MEMORANDUM

TO: Pipeline Users

FROM: First Gas

DATE: 11 September 2017

RE: **GTAC August Workshops: Actions List with Actions Taken**

**Actions from Thursday, 17 August 2017**

| **#** | **Item** | **Responsibility** | **Action Taken** |
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| 1 | Release further information on the process and timeframes for developing the requirements for the GTAC IT System | First Gas | Note on process and timeframes IT system development released, together with additional condition precedent for MPOC termination. Statement of requirements for new IT system also sent to stakeholders for comment |
| 2 | Review the use of best/reasonable endeavours in the GTAC. Search and make consistent. | First Gas | GTAC now adopts consistent use of “reasonable endeavours”, with the exception of one remaining use of “best endeavours”. That occurs in section 9.4 where, in relation to an OFO a “…Shipper shall use its best endeavours to comply with that OFO in the shortest practicable time consistent with (where relevant) the safe shut down of affected plant”. This is qualified by the provisions of section 9.5 |
| 3 | Review approach to publication of gas composition data in the GTAC and Schedule 2 | First Gas | Section 5.9 of the GTAC now requires First Gas to provide the gas composition data currently published each Business Day on OATIS |
| 4 | Populate and release Schedule 2 of the GTAC | First Gas | Schedule 2 published on GIC website and included in revised draft GTAC |
| 5 | Provide a worked example of the Difficult Day concept specified in section 8 of the GTAC | First Gas | A worked example will be provided and discussed at workshop on 15 September |

**Actions from Thursday-Friday, 24-25 August 2017**

| **#** | **Item** | **Responsibility** | **Action Taken** |
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| 6 | Revisit whether project will achieve objectives and whether additional steps (e.g. cross submissions) would be useful | First Gas | Updated process for revised draft GTAC released following 31 August teleconference, providing option for cross-submissions (to be discussed at workshop on 15 September) |
| 7 | Include both allocative and dynamic efficiencies in assessment of costs and benefits of GTAC | First Gas / GIC | Will be covered by assessment of GTAC costs and benefits when submitted to GIC for review (and as part of GIC review) |
| 8 | Review pricing information discussed on 24 August and provide examples where changes may lead to price shock | Shippers/end users | Several parties have provided a summary of price impacts to First Gas. Examples generally support expected price changes in moving away from capacity reservations system |
| 9 | Update pricing information to use 2017/18 VTC prices when released at end of August 2017 | First Gas | An updated version of illustrative pricing impacts has been provided in presentation that accompanies the revised draft GTAC release |
| 10 | Consider principles around final Priority Rights design, including these in the GTAC, and the link to investment under Part 4 regime | First Gas | PR provisions in the GTAC have been reviewed, and PR auction rules will be developed in conjunction with shippers in a way that best achieves the purpose of PRs (to signal the value of transmission capacity when it becomes scarce) |
| 11 | Provide further information on physical issues in BOP and reality of congestion at Delivery Points in that area (Tauranga, Mt Maunganui) | First Gas | Further analysis of supply and demand at Tauranga and Mt Maunganui indicates that PRs would not initially be required at these locations (i.e. there is currently sufficient “Uncommitted Operational Capacity” (*UOC*) at both locations to ensure that they do not currently meet the definition of Congestion Delivery Point(s) under the GTAC)  The modelling of uncommitted operational capacity at Delivery Points (and the fact that it can be affected by changes in load elsewhere) means that this situation could change. The GTAC requires First Gas to assess uncommitted operational capacity in determining whether to offer PRs, so the situation at Tauranga and Mt Maunganui (and other locations) will continue to be monitored |
| 12 | Consider OBA ability to use nominations (re dedicated DPs) to manage Mismatch and Overruns and provide worked example | First Gas | An OBA Party’s Mismatch is now deemed to reside in the Receipt Zone (see section 8.23). Therefore, an OBA Party will not need to ship Gas to manage its RM or ERM |
| 13 | Consider Priority Rights to address constraints affecting multiple delivery points | First Gas | The definition of “Congestion” and the processes set out for PRs in section 3 of the GTAC now reflect the prospect of congestion affecting more than one delivery point. PRs may now apply to a group of Delivery Points |
| 14 | Address intra-day nomination issues and ranking of PRs relative to approved nominations from previous cycles | First Gas | No change has been made to the provisions of the 10 August draft GTAC, which stipulates (in s4.19) that Changed Provisional NQs (except to the extent they are reduced in an Intra-Day Cycle) will have precedence over any Intra-Day NQ seeking increased DNC where capacity is short (s4.20)  Effectively this means that a Shipper must decide the Day before flowing gas how many of its PRs it will “exercise” on a Day |
| 15 | Develop work plan for auction bidding rules and look to release as soon as possible | First Gas | Work plan for PR auction rules advised on teleconference on 31 August |
| 16 | Incorporate principles for auction rules in GTAC (see also item 9) | First Gas | See response to item 9 above |
| 17 | Revisit Underrun/Overrun incentives to ensure the right balance between incentives and shipper impacts. Specifically consider magnitude and tolerances | First Gas | Overrun fee for DNC reduced from 5 to 2, and underrun fee reduced from 5 to 1. Potential added for these rates to change (upon 6 months’ notice) if the stated principles are not being achieved  Grouping of delivery points into zones reworked to enable further load diversification in managing portfolio of customers (reducing number of zones from 17 to 14 and including most dedicated delivery points in zones) |
| 18 | Provide a worked example of delinked nominations across a week for an OBA party and a shipper (see also item 11) | First Gas | A worked example will be provided and discussed at workshop on 15 September |
| 19 | Provide a worked example of a congested delivery point: 6 months ahead, day ahead and on the day | First Gas | A worked example will be provided and discussed at workshop on 15 September |
| 20 | Provide further discussion of operational value of nominations | First Gas | Done. See slides from workshop on 24-25 August |
| 21 | Consider integrating small dedicated delivery points into zones | First Gas | As noted in response to item 17, we have now included most dedicated delivery points into zones |
| 22 | MHQ. Look at carving out smaller loads and fixing these to contracted ICA MHQ which would be listed in schedule | First Gas | First Gas will publish DP-specific HQ/DQ ratios which will effectively modify the standard ratio for DNC (i.e. where MHQ = 1/16th of MDQ) for Dedicated Delivery Points  The modified MHQ for a Dedicated Delivery Point will be used to assess a Shipper’s liability for Hourly Overrun Charges (*HOC*), provided that:  1. No HOCs will be payable where the maximum HQ on a Day is < 200 GJ (corresponding to the current “Large Station” MHQ); and  2. The Interconnected Party will pay the HOCs where it is an OBA Party.  An Over-Flow Charge has been introduced, payable if a Delivery Point’s physical flow limit is exceeded. This will be payable by the Interconnected Party at a Dedicated Delivery Point |
| 23 | Review requirements around agreed hourly overruns to ensure that they are useful |
| 24 | Define and give timing for SOP draft and other ancillary documents | First Gas | Process for developing and finalising SOPs discussed at 31 August teleconference |
| 25 | Consider process for changing definition of receipt and delivery zones (sections 3.3 and 3.4), and requiring notice period | First Gas | First Gas will give not less than 20 Business Days’ before adding a Receipt Point to the Receipt Zone, or the reverse  First Gas will notify Shippers of the Delivery Zones to apply in the following Year |
| 26 | Review status of D+1 agreement under the GTAC. How special allocations will work and how First Gas will use them | First Gas | GTAC accepts all allocations for delivery points produced under the DRRs (including Special Allocations)  Until the DRRs have been updated for D+1 (or an equivalent replacement), First Gas will continue to use D+1’s day-in-arrears allocations  If necessary, First Gas will enter into a replacement document or amend the current agreement with the GIC so D+1 will be used under the GTAC |
| 27 | Prepare MoU or other document that substitutes for an MoU under the change provisions (section 17) | GIC | GIC has released consultation paper on how it would evaluate a GTAC change request (<http://www.gasindustry.co.nz/work-programmes/transmission-pipeline-access/developing/consultation-report-on-how-gas-industry-co-would-perform-a-gtac-change-request/>) |
| 28 | Reflect on the purposes of OFOs, and what the action is (in practice) that FG wants shippers to do | First Gas | OFOs are intended to be used where it is necessary to curtail physical gas flow, especially where the physical integrity of the Transmission System is threatened or has been compromised  OFOs are not seen as being part of the nominations process  First Gas accepts that, at least in relation to Dedicated Delivery Points, the Interconnected Party (= the end-user of Gas) is best placed to control the flow of Gas  Therefore, First Gas has clarified that where it is able to do so (i.e. under an Interconnection Agreement) it will issue an OFO to the Interconnected Party rather than to a Shipper using a Dedicated Delivery Point (with the same logic applying at Receipt Points) |
| 29 | Reconsider / publish the metering requirements | First Gas | Process for developing and releasing metering requirements document discussed at 31 August teleconference |
| 30 | Consider firming up the proposal for park and loan | First Gas | GTAC provides for park and loan as an option for shippers and OBA parties that would otherwise incur ERM charges. The GTAC aims to be flexible enough for the product to evolve with market needs. Further information on the approach to offering and evaluating requests for park and loan will be provided by First Gas in due course, but will sit outside the GTAC |
| 31 | Consider the position on vetos – both the concept and timings | First Gas | Ability for First Gas to veto supported code changes has been limited to situations where it would adversely impact First Gas’ ability to fulfil RPO or recover costs |
| 32 | Consider more prescription across sections discussed at workshop (including Fnerm, ‘Oatis’ cycle times, and other such points) | First Gas | See response to item 37 below |
| 33 | Consider removing s2.8(b), s8.14-18 | First Gas | The Target Taranaki Pressure is no longer linked to (aggregate) Running Mismatch  First Gas does not believe that it is appropriate (given the other provisions of the GTAC, including incentives) to “impose” ERM trades on parties. Accordingly, the former sections 8.14 – 8.18 have been deleted |
| 34 | Consider adding consultation on s2.10 (uneconomic transmission) | First Gas | The drafting has been edited, but the provisions remain similar to those currently found in VTC |

**Actions from Thursday, 31 August 2017 (teleconference)**

| **#** | **Item** | **Responsibility** | **Action Taken** |
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| 35 | Consider whether the “principles” for an OBA should be included in the code? | First Gas | The definition of OBA in the GTAC contains the core principles and functions of an OBA (e.g. that Mismatch is determined at the relevant Receipt Point or Delivery Point and is the responsibility of the OBA Party) |
| 36 | Investigate regulatory treatment of balancing charges (ERM fees) – do they still count as recoverable costs and credits given lack of link with purchase and sale of balancing gas? | First Gas | This matter has been raised with the Commerce Commission (although we have not yet had a response). Our interpretation (based on the input methodologies and the 2015 guidance letter) is that ERM fees are recoverable credits |
| 37 | Prescribe ERM fees in the GTAC (or at the very least principles and boundaries for these fees) | First Gas | ERM fees have been set based on the current incentive fees charged under the MPOC and recent market prices. Like overrun/underrun fees, we have added provision to change these fees where they are not achieving stated objectives, although with a shorter notice period to reflect the near-term impacts of balancing incentives |