

3 September 2018

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Dear Ian

### **Response to GTAC Workshop 2 Materials**

1. Methanex has addressed certain matters arising from the Workshop 2 materials provided by FGL in this letter. However, given that much of the detail drafting and concepts will be discussed at Workshop 4 we have limited our remarks and intend to address issues further once we have had the opportunity to discuss and consider the matters at that workshop.
2. Methanex wishes to reiterate the comments it made in respect to the draft minutes (letter dated 24 August 2018).
  - (i) Methanex does not agree with the decision to drop the incentive fee rebate mechanism.
  - (ii) The peaking regime proposal is an improvement but Methanex is concerned that the use of the DNC fee as a charging basis is flawed as it is a location-specific fee. It would be better to use a location-neutral, event-driven fee such as that contemplated for ERM. Methanex is also concerned that there is insufficient detail as to how intra-day nomination changes are assessed by FGL, particularly where those changes increase the risk of curtailment, or where nominations need to be curtailed to prevent a breach of Line Pack or TTP limits.

### **Curtailement and OFOs**

3. On the number of ID cycles provided Methanex preference remains to have eight equally spaced ID cycles but we accept that the proposal for seven ID cycles with the use of Extra ID cycles where required to cover the larger gaps is a significant improvement.
4. Methanex remains concerned that the nominations provisions do not sufficiently describe the process for curtailing nominations in circumstances other than those set out under Congestion Management. This issue relates particularly to the processes for dealing with intra-day nominations where Line Pack or TTP is likely to, or will, exceed their limits.
5. The primary concern for Methanex are curtailments caused by other users that affect Methanex ability to operate its plant safely and reliably.

### **Regional high pressure due to over-injection**

6. The risk of this occurrence is increased in GTAC by not requiring all injecting parties to confirm nominations at their Receipt Points<sup>1</sup>. This increases the prospect of miscoordination between injecting parties and Shippers. This is then compounded by FGL not being required to itself confirm Receipt Point nominations tally with scheduled quantities. Certainly, requiring all (or at least all material) injecting parties to operate under OBAs would reduce the prospect of miscoordination.
7. The risk that Shippers won't react sufficiently and all parties will then have their Receipt Point nominations curtailed is a very significant concern to Methanex, particularly where the prospect of such an occurrence happening could be reduced by better coordination of injections and offtakes.

### **Regional shortage of gas due to overtaking users**

8. As with over-injection, the risk is the overtaking users do not react sufficiently resulting in compliant users also being curtailed. Under MPOC there is the prospect that affected parties can make claims against the Incentive Pool for redress (MPOC Section 12.14). This is not provided for in GTAC, and is exacerbated with the removal of the incentive rebate mechanism which would have provided a degree of compensation to those parties that perform better than average in minimising imbalances (and risk of curtailment).
9. In general, we consider that the prospects for curtailments affecting compliant users is elevated in GTAC as a consequence of the increased flexibility being offered to Shippers and the reduced level of coordination between injections and offtakes.

### **Peaking – Start-up/Shut-down Profiles**

10. Methanex notes that it has been included as a candidate for Start-up/Shut-down Profiles. However, GTAC appears to only address the matter in terms of the provision of information by Interconnected Parties to FGL in respect to planned maintenance (Schedules 5/6, Section 9.5). The GTAC does not appear to provide a facility for Shippers to make nominations to follow such profiles. There will also be circumstances where Methanex (or a gas producer) has an unplanned trip event or the need to shut-down urgently (and subsequently re-start) and this is not addressed under GTAC or the ICA Schedules as currently drafted. These situations are addressed satisfactorily in MPOC by way of an Operational Profile provided under Section 13.2. We propose the GTAC drafting of the AHP mechanism is extended to provide Shippers (or OBA Parties) with a similar facility to request profile nominations to address these situations, including where they otherwise might breach the MHQ criteria on their nominations.

Yours sincerely

Matthew Gardner  
For Methanex New Zealand Limited

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<sup>1</sup> Methanex recognises that the drafting proposed by FGL has been improved in this regard but it still leaves some optionality (Section 4.1)