

22 December 2017

Anna Casey
Consultant
Greymouth Gas New Zealand Limited
By email

Dear Anna

Re: GTAC appropriate consultation

We refer to your letters dated 8 December 2017 and 19 December 2017 that express concerns about Gas Industry Co's consultation process in respect of the proposed gas transmission access code (GTAC). We provided a response to many of your concerns at the GTAC workshop on 14 December 2017, but we provide the following written response for completeness.

Response to 8 December letter

We do not agree with your view that First Gas has a greater opportunity to influence Gas Industry Co's decision than any other stakeholder. Stakeholders have had an opportunity to provide their views on the GTAC at workshops and in written submissions. Gas Industry Co has attended all workshops and reviewed written submissions from stakeholders. Furthermore, the process in the Maui Pipeline Operating Code (MPOC), which requires Gas Industry Co to publish its preliminary assessment of the GTAC (draft determination), provides stakeholders with an opportunity to express their views on the version of the GTAC that Gas Industry Co will assess. Following First Gas's submission of the GTAC to Gas Industry Co, we have considered whether our assessment of the GTAC would benefit from submissions from stakeholders prior to the draft determination. As outlined in the following sections of this letter, we believe that it would.

Your letter proposes that we prepare a revised version of the paper titled "*Gas Industry Co's proposed approach to GTAC assessment*" (GTAC Assessment Paper). We do not consider that a revised version of that paper, or further consultation on the process for Gas Industry Co's assessment of the GTAC, is necessary. Gas Industry Co circulated the GTAC Assessment Paper in response to requests from stakeholders for an indication of the process that Gas Industry Co would follow and how it would assess whether the GTAC is "materially better" or not. The paper outlined a process that included Gas Industry Co issuing a preliminary assessment of the GTAC after it received the proposed GTAC from First Gas. The process outlined in that paper was clearly identified as being subject to change and Gas Industry Co has continued to consider the appropriateness of that process in light of stakeholder feedback, and otherwise from time to time. The assessment process may continue to evolve over time, but industry should feel confident that the draft determination will clearly spell out the assessment approach that Gas Industry Co has adopted when considering the GTAC.

On 11 December 2017, we notified industry of Gas Industry Co's decision to offer stakeholders an opportunity to provide submissions to Gas Industry Co on the final GTAC prior to Gas Industry Co issuing its draft determination.¹ After reviewing the GTAC submitted on 8 December 2017, we formed a view that an opportunity for stakeholders to comment on the final version of the GTAC would inform Gas industry Co's preliminary assessment and capture stakeholder views that had not been raised at the industry workshops. A key factor in that decision was the extent of the changes to the proposed GTAC from the previous version discussed at industry workshops.

We therefore think that the revised process discussed above satisfies the key concern in your letter.

Your letter asks Gas Industry Co to commission and have regard to an independent cost-benefit analysis. The GTAC Assessment Paper notes that "*We do not believe it would be feasible to robustly estimate costs and benefits in numerical terms, but they will be considered at a high level in qualitative terms*". As discussed at the workshop on 14 December, we consider a qualitative cost-benefit assessment to be an integral part of Gas Industry Co's assessment of the GTAC against the current terms and conditions of access. In terms of your request for an "independent" party to undertake the assessment, we consider that Gas Industry Co is sufficiently independent of the any particular stakeholder. Gas Industry Co has not had any role in the design of the GTAC.

Response to 19 December letter

We do not agree with your view that the timetable proposed in our Bulletin dated 11 December 2017 is inappropriate. We agree that the consultation process should recognise the significance of the GTAC. However, Gas Industry Co's assessment of the GTAC is potentially the final stage in the development of a set of arrangements that commenced in 2016 and has included a large number of workshops and opportunities for submissions on the proposed arrangements. Gas Industry Co and stakeholders have followed the development of those arrangements and are very familiar with the content.

The assessment of the GTAC requires a level of commitment from First Gas, stakeholders and Gas Industry Co and Gas Industry Co's view was that there was sufficient time before and after the Christmas period to allow stakeholders to prepare submissions. Notwithstanding this, we have considered your concerns and comments made by other stakeholders and we have decided to extend the timeframes notified in our Bulletin. Submitters will now have until 22 January 2018 to make submissions on the final GTAC. We will confirm the remaining dates in the timetable in due course. We reiterate our earlier comment that submitters will have an additional opportunity to make comments on the GTAC and Gas Industry Co's preliminary assessment as part of Gas Industry Co's consultation on its preliminary assessment.

Gas Industry Co is committed to a robust and thorough consideration of the GTAC. If that means that further time is required for our analysis, then we will consider changes to the current timetable.

You also expressed a concern that the documentation that First Gas has submitted to Gas Industry Co is incomplete. That concern relates to the substance of the GTAC arrangements, and is a concern that we will have regard to as part of our assessment of the GTAC.

¹ Notification was provided via a Gas Industry Co News Bulletin on 11 December 2017.

Conclusion

We hope that this letter adequately responds to the concerns in your letters.

We have similarly responded with an open letter as we believe our response may be helpful for other stakeholders.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Tim Kerr', written in a cursive style.**Tim Kerr***Legal Counsel*

Email Tim.Kerr@gasindustry.co.nz