

# Industry Code Development (ICD) Process Terms of Reference

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## **Purpose**

To provide a facilitated consultative forum at which pipeline owners, interested parties and the Gas Industry Co can design a unified balancing regime for the open access transmission system, and the means of implementing that regime. The output of the ICD process will be considered by Gas Industry Co when it makes a recommendation to the Associate Minister of Energy and Resources by the end of 2009.

## **Objective**

To design and implement a unified balancing regime for the New Zealand gas transmission system that will avoid or minimise the need for regulatory intervention to achieve the relevant objectives of the Gas Act and GPS.

## **Participation**

Any organisation with an interest in transmission pipeline balancing that has signed the ICD process commitment form and paid the \$10,000 contribution can take part in the ICD process.

Gas Industry Co will decide if at any stage the process has insufficient participation to continue. Participation of both pipeline owners and a number of pipeline users will be required.

In the event of early termination of this process, Gas Industry Co will use participant contributions to defray expenses incurred to that date with respect to the process. Any surplus contributions will be returned on a pro rata basis to organisations. Any deficit will be met by Gas Industry Co.

## **Chair**

Gas Industry Co will appoint a Chair.

The Chair will be responsible for:

- setting the agenda for meetings;
- guiding the meeting according to the agenda and time available;
- ensuring all discussion items end with a decision, action or definite outcome; and
- reviewing and approving the draft minutes before distribution.

## Meetings

Meetings will be held weekly starting on Friday 18 September from 9am-12pm at Gas Industry Co's offices (unless otherwise notified by Gas Industry Co). It is expected that a minimum of nine meetings will be required.

Members of the participating organisation and/or its advisors may attend meetings.

In the event a participant is unable to attend a meeting at the Gas Industry Co's offices, the option of teleconference and/or video conferencing will be made available.

## Decisions

Decisions will be made by consensus where possible, but otherwise by Gas Industry Co.

## Confidentiality

No matters discussed will be confidential. However, participants may request the Chair to grant confidentiality to particular items of information.

## Secretarial functions

Gas Industry Co will provide secretarial functions including:

- scheduling meetings and notifying participants;
- inviting specialists to attend meetings when required by the committee;
- preparing draft minutes; and
- circulating minutes approved by the Chair, and posting them on Gas Industry Co's website.

## Work Plan

A work plan will be developed at the first meeting of participants on 18 September. It is suggested that it would need to address the following matters:

Topic	Suggested coverage
Design	Key features of Unified Balancing Regime, such as: <ul style="list-style-type: none"><li>• Unified management of linepack</li><li>• Single Balancing Agent</li><li>• Extended nominations/virtual Welded Points</li><li>• Governance</li><li>• Transparency and accountability</li></ul>
Management of linepack	<ul style="list-style-type: none"><li>• Thresholds – how are they determined?</li><li>• Tolerances - are there any and how are they determined?</li><li>• Balancing Agent's instructions</li><li>• Curtailment - use and instructions</li></ul>

	<ul style="list-style-type: none"> <li>• Compressors - policies for use of</li> <li>• Transparency - accounting and disclosure of linepack GJs &amp; \$\$s</li> </ul>
Procurement of balancing gas	<ul style="list-style-type: none"> <li>• Role of BGX</li> <li>• Who is the market open to?</li> <li>• Bids changeable up until what time?</li> </ul>
Allocation of balancing costs	<ul style="list-style-type: none"> <li>• Mechanism – eg back-to-back cash-outs</li> <li>• Pricing of gas – marginal or average cost</li> <li>• Interaction with upstream reconciliation (title tracking)</li> <li>• Transparency - accounting and disclosure of linepack GJs &amp; \$\$s</li> <li>• Role of Incentives pool/BPP</li> </ul>
Information	<ul style="list-style-type: none"> <li>• Pipeline balance status</li> <li>• Users balance status – D+1</li> </ul>
Implementation	<ul style="list-style-type: none"> <li>• Contractual changes- MPOC/UTC</li> <li>• System changes-OATIS, BGX, users</li> <li>• Next steps</li> </ul>