

24 August 2018

Ian Wilson  
Gas industry Company Limited  
PO Box 10-646  
Wellington 6143

By e-mail: [ian.wilson@gasindustry.co.nz](mailto:ian.wilson@gasindustry.co.nz)

Dear Ian

On reviewing the Minutes from the GTAC Workshop held 7-9 August 2018 Methanex wishes to clarify two matters in particular in respect to the Minutes taken on 9 August.

### **Rebates**

We wish to respond to the statement that *“There was general agreement that transmission and balancing charges would not be subject to a rebate mechanism, but PR fees would be rebated.”* (Item 1.2.1)

Methanex raised concerns at the meeting and does not support the position reached by FGL to remove the rebate mechanism for balancing fees. We have the following concerns:

1. We supported the original concept of immediate rebating and our view has not changed. We considered this to be a transparent and effective means of promoting and rewarding accurate nominations. Without an immediate rebating mechanism for balancing incentive fees (no different conceptually from PR fee rebating) that behavioural incentive is considerably diluted. We consider that in the case of balancing, reward incentives will have better results than relying solely on penalties.
2. Under the revised proposal, OBA Parties at Delivery Points will be expected to accept the liability for imbalances with no compensation where their efforts to balance flow to nomination enhance stability on the pipeline, the rewards for out-performance on balancing fees being distributed elsewhere. This provides a further disincentive for Delivery Point Interconnected Parties to elect to become OBA Parties.
3. Although OBA Parties at Delivery Points will be excluded from ‘performance’ rebates, there was discussion regarding FGL giving consideration as to how Interconnected Parties at Receipt Points might qualify for rebates (Item 1.3.1). Methanex considers this to be justified but does not believe there should be a different standard on providing incentives/recognition for Interconnected Parties at Delivery Points.

### **Peaking Regime**

Methanex considers that conceptually FGL’s proposal for a targeted peaking regime is an improvement on the original proposal but has reservations regarding the detail implementation. We raised two particular concerns that were not recorded in the minutes:

1. Appropriateness of DNC as the penalty basis for exceeding the tolerance. The issue with DNC is that the rate is location specific and so the incentives will vary considerably depending on location. We believe the price should be consistent across the system and, as with the ERM fee, should be event driven to provide the appropriate incentives to avoid exceedances.
2. Methanex raised a further point towards the end of the meeting concerning nomination changes that lead to or increase the risk of curtailment. We consider that there is insufficient detail in the current drafting to describe how intra-day nomination changes (including changes to AHPs), that lead to issues with line pack or TTP limits, are dealt with. One of Methanex ' concerns is the prospect that parties with already approved nominations or nominations that are not peaky (and so not contributing to the underlying constraint) end up being curtailed as part of a broader pro-rata reduction. We seek provisions that clearly address a hierarchy of allocation in those circumstances. It would be inequitable for Methanex, taking gas in line with a flat profile nomination that may have been unchanged since the Provisional or Changed Provisional Cycle, to be curtailed due the effect of intra-day nomination changes (including by cumulative effect) at other Delivery Points that results in a wider curtailment action being taken.

Yours sincerely

Matthew Gardner  
For Methanex New Zealand Limited