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### **Gas Transmission Access Code – Emerging Views on Detailed Design of Access Products, Pricing, Balancing and Allocation**

Methanex thanks First Gas for providing stakeholders with its emerging views on the proposed Gas Transmission Access Code (GTAC) and we welcome the opportunity to submit feedback to the Gas Industry Company and First Gas.

1. There are several sections/schedules of the GTAC which are critical to understanding the commercial and operational implications of the Code which have not been provided in the drafting supplied by First Gas. Without those key sections/schedules it makes it difficult to interpret the four sections that First Gas has provided or to make this submission meaningful in terms of addressing substantive issues stakeholders might have.
2. We are particularly concerned by the lack of detail on nominations, balancing and how First Gas intends to provide access under Operational Balancing arrangements. We expect to be operating with an Operational Balancing Arrangement (OBA) under the GTAC, as we currently do under the existing Maui Code (MPOC), and without this drafting it makes it difficult for Methanex to interpret Section 5, 7 and 9.
3. We are also concerned about the proposed gap between finalising the Code (October 2017) and finalising supporting arrangements (March 2018). It is important that we have sufficient definition of those supporting arrangements set out in the Code (that is, we would expect the draft Code to also contain drafting of those arrangements in the relevant Schedules).
4. Whilst we believe that the GTAC sections provided give an insufficient level of detail for Methanex to provide a meaningful submission, we have the following comments on the basis of the drafting that has been provided:

#### **OBA's**

5. Whilst we're pleased that parties are given the opportunity to operate under OBA's under the new Code, it's unclear how the OBA arrangements proposed by First Gas will differ from the

current MPOC OBA mechanisms. The MPOC has a tried and tested mechanism for measuring and incentivising the parties conformance with their obligations to match usage with nominations or pay for excess usage/parked gas (Scheduled Quantities and Operational Imbalance). We therefore have a strong preference that the principal MPOC OBA mechanisms are retained in the new Code.

### **Priority Rights**

6. Under Section 3.4 of the draft GTAC, First Gas provides an exclusive list of circumstances where Priority Rights would not be applied. We seek clarification that there is no potential for misapplication of Priority Rights in any situation which is not genuine congestion – eg where a gas supplier curtailment results in the DNC being curtailed.

### **Hourly Overrun Charges**

7. The proposal to restrict Hourly Overrun charges to Dedicated Delivery Points (see Section 7.6(b)) could be open to abuse. We seek clarification that a situation will not be allowed to arise where certain end-users (or their Shippers) are able to free-ride on peaking. That is, significant load that is peaky should in all cases be measurable at a Dedicated Delivery Point, or some allocation arrangement needs to be incorporated to assign hourly overrun charges equitably.

### **Provisions that allow First Gas too much discretion**

8. We understand that the right balance needs to be struck between a code that is overly prescriptive and inflexible (which could be alleged of the MPOC) and a code that provides too much flexibility and discretion for First Gas. We think that First Gas has erred on the side of giving itself too much flexibility to make changes that go beyond what would reasonably be considered to be standard operation procedures or insignificant adjustments and into areas that will have a material impact on pipeline users.
9. In all cases where First Gas can make changes there should be over-arching and appropriately defined Reasonable and Prudent Operator requirements placed upon their actions. We further consider that in some cases there needs to be explicit prescriptions in the Code setting the reasons/circumstances/principles under which First Gas is entitled to exercise its discretion and to what degree changes can be made.
10. An area of concern is where First Gas is intending to give itself discretion to change the number and composition of Delivery Zones (section 3.15). Other than the addition of new Delivery Points within an existing Delivery Zone, we consider any changes to Delivery Zones will have a potentially significant impact on existing users rights and obligations and as such should be treated as a Code Change requiring adequate consultation and GIC approval.
11. Other examples where First Gas has allowed itself too much discretion include:
  - Discretion to amend MHQ (see definition of MHQ, part (a)).
  - Discretion in Section 7.6(a) to change tolerance factors related to Overrun Quantity. As drafted, First Gas could conceivably remove all tolerances ( $P_1$  and  $P_2$ ) and apply a factor ten to all Overrun quantities.
  - Discretion to set percentages ( $P_s$ ) applying to Mismatch Tolerances (see definition of Running Mismatch Tolerance).
  - Timeframes for notification of Receipt Quantities under Section 5.6. We see no reason why a timeframe commitment can't be specified in the Code without needing discretion to change.

- Setting of Mismatch fee under Section 9.13 and 9.14 and the “adjustment” factor under 9.19(b).
  - Determination of balancing gas prices under Section 9.20. We expect there to be clear rules concerning how prices should be calculated when a Gas Market price can’t be applied and a prescribed level (or methodology) to determine if trading volumes are insufficient, rather than leaving this to First Gas discretion.
12. On the matter of the purchase and sale of balancing gas, we consider that First Gas should incorporate a provision in the GTAC, similar to that provided by Section 3 of the MPOC, which sets out balancing principles and commitments, including First Gas obligations to provide transparency and actively seek out the best price for gas, including making use of Gas Markets when available.

**Provisions with insufficient or unspecified notice**

13. As is the case with allowing too much discretion we also consider that in some cases First Gas has specified insufficient notice periods and in some cases can make significant changes with no advance notice. Notable examples are:
- Notice of Priority Rights Auctions: 10 business days is likely to be insufficient, we would expect that auction timeframes would be structured and with little uncertainty, but where changes to the auction calendar are made we would expect significant notice to be provided.
  - Metering Requirements can be changed from time to time with no notice (or consultation). Given the costs and complexities associated with metering, associated requirements should be prescribed in a predictable and specific manner, and not subject to discretionary changes by First Gas.

**Onerous Provisions**

14. In Section 7.10 First Gas proposes that the GTPM and Transmission Fees cannot be disputed under the Code. We want to clarify that this provision will not prevent a Shipper from challenging or otherwise disputing the GTPM or the setting of Transmission Fees in any manner it sees fit so long as such challenge or dispute is not initiated as a dispute under the Code. In the absence of Section 18 this is not clear in the current draft.
15. Section 7.22 and 7.23: Section 7.22 provides only 10 calendar days to notify a disputed invoice. Under Section 7.23, Shippers can only dispute an invoice where there is a “manifest error”. This is far too restrictive and will restrict pipeline users ability to raise bona fide disputes. We don’t believe this restriction can be justified and it should be removed. As far as the time period for notification of a dispute is concerned, MPOC which we also consider to be unreasonable in this regard allows 15 business days to notify.
16. Section 5.18 is also restrictive in regard to corrections of Allocation Results and Delivery Quantities. On the one hand the provision’s reference to “metering problems” is a vague and unhelpful description but on the other hand a “manifest error by First Gas” is extremely limiting. We consider that there are a range of other scenarios that could lead to a legitimate requirement to correct an Allocation or Delivery Quantity which are excluded by this provision. For example an error by a party other than First Gas that impacts other users would not qualify for correction under this provision. We also point to Section 5.19 which identifies that Wash-ups are part and parcel of allocations where Downstream Reconciliation Rules apply so there is precedent for treating Allocation Results as interim for a considerable period of time.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Phil Watson', with a stylized flourish at the end.

Phil Watson  
Methanex New Zealand Ltd