



DAWG meeting  
24 September 2015

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## Agenda

1. Special allocation consultation and next steps
  2. MBB monitoring (Ian Wilson)
  3. Impact of a Critical Contingency Event on D+1 (Jim Raybould)
  4. Vector update on daily BPP preparations
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## Issues raised in submissions

7 submissions received:

- Most supported the proposal (though asked for clarification on implementation details)
    - Contact
    - Genesis
    - MRP
    - Nova
    - Trustpower
  - 1 supported in principle (but too many unknowns to agree to implementation)
    - Greymouth
  - 1 opposed
    - Vector: “we would be reluctant to go live with daily BPP information if doing so triggers a special allocation process that would be inconsistent with the VTC”
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## What are Vector's concerns?

### 1. Use of different data sets

$$\begin{array}{l} \text{Amount} \\ \text{Payable} \\ \text{by a} \\ \text{Shipper} \end{array} = \frac{\text{Shipper's negative RM}}{(\sum \text{SRM} + \text{VRI})} \times (\text{Vector Costs} - \text{NCS Costs})$$

Shipper mismatch calculated from allocated quantities – under special allocation proposal, these would be D+1 allocated amounts, which are based on best available information at the time of running

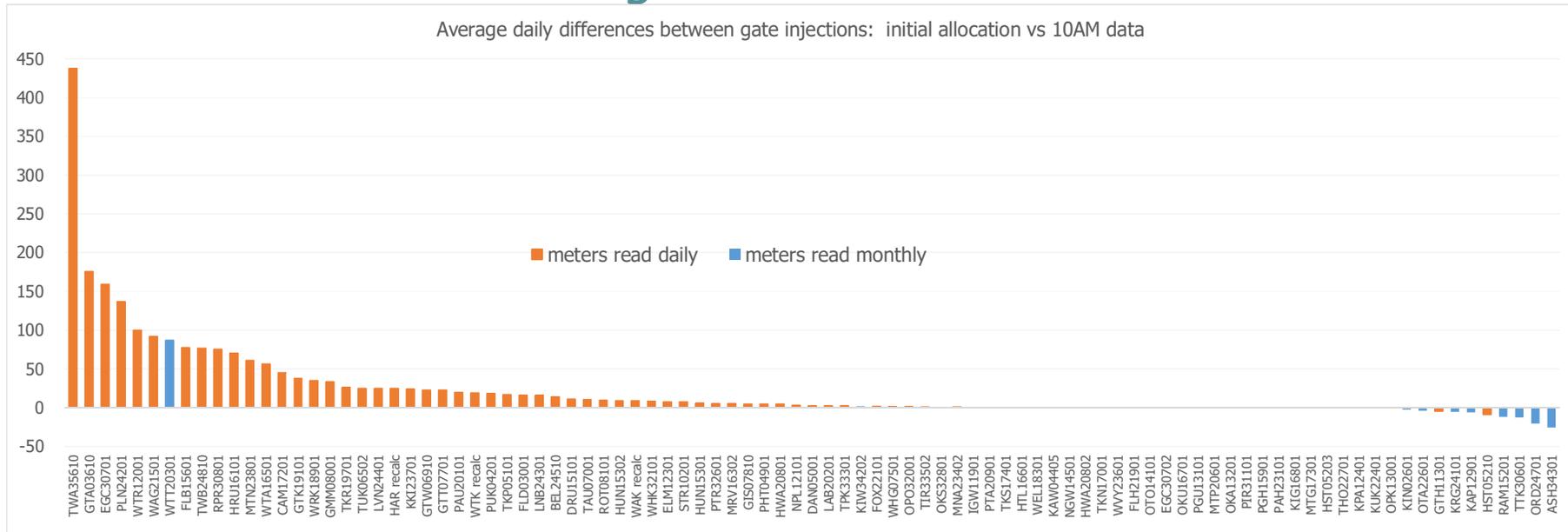
$$\text{UFG} = \sum \text{Receipts} - \sum \text{Offtakes} + \text{Line Pack}_{\text{start}} - \text{Line Pack}_{\text{end}} - \text{Fuel} - \text{Gas Vented}$$

Receipts and Offtakes are based on measured quantities – validated metering data

### 2. Transmission invoicing corrections

Number of transmission invoice corrections will increase

# How big are the differences between unvalidated and validated metering data?

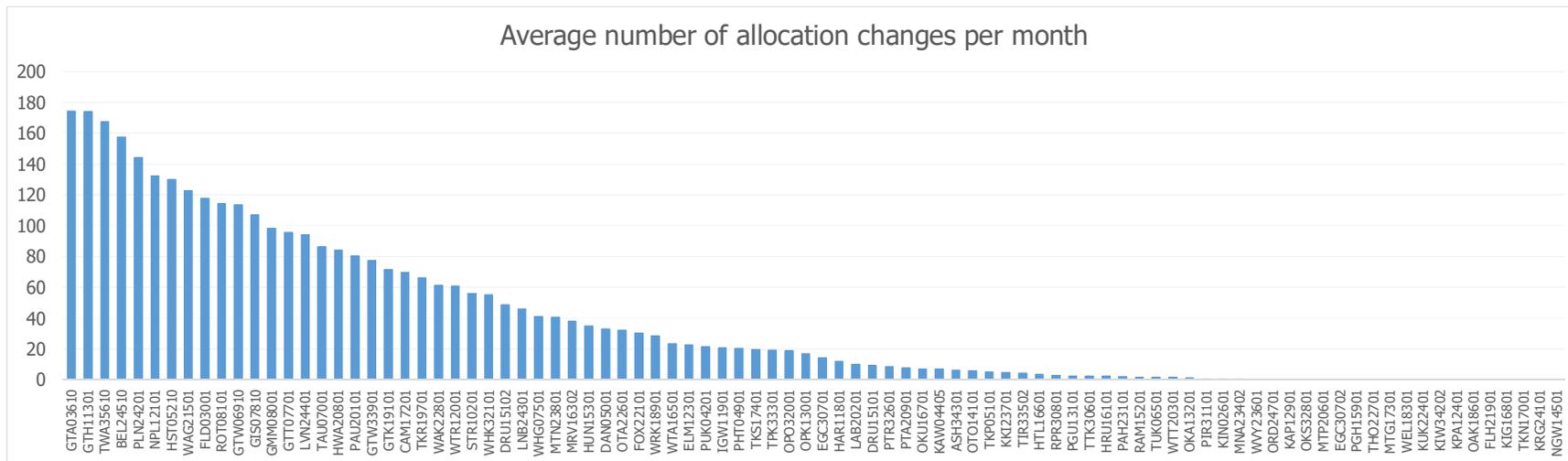


Based on August, unvalidated results typically understate validated readings

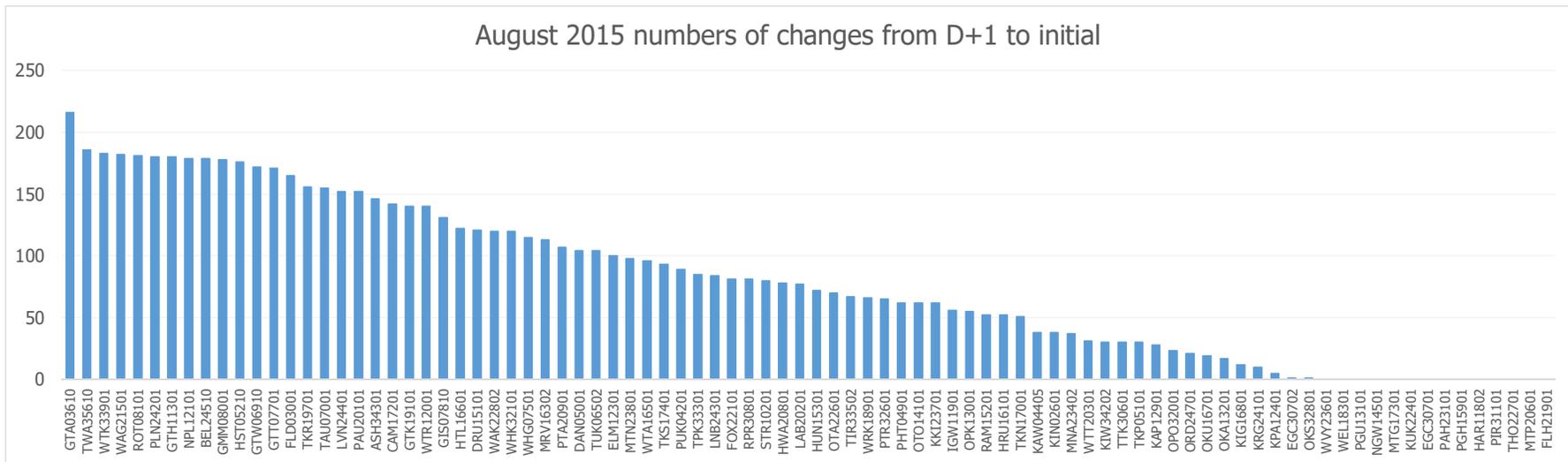
Average total daily difference for:	GJ (initial – 10AM data)
All meters	2,060
Meters read daily	2,066
Meters read monthly	-6

## Transmission invoice charges

Under the VTC, transmission charges are corrected in light or revised delivery quantities. How often are corrections issued now?



At the moment, there is an average of 3,398 changes of more than 1 GJ per month in allocation from I to M, across all shippers and all allocated gas gates



In August, there were 7,073 allocation changes of more than 1 GJ between D+1 and the initial allocation.

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## Where does that leave us?

### Options:

1. VTC parties agree to a workaround for the duration of the trial
    1. Agree to use unvalidated data in end of month invoices?
    2. Vector carries a position until the interim allocation?
    3. Other?
  2. In the absence of daily BPP information:
    1. Lose opportunity to trial end-to-end D+1/GTA/BPP processes
    2. Most Shippers have little/no information to inform daily positions, therefore no ability to undertake primary balancing
      - Even those with high proportion of TOU-based data will be undermined if subject to UFG from AG4 and/or AG6 customers
    3. D+1 allocations of little/no value to Shippers – discontinue trial?
    4. GIC changes focus to rule change process – but with less certainty
  3. Any others?
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# Monitoring MBB

24 September 2015



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## Why monitor MBB?

- GIC's analysis of MBB concluded it would likely:
  - improve the quality of primary balancing
  - enable more efficient balancing gas procurement
  - improve price signals by directing costs towards pipeline users who make more use of pipeline flexibility
- Stakeholders are sceptical... some proposed GIC should:
  - monitor outcomes
  - do a post-implementation review

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## What questions do want to answer?

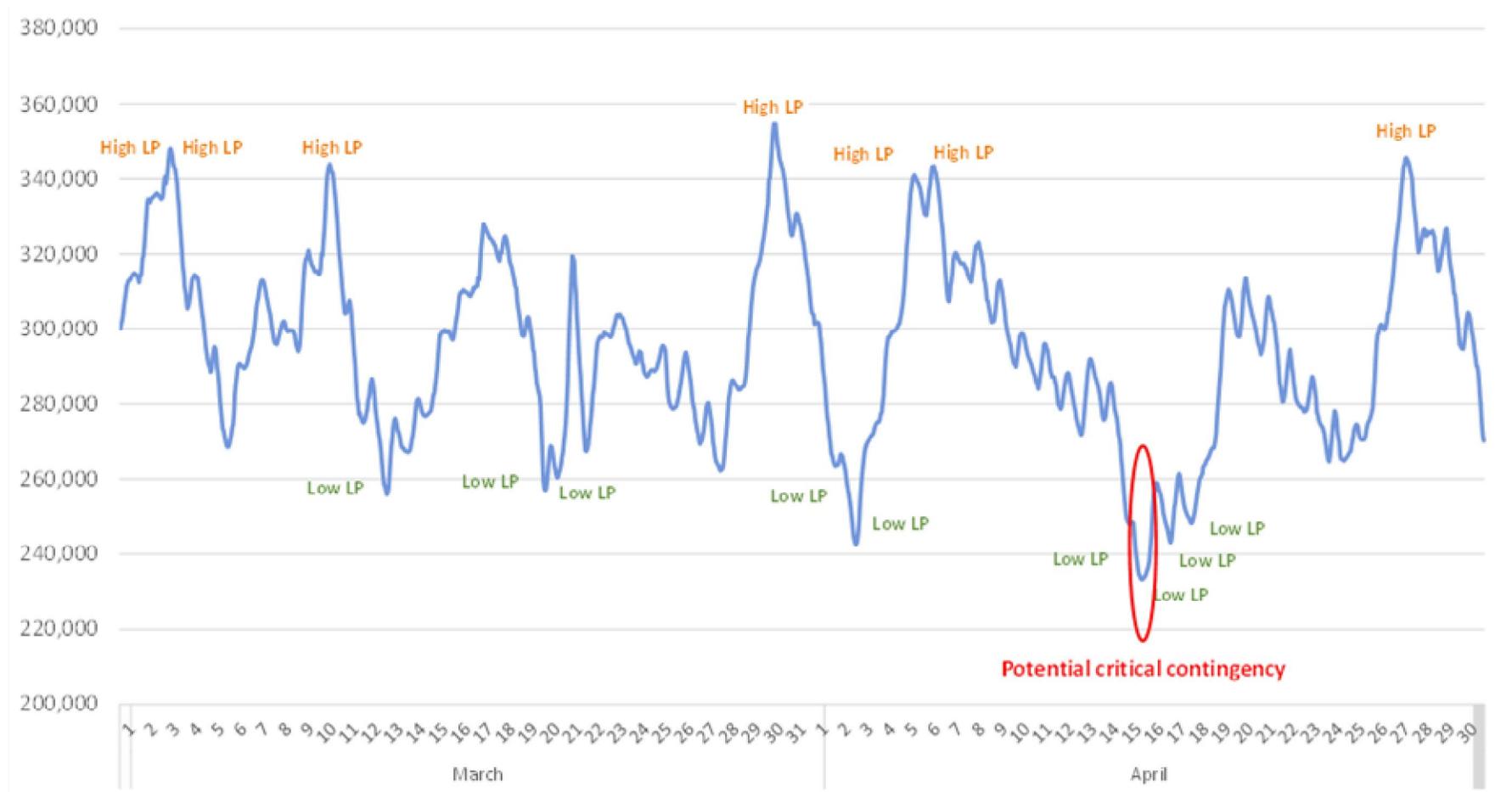
- What difference is MBB making?
- Objectives of MDL's Change Request met?
- Benefits claimed in GIC/Covec analysis achieved?
- GIC's regulatory objective for Transmission pipeline balancing met?
- Any problems remaining?

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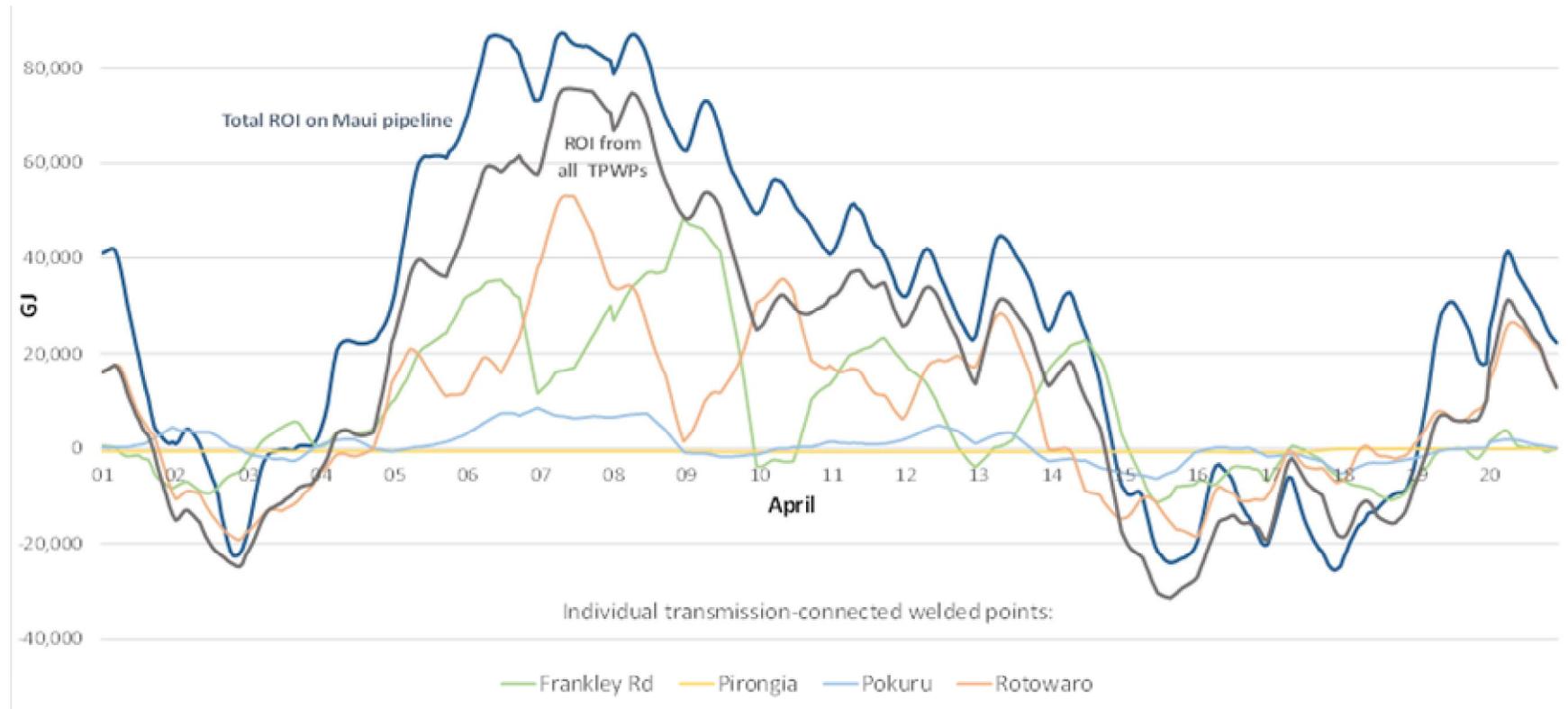
## How will we do it?

- Analysis of 15 April 2015 near critical contingency was a good model
- Look at what's happening with:
  1. linepack
  2. ROI (producer, direct-connects, TPWPs)
  3. Vector running mismatches
  4. Balancing gas actions

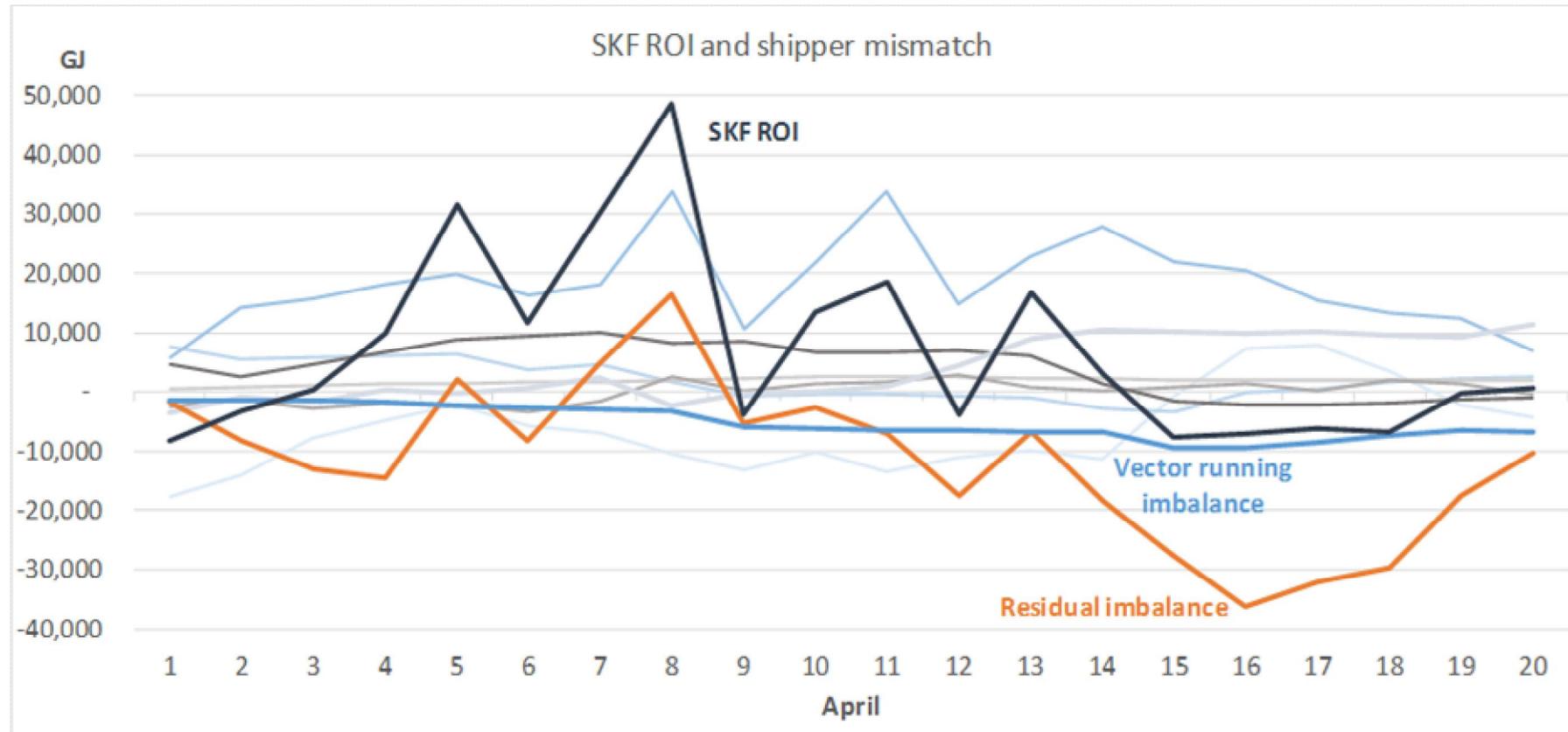
# What's happening with linepack?



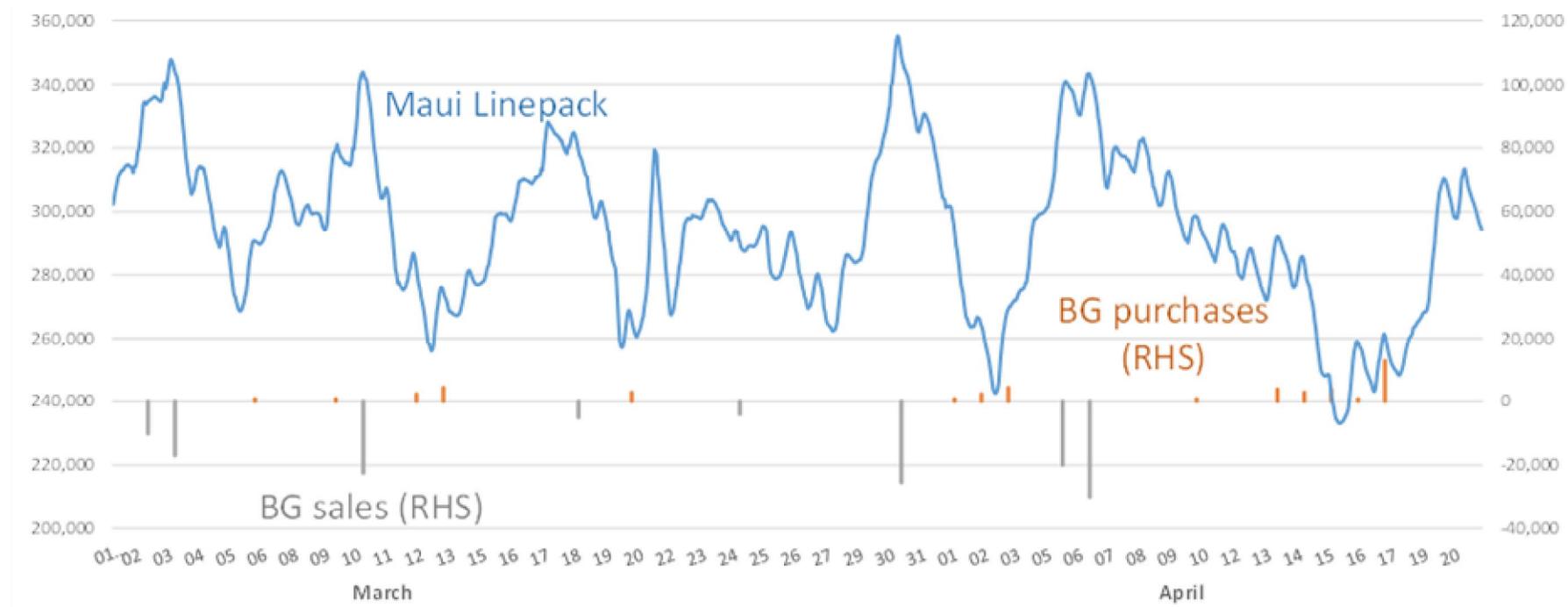
## What's happening with ROI's - TPWPs



# What's happening with Vector mismatches



## What's happening with balancing actions



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## Next steps

- GIC to release MBB Monitoring paper
- Consider feedback
- Monitor
- Report
- Do post-implementation review

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# BACK-UP SLIDES

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## Objectives of the MBBCR

- Tricky... MDL does not expressly state the objectives of MBBCR in the original 10 October 2014 application . However:
  - From paragraphs 17 to 27 of its cross-submission it appears that weak primary balancing incentives are the main concern:
    - “We agree with Covec that primary balancing incentives are weak – and that that weakness lies at the heart of the problem, as GIC and Vector (among others) have identified.”

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## Covec concerns

- In its final report, Covec says:
  - “The core weakness in the current arrangements is that the ILON process gives quite weak incentives for primary balancing because of the time allowed to correct excess imbalance positions.”

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## Benefits claimed in GIC's analysis (1 of 3)

- GIC's Final Recommendation claims:
  - "The replacement of the ILON process with daily Cash-Out should better direct costs towards pipeline users who make greater use of pipeline flexibility."
  - "The MBBCR would allow MDL to obtain balancing gas from a market such as the emsTradepoint market which shippers can access, so competition should improve."
  - "... having access to an automatic low cost balancing service could make it easier for these shippers to enter the market and grow their portfolios."

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## Benefits claimed in GIC's analysis (2 of 3)

- “Improved price signals should enhance incentives for investment in alternative forms of flexibility, better forecasting and metering.”
- “accessing a more liquid market than the BGX should ensure sustained downward pressure on balancing gas purchases. Also, the benefit of any such cost reduction would be shared by all pipeline users through the ‘recoverable cost’ tariff adjustment mechanism.”
- “There will be a significant level of initial investment as market participants develop systems and procedures to process daily Cash-Outs. There is also likely to be ongoing costs as pipeline users manage their balance position more diligently.”

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## Benefits claimed in GIC's analysis (3 of 3)

- “MDL will ... be able to take Balancing Actions with more confidence because it will no longer face the uncertainty of if and when an ILON notice may be responded to.”
- “The MBBCR allows MDL to procure Balancing Gas on a market that is significantly more liquid than the current BGX, and that all pipeline users can participate in.”

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## GIC's regulatory objective for Transmission pipeline balancing

- The regulatory objective developed during the balancing workstream and restated in the October 2009 Statement of Proposal was:
  - To provide an efficient, unified balancing arrangement for managing pipeline imbalance