

ICD Process meeting handout
18 September 2009

Topic	Work plan: suggested coverage
Design	<p>Key features of Unified Balancing Regime, such as:</p> <ul style="list-style-type: none"> • Unified management of linepack • Single Balancing Agent • Extended nominations/virtual Welded Points • Governance • Transparency and accountability
Management of linepack	<ul style="list-style-type: none"> • Thresholds – how are they determined? • Tolerances - are there any and how are they determined? • Balancing Agent's instructions • Curtailment - use and instructions • Compressors - policies for use of • Transparency - accounting and disclosure of linepack GJs & \$s
Procurement of balancing gas	<ul style="list-style-type: none"> • Role of BGX • Who is the market open to? • Bids changeable up until what time?
Allocation of balancing costs	<ul style="list-style-type: none"> • Mechanism – eg back-to-back cash-outs • Pricing of gas – marginal or average cost • Interaction with upstream reconciliation (title tracking) • Transparency - accounting and disclosure of linepack GJs & \$s • Role of Incentives pool/BPP
Information	<ul style="list-style-type: none"> • Pipeline balance status • Users balance status – D+1
Implementation	<ul style="list-style-type: none"> • Contractual changes- MPOC/UTC • System changes-OATIS, BGX, users • Next steps

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		Contracts based option ¹	Prescriptive regulation option A	Prescriptive regulation option B	Participative regulation option
Single Balancing Regime	• Single Balancing Agent	✓ ²	✓	✓	✓
	• Who appoints Balancing Agent	TSOs	GIC	MDL	TSOs (GIC fallback)
	• Single Balancing Policy	?	✓	✓	✓
	• Who determines Balancing Policy	TSOs	Regulation	Regulation	Regulated parameters
	• Clear & transparent roles	?	✓	✓	✓
	• Meets Gas Act & GPS objectives	?	✓	✓	✓
Management of Linpack	• Unified management of NZ linepack	?	✓	✓	✓
	• Who determines tolerances	TSOs	Regulation	Regulation	TSOs (GIC fallback)*
	• Who determines thresholds for balancing actions	TSOs	Regulation	Regulation	TSOs (GIC fallback)*
	• Clear processes for use of Balancing Agent discretion	?	✓	✓	✓
	• Clear use of curtailment	?	✓	✓	✓
	• Clear management of compressors	?	✓	✓	✓
	• Clear policies on UFG and own use gas	?	✓	✓	✓
Procurement of Balancing Gas	• Who determines market characteristics	TSOs	Regulation	Regulation	TSOs (GIC fallback)*
	• Open to all practicable sources	?	✓	✓	✓
	• Bids changeable as late as reasonably practicable	?	✓	✓	✓
	• Gas valued at market prices (not posted)	?	✓	✓	✓
	• Competitive price	?	✓	✓	✓
Allocation of Balancing Costs	• Who determines mechanism	TSOs	Regulation	Regulation	TSOs (GIC fallback)*
	• Cost to causers (back-to-back cash out)	?	✓	✓	✓
	• Enforcement of payment	Contract	Regulation	Regulation	Regulation
Transparency	• Accounting and disclosure of linepack GJ & \$?	✓	✓	✓
	• Independent action	?	✓	✓	✓
	• Audit of balancing transactions	?	✓	✓	✓
	• Service level agreement for Balancing Agent	?	✓	✓	✓
Disputes Resolution	• Single dispute resolution mechanism	?	✓	✓	✓
	• Dispute resolution forum	?	Rulings Panel	Rulings Panel	Rulings Panel
Other	• Funding (fixed cost recovery)	?	GIC	TSOs	TSOs
	• Recovery of bad debts	?	GIC	TSOs	TSOs
	• Prudential requirements	Contract	Regulation	Regulation	Balancing policy*
	• Evolution of regime	Contract	Regulation change	Regulation change	Regulation/Policy

Notes:

1 – Prior to any subsequent regulatory action that may be necessary

2 – As noted in previous papers, there is effectively a single Balancing Agent at present. The tick in this box means that this arrangement would be formalised

* – Within regulated parameters

Source: Transmission Pipeline Balancing Second Options Paper, table 9, p32.

Gas Act Objectives relevant to transmission balancing

Section 43ZN states that the principle objective of Gas Industry Co in recommending gas governance regulations under section 43F is to:

‘...ensure that gas is delivered to existing and new customers in a safe, efficient, and reliable manner’.

The other objectives are:

- ‘the facilitation and promotion of the ongoing supply of gas to meet New Zealand's energy needs, by providing access to essential infrastructure and competitive market arrangements;
- barriers to competition in the gas industry are minimised;
- incentives for investment in gas processing facilities, transmission, and distribution are maintained or enhanced;
- delivered gas costs and prices are subject to sustained downward pressure;
- risks relating to security of supply, including transport arrangements, are properly and efficiently managed by all parties; and
- consistency with the Government's gas safety regime is maintained’.

And paragraph 12 of the GPS adds five additional objectives Gas Industry Co must have regard for when making recommendations:

- Energy and other resources used to deliver gas to consumers are used efficiently;
- Competition is facilitated in upstream and downstream gas markets by minimizing barriers to access to essential infrastructure to the long-term benefit of end users;
- The full costs of producing and transporting gas are signaled to consumers;
- The quality of gas services where those services include a trade-off between quality and price, as far as possible, reflect customers’ preferences; and
- The gas sector contributes to the Government’s climate change objectives as set out in the New Zealand Energy Strategy, or any other document the Minister of Energy may specify from time to time, by minimizing gas losses and promoting demand-side management and energy efficiency.