SUBMISSION RESPONSE

Presented to:

Response for:

Gas Transmission Access Code (GTAC) Emerging Views

Presented by:

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TRELLIS. RUN YOUR BUSINESS SMARTER.

June 23rd, 2017

GIC Leadership Team
First Gas Leadership Team
Wellington, NZ

Subject: Trellis Response to GTAC Emerging Views

GIC and First Gas Leadership,

From our engagement and meetings to date, along with the review of the GTAC Emerging Views document, we have provided some feedback herein in a few areas that we feel is relevant, based on our experience implementing similar pipeline solutions for our customers in North American and abroad.

We appreciate the opportunity to present our views and feedback on this topic. Recognize these views do not represent a 'hardened' business position, but rather are for GIC and First Gas consideration as the GTAC is further developed.

Should questions arise, or if further clarification is required during the course of your review of this response, please feel free to contact me at any time. `We look forward to further discussions and we remain ever committed to growing a long-term, mutually beneficial partnership with the GIC and First Gas.

Sincerely,

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1 RESPONSE DETAIL

1.1 POINT-BASED VS. ZONE BASED DELIVERY

We do support the decision and rationale for DNC/Priority Rights to Delivery Points vs. Delivery Zones (e.g., AP5, AP9). In our experience with numerous pipelines we have found point-based delivery model to be more common, and believe this will create a simpler process for both shippers and the pipeline operator long term.

1.2 DNC AND PRIORITY RIGHTS

GTAC could consider combining the concepts of DNC and Priority Rights to reserve capacity, as this could potentially result in a simpler and more predictable gas flow and billing stream for all parties.

A DNC (AP1-AP7) in our experience is consistent with the concept of an 'interruptible' contract in a US-based, FERC regulated pipeline, for example, given we understand that there is no firm commitments with DNC to flow any minimum volume of gas on a daily basis. Interruptible contracts generally mean that a shipper has the right to flow, but they don't have any specific volume commitments.

A Priority Right (AP8-AP23) in our experience is consistent with the concept of a 'Firm' Contract in a US-based, FERC regulated pipeline, for example. With a firm contract, a shipper is making a commitment to flow a minimum volume on a daily basis over a specified period of time (in GTAC the current duration looks to be 6 months at a time). And given the concept of a shipper wanting to buy priority rights (PRs) for a specific volume level, shippers could baseline their desired minimum firm volume on the PRs they planned to buy, thus giving them both the flow commitment and priority they seek rolled into one contractual vehicle (one firm contract) vs. two (DNC plus PRs).

<u>More predictability</u>

This idea shift we are proposing could promote more predictability in both First Gas proceeds and gas flow reliability by leveraging a long term 'firm' contract vehicle that locks in a specific price point and capacity.

Predictability allows for better budgeting and planning for the future. If shippers are allowed to purchase priority rights that are tied to capacity this could provide them the opportunity to better forecast their business needs and costs. At the same time First Gas would also have a better picture of its pipeline needs, constraints and revenue to better manage the pipeline.

<u>Less overhead and surprises</u>

This model could also eliminate the need to pay back the revenue of Priority Rights, alleviating a potential administrative burden. In addition, it could help to reduce the unforeseen exposure to production shortfalls (e.g., a well goes of production) as demand is better forecasted.

<u>Ease of auctioning</u>

In this model, shippers not using their firm capacity could auction this capacity off, similar to the concept of auctioning priority rights (AP17). The concept is often referred to as 'Capacity Release' in markets we currently serve, and is a common vehicle for shippers to buy and sell pipeline capacity to one another.

Thus by letting shippers contract for a set capacity for long-term contracts, a more predictable gas flow and revenue stream could begin to emerge.

1.3 CHOICE OF ALLOCATION METHODS

While a variety of allocation methods could be deployed and for GTAC, based on our experiences the default allocation method we've most often seen has been to prorate by Scheduled Quantity (ProRataSQ). The reason for this is that Scheduled Quantity is the guaranteed volume of gas that the pipeline has committed to the shipper. Short of a hard-lined opinion on the matter by any one constituent, this would be a both a common and fair way to allocate.