

12 October 2016

Submissions
Gas Industry Company Limited
By email

Nova Energy Limited
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Re: Gas Transmission Access Single Code Options Paper – Part 1

Nova Energy supports the Gas Industry Company working closely with First Gas to establish new gas transmission access arrangements. Nova is also supportive of First Gas' objective of creating a commercial environment that favours the increased use of gas over the long term.

While gas transmission arrangements in Europe, North America and elsewhere provide useful models for consideration, it is apparent from past work and experience that aspects of the final design must by necessity be unique to New Zealand. This is partly because of the comparatively small volumes involved and relatively simple pipeline structure; with delivery from injection points within Taranaki to delivery points spread across the North Island.

Irrespective of what transmission arrangements are decided by First Gas, there is a possibility that the GIC will need to determine their final form through regulation. As such, it is important that the GIC is ready and able to assess the merits of the final proposal from an independent perspective. The proposed regulatory objective is consistent with that.

Nova's responses to the individual questions are attached.

Yours sincerely



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Nova Energy submission

Appendix

Responses to the Options Paper

Q	Question	Comment
1.	Do you agree with the proposed regulatory objective? If not, how would you propose describing the objective?	<p>Nova agrees with the intent of the proposed regulatory objective, although some proposed changes to the specific wording are suggested:</p> <p>To promptly establish a new non-discriminatory gas transmission open access regime to replace the MPOC and VTC that facilitates:</p> <ol style="list-style-type: none"> 1. efficient operation <u>and use</u> of the <u>gas</u> transmission system and use of pipeline capacity; 2. competition in upstream and downstream markets <u>the production and marketing of gas</u>; and 3. efficient investment in pipelines <u>gas transmission assets</u>. <p>The gas transmission system is at the core of New Zealand's primary energy markets. As such it is important that the objectives are clear and understood by all of the parties directly involved in developing the code.</p>
2.	Do you agree that it is not necessary to specify what elements of the access regime will be addressed in a new code at this stage of the process?	<p>While the development of the code is presented as sequential in nature, given the timeframes and interconnected nature of different elements of the access regime, it is near impossible to address one part without giving at least some consideration to other parts of the mix.</p> <p>Issues, such as accuracy and availability of data, have a significant influence on the operation of an inter- and intra-day balancing regime, and has been a cause of considerable work since the inception of the pipeline operating codes; culminating more recently in with the "Market Based Balancing" change and D+1 regimes. Despite those changes, further work is required to achieve the Gas Act Objective. The rules around meter data and reconciliation also have an impact on preferred shipping arrangements and balancing incentives.</p> <p>The split between what is defined in the access regime versus being addressed via regulation is less critical in the formative stages of the design.</p>
3.	Do you agree with the suggested synthesis of the PEA's guiding principles?	Nova supports the interpretation given to the PEA's guiding principles.
4.	Do you agree with the suggested initial scope of the options?	Yes

5.	Do you consider that the process outlined above is appropriate?	<p>Yes. Nova favours the joint approach.</p> <p>The GIC must also be cognisant of its position in the event that during the market consultation process market participants disagree with First Gas' position and the GIC needs to separate itself from the process and address the issues arising from an independent perspective.</p>
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