



27 January 2023

Andrew Knight  
Chief Executive Officer  
Gas Industry Company Limited

Dear Andrew,

**Re: D+1 Options Paper**

Thank you for the opportunity to comment on the GIC D+1 Options Paper (“paper”). The paper cites its purpose as progressing from the D+1 pilot to “an enduring set of arrangements”. Greymouth considers that to achieve this, all elements of the D+1 system should be addressed. These comprise:

- a. GIC technical (allocating shared gas gate deliveries);
- b. First Gas technical (adding to that receipts and direct-connect gas gate deliveries, and creating cash-out contribution and balancing positions); and
- c. First Gas commercial (safety nets, liabilities, balancing obligations, frequency etc. – i.e. anything in, or that should be in, the Gas Transmission Code (“GTC”)).

Long overdue post-pilot policy development commenced when responsibility for a. was moved to the allocation agent, but so far that has improved the system by only 5%. The paper is similarly only targeted at a. above and is unlikely to improve the system by more than 5%.

Greymouth considers that if material system value uplift is to occur, then a package of improvements to a., b., and c. should be progressed contemporaneously and co-operatively to deliver a reasonable, prudent, and robust post-pilot D+1 system. Addressing a. in isolation again may deliver a small net benefit but may close a policy window to progress c.

Now is the time to fix the system, not just part of it.

**Other Options**

As D+1 exists to serve market-based balancing, GIC is right to ask whether changes to balancing will avoid the need for D+1 system changes. Greymouth does not support a wholesale restructure of code balancing arrangements as market-based balancing is adequate. Further, Greymouth does not support a loosening (due to lower Maui and Pohokura rates and modern health and safety legislation) nor a tightening (for industry resourcing and efficiency reasons) of balancing arrangements.

Like GIC, Greymouth cannot see a more accurate (and timely) industry allocation system than D+1 (Greymouth is opposed to a market share allocation process which would be relatively static and produce materially inferior results compared with D+1 and Greymouth's AG1 data).

#### **a. GIC Technical**

Greymouth would prefer to workshop technical matters with the DAWG and industry. At present, Greymouth considers that there are further improvements that can be made to the current process vis-à-vis estimated data (e.g. supplying end-user nominations absent validated data). Large commercial / industrial data is not a good fit for regression modelling which often fails to factor in step changes for maintenance or market factors which are not driven by historical consumption patterns.

#### **b. First Gas Technical**

Greymouth supports technical improvements that automate and enable future possibilities, although notes that these might improve the system by another 5%. Greymouth understands that First Gas has been progressing technical improvements – however, there has been no consultation and Greymouth has no visibility of the particulars. The risk is that First Gas does not progress, or closes down, post-pilot options for c.

#### **c. First Gas Commercial**

Improving a. and b. without c. is not good enough. Consider this example: a. estimates leave a shipper 1 TJ short vs. expectations, and b. estimates take that to 10 TJ short, then because of status quo c. that position is locked in at 4pm with no spot market offers. What is the shipper meant to do vis-à-vis its real time balancing obligation?<sup>1</sup> Since 2015, Greymouth has received, and has avoided, unpleasantly surprising D+1 results from time to time during the pilot period. While this is a low probability risk, it is high impact and current proposals to improve a. and b. will not mitigate such risk, which should not exist in a post-pilot system.

At present there is no proper safety net – happenstance, shipper microscopes, and an opaque non-business day process contingent on phone calls being answered by a sympathetic ear do not count. While liabilities and minor balancing changes could help, Greymouth considers that two common sense and cheap safety nets are a minimum necessity for a post-pilot system: First, improvements to First Gas' GTC estimate and validation framework (which should be similar to the suggestion in a. via the process in b.). Second, a formal opportunity for shippers to verify First Gas' D+1 outputs with a dispute / default resolution process (the same as First Gas affords to the same shippers on the receipt side under the GTC).

A further, and major, outstanding issue is the provision of 7-day data. In a post-pilot world, First Gas should either make balancing changes so parties do not have to balance on non-business days or provide shippers with data on non-business days that help shippers perform primary balancing obligations required by First Gas. Cost should not be an issue – shippers have incurred weekend costs for daily balancing for eight years whereas First Gas gets >\$100m year to supply data sufficient to operationalise its code obligations (including daily balancing) that it imposes on shippers.

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<sup>1</sup> wash-ups are insufficient to address material overs/unders

Greymouth requests GIC co-ordinates a package that addresses all these issues so that an enduring set of fit-for-purpose arrangements can be achieved.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Chris Boxall', with a long horizontal flourish extending to the right.

Chris Boxall  
Commercial Manager