

Question	Comment
Section 3 – Assessing Problems & Solutions	
1. Do you agree with the characterisation of the problem?	<p>Nova agrees with the analysis.</p> <p>Communications costs for TOU metering have been reducing and there is a trend for large gas users to monitor their own consumption more closely in any case, so closer tracking of gas usage for D+1 is not inconsistent with tighter management of gas consumption.</p> <p>More continuous tracking of gas demand will also be useful in reducing UFG caused through picking up on metering measurement errors more quickly. Nova therefore supports reducing the threshold for requiring telemetry on gas meters. Increased scale may also help control costs of telemetry for users.</p>
2. Are there other practicable alternatives to D+1 that we haven't considered?	<p>The spot market for gas can be very thinly traded, and it is at these times that MBB can have significant cost impact on participants. Improved data, especially during non-business days, can help mitigate the most expensive of those trades, but the underlying problem of trading liquidity is likely to remain.</p> <p>One option could be to treat non-business days as a single day for trading purposes, i.e. avoiding the situation where a shipper's position is high one day, and because of the lack of interim data, becomes low the next day. First Gas' trades could still be attributed to the party creating the net imbalance.</p>
3. What do you consider are the key features of an enduring D+1 solution? Are there other ways to transition D+1 from a pilot stage that we haven't considered?	<p>Nova notes that enduring arrangements should not have to rely on voluntary cooperation between parties if there is a risk that any one party can optimise their own position by withdrawing its support (albeit that does not seem likely given the experience to date). D+1 should therefore become an official industry standard.</p> <p>D+1 does not need to be fully documented in the market regulations, but there should be a rule introduced that such a service shall be provided, it shall meet market participants reasonable requirements, and market participants shall support the service.</p>

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	<p>The GIC shall review the service when issues are brought to its attention, and otherwise from time to time to verify that the service is meeting participants requirements. The GIC shall have the power to require improvements to the service and levy participants to cover the costs.</p>
<p>Section 4 – Alternatives to D+1</p>	
<p>4. Do you consider that Option 1 (an alternative source of daily information) is a reasonably practicable option that should be investigated further in the Statement of Proposal?</p>	<p>Option 1 should only be considered if there is there are significant operational savings achieved and parties do not incur volatile balancing costs. Nova’s initial view is that the savings are unlikely to exceed the costs of this option.</p>
<p>5. Do you have feedback on the alternative proposal to explore changes to balancing so that D+1 is no longer required?</p>	<p>Speculatively, it may be worth considering First Gas contracting one or market participants to provide a balancing gas service rather than buying and selling at spot each day. The contract could be renewed quarterly based on the tender with the lowest priced spread between buy and sell. With less volatile prices the need for 7 day D+1 data may be less crucial.</p> <p>The specific terms of such an agreement would be critical to its success.</p>
<p>6. Do you see value in D+1, even if MBB/daily cash-outs did not continue in the future? Are there any other factors that may impact the need for D+1 in the future?</p>	<p>D+1 is still valuable from an internal management perspective. It is more economical for shippers to contribute to an industry wide process of calculating daily volumes than for each shipper to invest additional resources into mapping the daily balance between gas injection and offtake volumes.</p> <p>So long as gas is used for generation in the electricity market, the demand for, and therefore value of gas can vary significantly from day to day. This may become even more of a feature as the reliance on wind and solar PV generation increases. As such, there will be a need for gas balancing between days, even if the overall volumes of gas demand declines.</p>
<p>Section 5 – D+1 Implementation Options</p>	
<p>7. Do you have a preference for, or feedback on, any of the options identified in Section 5?</p>	<p>Nova’s initial preference is for Option 3, but with consideration of extending that to Option 4 in due course if there are insufficient improvements in accuracy and reduced balancing costs.</p>

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	Nova's view is that data will almost inevitably need to be available on a 7-day basis any case as the volatility increases as a percentage of overall demand.
8. Do you consider that the options identified are reasonably practicable options that should be investigated further in the Statement of Proposal?	Yes
9. Do you have any comments on the additional measures outlined to improve the accuracy and reliability of D+1? In particular, please provide any evidence to support a determination of the costs and benefits of these proposals	<p>The need for D+1 information is heavily influenced by the cost of MBB.</p> <p>If First Gas can be more pragmatic in its operation of MBB then upgrading D+1 will become less critical. Following the conclusion of the work on GTAC / TACOS, First Gas acknowledged that there were number of initiatives identified in that work that could still be incorporated in MBB. Nova's recall is that the following items were to be addressed:</p> <ul style="list-style-type: none"> • Balancing on shipper net position rather than localised point imbalances. • Balancing only on certain pipeline conditions (i.e. High/Low line pack) instead of daily. • Balancing positions to be disclosed to shippers who then have an opportunity to balance amongst themselves (i.e. trading out of mismatch) before FirstGas takes balancing actions. • Increase balancing tolerances at high volume points (Rotowaro and Frankley road). • Running capacity on the VTC (now GTC) as aggregate zones and not connection points. • Extend D+1 to 7-day availability. <p>Further discussion on D+1 should incorporate the above items.</p>