

13 August 2018

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Dear Ian

RESPONSES TO GTAC WORKSHOP 1 MATERIALS

Methanex' responses to Workshop 1 documentation are firstly devoted to commenting on concepts and principles and how they relate to achieving the materially better standard. We have made some comments in respect to the particular drafting proposed by FGL but consider our responses to be preliminary as we will need to further consider their implications and how all the various drafting changes when put together will act as a whole when the finalised drafting is circulated for comment.

We have divided our responses into the following section headings:

1	Interconnection arrangements	We have provided general comments and in Appendix 1 additional comments on the drafting provided by FGL. We intend to provide further comments in response to outcomes from Workshop 2
2	AEMO Guidelines	No comments provided
3	Metering Test results	No comments provided
4	Allocation Methods	Response to memo and high level drafting comments
5	Target Taranaki Pressure	Response to memo and high level drafting comments
6	Balancing	Response to memo and high level drafting comments
7	Peaking	General comments provided, we intend to provide further comments in response to outcomes from Workshop 2
8	Nominations	Response to memo and high level drafting comments
9	Priority rights	No comments provided
10	Supplementary Agreements	We intend to respond on the matter of Supplementary Agreements following the outcomes of Workshop 3 where we expect the governance of Supplementary Agreements to be discussed in more detail and in particular to address the issue of assuring that appropriate checks and balances are in place to protect the rights and interests of other pipeline users. Three concerns stand out:

		<ul style="list-style-type: none"> • The principle of “beneficial to other users” being appropriately addressed • Whether additional oversight is needed in the approval of Supplementary Agreements • Implications of Existing Supplementary Agreements
11	Transition Arrangements	No comments provided

INTERCONNECTION

1. Methanex has recommended that interconnected party relationships are fully integrated into the code regime. The FAP findings supported this view:

“The terms that apply to interconnected parties through ICAs must mesh with the terms that apply to all other interconnected parties, and to Shippers through TSAs (that reference the GTAC). The terms and conditions of access to, and use of, the gas transmission system must be fully described for all system users and be coherent (ie work together).” [p.159]

2. The proposal by FGL to incorporate the common terms and conditions that Interconnected Parties (or some at least) are required to adhere to, and FGLs obligations to those Interconnected Parties, into GTAC is an improvement. It improves the linkages between Shippers and Interconnected Parties and Interconnected Parties relationship to the Code that did not exist before.
3. However, there remains uncertainty as to the allocation of rights and obligations between and among Interconnected Parties that would have been resolved with more complete integration. We consider that the design philosophy of having the relevant Schedule operating as an appendix to each Interconnection Agreement is an inferior outcome when compared to MPOC and the alternative of having Interconnected Parties sign up to the complete Code on the same basis as Shippers. We believe the proposed structure makes it difficult to interpret the various rights and obligations of Interconnected Parties that are spread between the relevant Schedules and the GTAC itself. We don’t believe this arrangement achieves consistency or coherency or meets FGLs objective of providing a concise and simplified set of arrangements for Interconnected Parties to follow.
4. Methanex is concerned by the implications that all Interconnected Parties will not be governed by the Schedules or by GTAC itself. These concerns relate to VTC Interconnection Agreements that will be grandfathered, including a number of agreements that are secret arrangements between FGL and the counterparty. This concern is now extended to all interconnection agreements that have been or may be negotiated between the date of FGLs acquisition of the pipeline business and the effective date of the Code.¹ FGL has not given comfort that any of those agreements will be retrospectively bound by any of the terms and conditions of the GTAC (including the Schedules). This concern most seriously manifests itself in issues such as assuring Gas Quality undertakings, Liability provisions, Curtailment rights and obligations, Metering obligations and Allocation arrangements.

¹ See definition of “Existing Interconnection Agreement” in the Schedules

5. We believe that GIC, in its previous assessment of GTAC, has erred in not addressing the inconsistency of having Existing Interconnection Agreements (and Existing Supplementary Agreements) continue outside of the code regime when set against the objectives of code alignment, transparency, fully described terms for all users and the removal of grandfathering. The issue of the retention of existing arrangements from the VTC is in particular contrast to the decision taken to enable the unilateral termination of interconnection agreements under MPOC. For this reason we consider it even more important that the implications of the GTAC on MPOC Welded Parties is carefully weighed by GIC when considering approval of the GTAC.

6. Methanex considers that some common and essential terms have been omitted from the draft Schedules which were contained in the earlier ICA templates. We understand the need to address non-standard terms outside the common Schedules but consider that FGLs proposal to omit certain provisions is sweeping and in some cases provisions that should be standard have been omitted.
 - We think that there are some rules that should be apply universally in both the bilateral interests between FGL and the particular counter-party, and for the wider assurance of other Shippers and Interconnected Parties, that suitable, standard and consistent terms apply to all Interconnected Parties.

 - We have listed the following provisions left out of the Schedules which were contained in the earlier template ICAs and which should, at least in part, be incorporated into the Schedules.

Prudential	<p>We accept FGLs position that there may be non-standard features that require variations to the prudential requirements, including:</p> <ul style="list-style-type: none"> • Standard and consistent rules on suitable credit rating • Notice periods on calling up prudential requirements and requiring additional credit support should be standardised
Invoicing and Payment	<p>Some of the provisions set out in GTAC should be included the schedules, including those elements that are essentially boiler plate and for which there is no reason to consider non-standard, including:</p> <ul style="list-style-type: none"> • GST • Other Taxes • Disputed Invoices • Incorrect Invoices • Default Interest
Term and Termination	<p>Methanex considers that Suspension is a better response than Termination to address default in the context of pipeline operation.</p> <p>If termination for cause is retained we consider that further standardisation is needed in respect to addressing the consequences and effects of termination.</p> <p>We also consider that <i>“Termination without prejudice to amounts outstanding”</i> is an important term as assurance for other Shippers and Interconnected Parties that all Interconnected Parties remain liable to FGL (particularly important when assuring any back-to-back indemnity).</p>

Dispute Resolution	<p>This section should be restored in full, all Interconnected Parties should be have the confidence of operating under a single set of Dispute Resolution provisions (which should also be the same as the relevant GTAC provision).</p> <p>Note that GTAC, as presently drafted, is restricted to dispute resolution between Shippers and FGL (and also excludes OBA Parties).</p>
General and Legal	<p>We consider that all 'boiler plate' provisions should be standardised, and question the grounds on which FGL would consider non-standard general and legal provisions as necessary or advisable.</p> <p>Note that the General and Legal provisions in GTAC are for the most part limited to FGL and Shippers.</p>

7. We have provided comments on the drafting provided by FGL (see Appendix 1). However, these comments are provisional given further discussions held during Workshop 2 and the expectation that amendments will be required in any event to align the ICA Schedules with drafting changes made to GTAC during the consultation process.

ALLOCATION METHODS

8. FGL noted in its memorandum that *"Some stakeholders raised concerns that a number of different allocation methods may have a potential impact on other system users and the operation of the system."* Methanex considers that this matter has not been clearly addressed in the drafting.
9. Methanex had expected from Workshop 1 that FGL would describe default allocation options and rules governing selection of alternative options in more detail in GTAC. We recognise the timeframe for providing those drafting changes in time for the 25 July document release may have been insufficient but we consider more detail drafting should be incorporated before finalising the drafting for GIC assessment. Publishing the methods in OATIS [Sch. 4, 3.1(b)] from time to time does not resolve the need for more certainty to be provided in GTAC itself:
- (i) Setting out the available default allocation options;
 - (ii) Providing a general prescription (rules) for those options;
 - (iii) Setting out the principles that allocation rules should abide by; and
 - (iv) Setting out the processes and criteria by which alternative options would be requested, considered and approved.
 - (v) References made by FGL to rules that are "not circular in nature" is ambiguous. The issue is to ensure the various allocation methods operate, individually and among each other, correctly and without error or bias.
 - (vi) FGL noted in its memorandum that *"the allocation rules must not adversely affect any other users of the Transmission System"*. However, it does not appear to have addressed this matter in the drafting amendments.

10. Other drafting comments:

	<p>Methanex considers the design of the code remains flawed where nominations are not required to be confirmed by injecting parties at Receipt Points as a general rule.</p> <p>We remain of the view that abandoning the linking of receipt nominations with delivery nominations, at least between interconnection points on the Maui Pipeline, is a retrograde step in terms of balancing the pipeline and identifying the causers of imbalances.</p>
6.13	<p>Delivery Quantities at a Dedicated Delivery Point</p> <ul style="list-style-type: none"> • There has been recognition that in circumstances where there is only one Shipper, the Interconnected Party rather than FGL could be Allocation Agent, but the requirement for FGLs agreement to permit an Interconnected Party to be the Allocation Agent should be on basis of it “<i>acting reasonably</i>”[6.13(a)]. Having said that, it is unclear why First Gas considers that it needs to be the Allocation Agent in the first place (unless it is the interconnecting party). • The operation of 6.13(a) and (b) still implies switching between the two arrangements may be required where a Delivery Point has one Shipper at certain times and more than one Shipper at other times, as is the case with Methanex Delivery Points. A simple fix might be to reword 6.13(b) to read “one or more Shippers”. • The Shipper should be required to be a party to an Allocation Agreement before any nominations are requested or approved. This is not the case as 6.13 as currently drafted. <p>The same issues apply in Section 3.1 of Schedule 4</p>
	SCHEDULE 4: REQUIREMENTS FOR ALLOCATION AGREEMENTS
2.1	The meaning of the words “ <i>circular in nature</i> ” is ambiguous, we recommend inserting a more detailed and meaningful set of principles.
3.1(b)	<p>Detail on Allocation Rules – (ie Principles, Options and Methods)</p> <p>The discussion in the Workshop 1 contemplated providing more detail within GTAC.</p> <ul style="list-style-type: none"> • The drafting doesn’t resolve uncertainty users have concerning what options will be made available and how they will work together, including to those users who are not necessarily a party to the particular arrangement but potentially exposed to the consequences. • Simply making provision for rules to be set out in OATIS at some future date is insufficient [3.1(b)(i)]. FGL should describe the default Allocation Rules (including underlying principles) more thoroughly within in GTAC. Given the timeframe for providing drafting this may have been challenging but it should be addressed in GTAC drafting prior to the next GIC assessment. • FGL should also describe the mechanisms under which new Allocation Rules are requested and approved, and requirement that they meet underlying principles before they are approved.

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| <ul style="list-style-type: none">• We consider that five business days is too short a notice for making changes to Allocation Rules. |
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TARGET TARANAKI PRESSURE

11. In addressing FGLs approach to managing Target Taranaki Pressure (as well as the more general issues of line pack management) Methanex has the following concerns when comparing GTAC with the status quo under MPOC:
- FGL is offering to make more line pack available to users and has relaxed its obligations to maintaining TTP within its limits. In addition, there is a clear objective in MPOC (Section 3.1(a)) to ensure that TTP tends toward the mid-point that is not contemplated in GTAC.
 - The additional flexibility provided to users, combined with the abandonment of linking receipt point nominations to deliver point nominations, will increase the likelihood that pipeline pressure will become more volatile and operate closer to the limits for more of the time than has been the case under MPOC.
 - FGLs commitment to undertaking pro-active balancing gas transactions to maintain line pack and pressure is reduced. This is most clearly manifested in the omission of any provisions analogous to those in Section 3 of MPOC and the weakened commitments to buy and sell balancing gas set out in Section 8 of GTAC. As a consequence we consider curtailments will be resorted to more frequently under GTAC.
 - FGL has given itself more freedom as to how it exercises its curtailment rights than is the case under MPOC. We believe this will increase the occurrence of curtailments affecting parties that have not caused or contributed to the underlying issue.
 - While penalty fees are used more extensively under GTAC to impose costs on parties exceeding their balancing and tolerances, there are no compensation mechanisms in GTAC for non-causers adversely affected by curtailments. It is also less certain what the particular balancing and peaking tolerances will be in GTAC than is the case in MPOC.
12. The proposal made by FGL is not equivalent to the TTP regime in MPOC:
- (a) Maintaining TTP between 42-48 bar is a requirement in MPOC, with exceptions for Maintenance Force Majeure or Contingency Events, and otherwise is subject only to FGL underlying RPO obligations. It requires FGL to use more than its reasonable endeavours to maintain TTP.
- (b) Curtailment is not contemplated in MPOC as a 'normal course of business' response to maintaining TTP between 42-48 bar:
- Section 2.20 of MPOC states "*if necessary* to keep the expected Maui Pipeline pressure under the maximum Target Taranaki Pressure limit, TSP will adjust Shippers' Nominated Quantities and Approved Nominations in *accordance with section 8.*" The words, "if necessary" in the context of Section 3 of MPOC establishes a priority order for FGL to seek to buy/sell balancing gas before contemplating curtailment.

- Further, Section 8 addresses in detail which is absent from GTAC, the processes for curtailing nominations. The important aspect in regard to maintaining TTP (and also managing Line Pack more generally) relates to curtailments “within day” which is contemplated under sections 8.27 and 8.28 of MPOC and are the provisions most likely to apply when there are issues with maintaining line pack and pressure within limits.
- Both Sections 8.28(a) and (c) require curtailments to be made in accordance with Section 15.1 which sets out the fundamental prescription of FGL rights to curtail approved nominations.
- Sections 15.1(ii) through (iv) address those pipeline situations (Maintenance, Contingency, Force Majeure) where FGL is in any event relieved of its obligation to maintain TTP between 42-48 bar, under MPOC. However, those provisions of Section 15.1 would not be reasonably triggered simply to maintain TTP within its limits, or to address moderate excursions.
- This leaves Section 15.1(v) as the primary entry point that FGL can use for curtailment under MPOC to maintain TTP or return it within its range. It does not contemplate curtailing any party other than the particular Shippers/OBA Parties that have an excess running mismatch of have exceeded their peaking limit.
- The level of specification and limitation on FGL curtailments rights in regard to TTP management contained in MPOC is not carried over into GTAC. The drafting proposed by FGL is that it may “*exercise any rights to adjust or curtail any Approved NQ or Supplementary Capacity*” [3.37]. This is sweeping and it is unclear just how broadly curtailment will be applied in practice under GTAC.
- In MPOC, the provisions of Section 3 provided comfort to users that the pipeline owner will pro-actively undertake balancing transactions to reduce the prospect of resorting to curtailment (to an RPO standard at least). The impression we have from the drafting of GTAC is that FGL will instead rely on incentive charges first to govern behaviour and use curtailment thereafter. Our view is predicated on there being no analogue in GTAC to MPOC’s Section 3 and the limited role FGL provides for in undertaking balancing gas transactions as set out in Section 8 of GTAC:
 - (a) maintaining TTP is not part of its Primary Balancing Obligations in Section 8.4;
 - (b) Section 8.6 contemplates FGL buying/selling balancing gas as something of a final resort when line pack is already under stress (and doesn’t address TTP at all); and
 - (c) Other than the reasonable endeavours requirement in Section 8.6 in respect to line pack management, FGLs decisions as to buying or selling balancing gas as set out in Section 8.7 are completely elective.

BALANCING

13. We support the FAP finding that FGL should specify the quantity of line pack that will be provided to Shippers and OBA Parties Running Mismatch Tolerance, and there should be clear constraints on its discretion [p.75]. We consider that FGL has not fully reflected this finding in its drafting and considerable uncertainty remains in regard to:

- The actual level of allocation proposed and the opportunity for stakeholders to evaluate whether the amount provided is insufficient or excessive, or equitable.
- The methods of allocating line pack between Shippers and OBA Parties.
- The range of variation that can be expected and the application of a hierarchy in prioritising the allocation of available line pack.

	<p>Running Mismatch Tolerance</p> <p>Parameters</p> <p>In its Workshop 1 presentation, FGL contemplated providing a fixed quantity of running mismatch tolerance (15 TJ split evenly between Receipt Points and Delivery Points) and the greater of 400 GJ/d or 1.5%² of approved nominations, which Methanex considered to be reasonable.</p> <p>However, the drafting provided by FGL does not set out any specific levels or settings. We have interpreted this as meaning that the settings described in the Workshop were only illustrative.</p> <p>Methanex’ primary concern is that by not providing clear parameters in the GTAC it remains uncertain as to whether the percentage tolerance settings in practice will be set unreasonably low, or conversely, and of more concern to Methanex, will allocate excessive amounts of available linepack and encourage inaccurate nominations. In this respect to we do not consider that FGL has resolved the FAP findings set out in pages 19 and 75.</p> <p>Allocation between Shippers and OBA Parties</p> <p>The drafting contemplates dividing RMT into two pools (for Receipt Quantities and Delivery Quantities). But within each pool $LPT_{RECEIPTS}$ and $LPT_{DELIVERIES}$ it allocates on a pro-rata basis for separate Shippers and OBA Parties pools but without determining a means by which $LPT_{RECEIPTS}$ and $LPT_{DELIVERIES}$ will be split between Shippers and OBA Parties.</p>
8.5	<p>The drafting changes proposed in Section 8.5 do not resolve the need for a clear hierarchy/priority order.</p> <ul style="list-style-type: none"> • Satisfying 8.5(a) should have priority over all of 8.5(b) and (c) but is not expressed as so. • Within 8.5 (b) there also needs to be a hierarchy. 8.5(b)(i)-(iv) may each have equal priority, but 8.5(b)(v) should have a lower priority particularly in respect to consideration of intra-day nomination changes to peaking profiles that may increase the prospect of curtailments. • Methanex needs to further consider the implications of 8.5(c) giving lower priority to Interconnected Party obligations. In any event, the provision needs to refer to “<i>any other obligations it has to Interconnected Parties</i>” given that OBA Parties are

² Slide pack for Day 2, Workshop 1 (slides 15-17)

	<p>considered in 8.5(b).</p> <ul style="list-style-type: none"> The words chosen by FGL in 8.5(b) of “<i>having regard to</i>” (and similar wording in 8.5(d)) doesn’t require FGL to follow a priority order so it is not clear that 8.5(b) and (c) provisions take precedence over allocations under 8.5(d).
8.6	<p>Methanex considers that FGLs drafting change in Section 8.6 is insufficient and only marginally broadens the circumstances under which it might undertake balancing gas transactions. It provides no additional commitment (or principles) for FGL to pro-actively buy or sell balancing gas to manage Line Pack that is currently contemplated under MPOC (Section 3), its RPO obligations, and meeting its TTP maintenance obligations.</p> <p>The wording “<i>it otherwise considers necessary</i>” does not provide comfort that FGL will indeed undertake balancing gas transactions pro-actively to avoid arbitrary curtailments. We consider the prospect of arbitrary curtailments to address line pack/pressure issues will be increased under GTAC.</p>

PEAKING

14. Methanex has considered the Peaking memorandum provided by FGL in the materials associated with Workshop 1. However, given that further information was provided at Workshop 2 and in anticipation of detail drafting to follow that workshop, Methanex reserves its comments.

15. However we do have the following remarks in respect to the memorandum provided by FGL:

Methanex supports a peaking regime that:

- Requires users with unpredictable or highly variable ‘within day’ loads to provide information (such as via hourly nominations) and places incentives on those users to inject or take gas in a predictable manner.
- Ensures that where curtailments are necessary it is first applied to those users who are not taking gas in accordance with their nominated profiles.
- Where users with peaking profiles have requested intra-day changes to their profile, those changes should not be approved if they expose other users with already approved nominations to a materially increased risk of curtailment. Where curtailment becomes necessary, those changed nominations should be curtailed before curtailing previously approved nominations (with a higher priority given to curtailing approved intra-day nomination increases before curtailing nominations approved at Provisional and Changed Provisional cycles)).
- In circumstances where pro-rata curtailment is necessary there should be a mechanism to compensate those parties that have been curtailed despite taking gas in accordance with their approved Provisional and Changed Provisional nominations prior to the curtailment.

16. Methanex also seeks clarification regarding it being included in the peaking regime. Methanex is a large user but not a peaky user and so does not meet all of the criteria (ie it is not feasible under operating conditions for Methanex to take its daily gas flow in less than 16 hours).

NOMINATIONS

In respect to the Nominations memorandum Methanex has the following comments:

Number and Timing of ID Cycles:

17. Methanex has proposed eight evenly spaced ID cycles throughout the day. FGL presented its options during Workshop 2 and its preferred choice of seven ID cycles. This is similar to Methanex' proposal but has longer gaps between some ID cycles which will require the facility of providing Extra ID cycles to be retained. Methanex will need to consider further once it has reviewed FGLs proposed drafting, including changes needed in respect to the processes for requesting and approving Extra ID cycles.

Auto-Nominations

18. Methanex has considered the proposed inclusion of an auto-nomination regime for Group 4 and 6 customers. This is a significant change to the nomination regime with potential implications for all Shippers, not only those who qualify under the regime. We consider it would be more appropriate for this to be addressed subsequent to the GTAC approval process by way of a future Code Change to allow for more comprehensive design and consultation.

Our concerns include:

- How are risks and costs of incorrect or biased forecasting addressed? As a consequence of Section 4.23(h) of the proposed drafting, what protections/remedies are in place for Shippers exposed to Loss, including those who don't participate in the scheme but may be exposed as a consequence of the regime?
- How are the incentives that are placed on other Shippers making daily nominations to improve forecasting accuracy and minimise their imbalances addressed in the proposed regime, where neither the qualifying Shippers nor FGL faces any penalty for inaccurate forecasting and resulting imbalances?
- Does the optionality expressed in Section 4.23(e) provide an opportunity for qualifying Shipper to game the scheme?
- How will FGL segregate nominations at Delivery Points/Zones where there is combination of qualifying and non-qualifying customers, and how will this affect balancing and curtailment?

APPENDIX 1: COMMENTS ON ICA RELATING DRAFTING

The comments we have provided are preliminary as further consideration is required following discussions in Workshop 2 and associated drafting, as well as the need to consider the incorporation of other GTAC drafting changes that may impact upon the interconnection terms and conditions.

	Proposal	Methanex position
	the Schedule 5 and 6 provisions have been taken from the forms of Receipt Point ICA and Delivery Point ICA that formed part of the 8 December GTAC assessment package;	<p>We accept this as the most efficient starting point, but note that the detail drafting needs to be discussed during Workshop 2 and amendments made</p> <p>Also terms that have equivalents in GTAC need to be made internally consistent, including those GTAC terms (such as Liability) that will be amended during this consultation process.</p>
	the provisions included in Schedules 5 and 6 have not been changed from those 8 December documents (so people are able to work from documents with which they are already familiar);	<p>We accept this as the most efficient starting point, noting that we have a number of concerns with the original drafting.</p> <p>We have provided some detail of our concerns in this document and will provide further comments following Workshop 2 and the changes that are expected to flow through from drafting amendments to GTAC</p>
	the existing ICA section numbering has not been changed. The numbering in Schedules 5 and 6 will be updated later in the review process;	We agree this approach assists.
	it is expected the relevant provisions in Schedules 5 and 6 will be updated to reflect those discussions and so that they remain consistent. They will also be updated as appropriate to take into account comments in subsequent workshops.	<p>We agree with the intent.</p> <p>However, we don't believe that FGL simply clarifying that in circumstances where inconsistencies are evident the GTAC has precedence as being the best approach. The focus should be on ensuring that, as far as practicable, the prospect of inconsistencies is eliminated from the drafting. FGLs approach only partially addresses the issues identified in the FAP.</p> <p>The separation of Receipt Point and Delivery Point interconnection terms and conditions into separate unrelated Schedules is an added concern in terms of</p>

	Proposal	Methanex position
		increasing the uncertainties around the rights and obligations between injecting parties at Receipt Points and offtake parties at Delivery Points.
	a number of the ICA provisions that were identified in the workshop as common and essential will reflect provisions included in the GTAC with appropriate changes for context (e.g., Metering, TTP and Liabilities)	Agreed However, we have raised the issue that some 'boiler plate' sections that were contained in the template ICAs but omitted from the Schedules should be reinstated.
	section 20.4 of each ICA has been further developed to expressly incorporate any GTAC changes into ICAs (including where the common terms under Schedules 5 and 6 are changed under a change request), and to provide that the Code prevails where there is inconsistency;	We consider that FGL should make more effort to remove inconsistencies than simply specifying a mechanism for resolving them where they occur. We believe this will, contrary to FGLs objective of creating a self-contained and simplified set of arrangements for interconnected parties, require those parties to interpret GTAC to ascertain those provisions that apply to them, including those provisions that may take precedence over, or influence the interpretation of the terms in the Schedules.
	section 20.1 has been updated so that any common definitions in the GTAC (including any changes) flow through into ICAs	Further review required once full drafting has been compiled
	the TTP provisions to be reflected in the GTAC have also been included in Schedule 5 at this stage in order to provide clarity on how they are proposed to be incorporated (see Schedule 5 – section 3.1(b) and new section 3.2)	Comments in regard to the TTP proposal have been addressed by Methanex separately.
16	section 8.4 of the GTAC and section 19.6 of each ICA provides for the publication of any new ICA (and any amendment) on OATIS. This will enable any Transmission System user to have full visibility on the full terms on which an Interconnected Party is connected to the Transmission System. First Gas believes this is an important aspect for both it and all Transmission System users	This is certainly not the case in respect of Existing Interconnection Agreements. The issue of Existing ICAs being excluded from the terms set out in Schedules 5 and 6 is now exacerbated by intention that any new ICA's that are or have been negotiated up to the effective date of GTAC will be considered to be Existing ICAs, and consequently excluded from the terms and conditions unless there is a retrospective provision contained in those agreements that they will become bound by Schedules 5 and 6.

SCHEDULE 5: RECEIPT POINTS

3	Injection of Gas	
3.2	Target Taranaki Pressure	Addressed separately
4	Metering	
4.7	Amendment to Metering Requirements	In MPOC, Metering Requirements were part of the code and as a consequence amendments were subject to code change requests. FGL can now change Metering Requirements at any time. This was an issue identified in the FAP but which remains unchanged.
6	GAS QUALITY	
6.2	Interconnected Party injecting Non-Specification Gas	The use of <i>“not knowingly”</i> is different from imposing an absolute obligation, implying a lower standard of behaviour may be tolerated. Methanex recommends that <i>“knowingly”</i> is deleted. No indemnification is provided in the drafting
6.7	Demonstrating Gas Quality	Use of <i>“First Gas may”</i> should be replaced with <i>“First Gas shall”</i> – if discretion is applied than FGL should accept responsibility for failure to procure compliance.
6.10	Monitoring Gas Quality	We query the mechanism to permit injecting parties to vary the monitoring standard. <ul style="list-style-type: none"> • What happens if something changes to the gas composition after a waiver is given – how is the condition reviewed or revisited to assure gas quality? • How does a Shipper or IP address concerns regarding a First Gas decision to allow a waiver, particularly where First Gas has no liability (via operation of GTAC provisions) for the consequence of its approving a waiver?
6.11	<i>“First Gas may disclose any exceptions to the testing frequencies set out in section 6.10 to any other person, including by publishing that</i>	Publication should be a required disclosure, replace <i>“may”</i> with <i>“shall”</i>

	<i>information on OATIS.”</i>	
6.16	Publication of gas monitoring data	<ul style="list-style-type: none"> • Test results should be disclosed as a rule rather than at FGLs option (ie use of “<i>First Gas may</i>”). • There should be an explicit obligation for IPs to keep records for a minimum period • Should be a standing requirement to provide results rather than “on request”,
9	CURTAILMENT	
	Operational Flow Order	
9.7	Shut down profile to minimise risk to plant	See response to similar provision in Schedule 6
14	TERMINATION	Methanex considers suspension to be a better remedy than termination for cause
16	LIABILITIES	Comments deferred until GTAC drafting changes considered
19	GENERAL & LEGAL	Boiler plate provisions should be reinstated
19.5	Confidentiality	We question the use of “ <i>contemplates</i> ” in 19.5(e), (and in Section 19.8(e) of Schedule 6). The basis for disclosure under (e) should only be where a requirement for disclosure is explicit. The reason for setting out the situations where a Party may disclose information without consent is to remove ambiguity or the prospect of uncertain interpretation.

SCHEDULE 6: DELIVERY POINTS

In a number of cases Schedule 6 terms replicate those in Schedule 5. Where this is the case the issue has not been repeated.

3	Gas Delivery	
3.5	Low Flow	<p>FGL uses the term <i>“extraordinary conditions and are unlikely to occur again”</i>.</p> <p>This provision has important implications since it opens the prospect of parties being required to undertake costly modifications to metering that may not be warranted.</p> <p>We consider the wording proposed by FGL to be too restrictive. Methanex undertakes periodic maintenance during which it may continue to flow low volumes of gas in order to operate certain ancillary equipment. This requirement is infrequent but would not satisfy the conditions proposed by FGL.</p>
4	Metering	<p>There is a presumption in Sections 3 and 4 that FGL owns and controls all Metering. This is not the case for Methanex’ interconnection points and there may be other circumstances FGL is not the Metering Owner. We propose those parts of Section 3 and 4 that are relevant to metering ownership is made generic to the “Metering Owner”.</p> <p>Examples: 3.1(a), 3.5, 4.1, 4.3 (incl 4.3(b)), 4.5, 4.6, 4.8, 4.9, 4.11, 4.12</p>
5	ENERGY ALLOCATION	
5.3	Allocation Agreement	<p>If Methanex were to select an Allocation Agreement it could vary from having one Shipper to multiple Shippers delivering to its DPs at different times.</p> <p>The formulation by FGL does not contemplate this situation and implies that the agent would switch between (a) and (b) depending on the circumstances.</p> <p>A simple solution would be to amend part (b) to read “one or more Shippers”</p>
6	GAS QUALITY	

6.1	Gas spec obligations to apply universally	<p>The drafting does not recognise a situation where an End-user purchases non-specification gas but does not use the FGL pipeline system to transmit it.</p> <p>Methanex proposes the following drafting:</p> <p><i>“Where it is an End-user, the Interconnected Party shall ensure that any contract for the purchase of gas it has with any party, that is intended to be, or will be, transported on the Transmission System, includes a requirement that all such gas must comply with the Gas Specification.”</i></p> <p>A similar issue arises with 12.1 of GTAC</p>
Operational Flow Order		
9.7	Shut down profile to minimise risk to plant	<p>More specification should be provided on how a request for a shut-down profile is made and approved.</p> <p>It would be useful to have standing shut-down profiles which can be applied whenever there is a curtailment, in the same way that as Critical Processing Designations under CCO rules for large end-users. This would eliminate the complication of needing to make and consider requests ad hoc each time a curtailment is required.</p> <p>The same issue applies in GTAC</p>

Yours sincerely

Matthew Gardner
For Methanex New Zealand Limited