sites that have daily or hourly data through dial up meters and a more predictable load. If the overrun revenue is refunded the delivery</p>	<p>Genesis does not agree with this suggestion. We believe there is already sufficient incentive to focus on accurate nominations without reallocating costs between customer segments.</p>

	zone rate will increase so that First Gas' regulated revenue is maintained.	
Over and underrun incentive fee: should be subject to code change	<p>Genesis notes that in the revised draft, First Gas has reduced its overrun fee to 2 and underrun fee to 1.</p> <p>It also is drafted that this fee can be changed with six months' notification to First Gas' preferred value following consultation with shippers.</p>	<p>Genesis is more comfortable with the fee in the revised draft compared with the 5x fee previously proposed.</p> <p>We are however concerned that First Gas can change the fee outside of the code change process described in section 17 of the revised draft. We recommend that amending these fees be subject to the codified change process.</p>

If you would like to discuss any of these matters further, please contact me by email: margie.mccrone@genesisenergy.co.nz or by phone: 09 951 9272.

Yours sincerely



Margie McCrone
Regulatory Advisor