



30 April 2018

Angela Ogier  
Transmission Commercial Manager  
First Gas Limited  
By email

Dear Ms Ogier,

### **GTAC Next Steps**

The appendix to this letter sets out the Greymouth Gas New Zealand Limited (Greymouth) answers to the questions posed in First Gas' memorandum on GTAC Next Steps, dated 19 April 2018.

During industry consultation on the GTAC, and in submissions on the final package submitted to GIC in December 2017, Greymouth (and other stakeholders) pointed out the detrimental impact caused by rushed timetables and the absence of fair and reasonable consultation periods. It is disappointing that the first move of First Gas to fix the GTAC is subject to another senseless deadline.

First Gas should accept that industry participants have their own businesses to conduct. Consultation times must be realistic and allow sufficient time for considered responses, without placing an unreasonable burden on submitters.

Greymouth considers an independent facilitator should be appointed as a matter of priority, and that person (not First Gas) should resolve the "next steps" process and establish reasoned response times if the GTAC Round 2 is to progress.

Greymouth considers the process would benefit from a project plan approach. This could be progressed at the first facilitated meeting, with the aim of achieving industry ratification of the process. Such an outcome would be an ideal start to GTAC Round 2.

First Gas should not ignore industry consensus that the existing dual code arrangements are preferable to what has been proposed.

Yours sincerely

Chris Boxall  
Commercial Manager

## Appendix: Greymouth's answers to "Next Steps" Questions

### Q1 – Do you agree with this summary and proposal to initiate topic-based workshops?

Greymouth Gas agrees with the general direction of the summary, but makes the following observations:

- A) To ensure 1 October 2019 is not a hard deadline, the VTC must be amended either:
  - a. Extending it to 1 October 2020 so the industry is not under pressure (again) to meet an arbitrary date; or
  - b. Introducing a flexible intra-year termination provision. Although this brings advantages of flexibility as to the start date of the new code, it will be a more complex change and may distract from the GTAC project. Further, we understand First Gas' preference is for a 1 October start date.

Either way, this change should be made as soon as possible to allow industry to focus on developing the GTAC.

- B) Work should only begin in parallel on issues that parties acknowledge require further thought, such as interconnection terms and liabilities, if the Independent Facilitator is contracted and oversees those workshops. Otherwise industry will immediately be contradicting the intent of having an Independent Facilitator.
- C) Greymouth believes the process should contain more detail before it is finalised. Its final form might include, for example, a project plan showing pictorially how the various workshop processes overlap (including the dates of the workshops). There must also be sufficient windows built into the plan for other supply chain items to occur which First Gas might not be involved in. Sufficient opportunity must be included to allow parties to obtain their own legal review on the final GTAC, prior to its submission to the GIC. The project plan should be a living document, reflected upon at each workshop, and amended as necessary (this includes for emerging items or emerging contexts and circumstances)

Greymouth Gas agrees with topic-based workshops, provided that those workshops are lengthy enough for parties outside of Wellington to justify attendance, and that the timings have regard for travel times. For single issues that warrant shorter workshops, consideration should be given to live web-streaming or webinar services, to enable constructive input from parties outside Wellington where travel cannot be justified.

### Q2 – Do you think that focusing on the highest priority topics will position the GTAC for resubmission to the GIC?

No. A robust process should include the opportunity to take a step back and consider the code as a whole, or it risks losing improvement opportunities in an excessive focus on detail. To position the GTAC for resubmission to the GIC, the following items will need to be addressed regardless of whether or not the new process focuses on the highest priority topics:

- i) All 'big four' and 'Appendix A' items from the GIC's preliminary / final assessment will need to be addressed,

- ii) Any further individual parts of the GTAC that have a red arrow, were neutral, or that were green but were not big enough will need to be discussed and agreed whether or not these require addressing or not (and if so, be addressed), and
- iii) All supporting arrangements will need to be complete.

Focusing on high priority topics, from First Gas' perspective (or without debate or ratification by the Independent Facilitator) runs the risk that First Gas will 'draw the line' and submit the GTAC\_v2 to the GIC prior to some of the "low priority" topics being addressed.

To mitigate against this (including in the absence of contractual protection or the ToR), then a strong argument can be made that the easier and lower priority topics should be addressed first. This would also establish momentum in the process.

**Q3 – Do you agree with the list of possible topics? Are there any missing that you think might be widely supported?**

Greymouth Gas does not agree with First Gas' characterisation that only the first two topics are 'must haves'. The GIC's paper is very clear that what needs to be addressed is as set out in i) to iii) above in our answer to question two, i.e., at least everything on page 5 of the memo. There are also some flaws in the list of possible workshop topics, as follows:

- Some items (such as treatment of mass market load) are not specifically targeted at a section of the GTAC, and overlap with other items (like nominations processes). We suggest that the workshop names reflect high-level concepts and that the detail is grouped logically. In this regard, items 6, 7 and 8 could be characterised as the 'DNC + PR' regime.
- ERM fees are missing from 'Line pack management', and should be included.
- The Balancing SOP is missing from 'Line pack management' and should be included.
- The Metering Requirements and Interconnection Policy are also missing and should be included. This gets to why, in our answer to question 1 at C) b), we want to review, discuss, and ratify the final proposal. The current list of workshop topics is incomplete and narrow in focus.
- Supplementary Agreements is also missing.
- Transitional arrangements are missing and should be properly scoped this time.
- Matters such as the deeming of RPO breaches for gas spec events and the curtailment requirements for retailers in OFOs is also not mentioned. We would expect these items to be addressed – perhaps in an 'everything else' workshop. The timing of publication of information is a further example of something critical that needs addressing.

Some party, possibly the Independent Facilitator, should go through all the work in the GIC's process and pick out the easy wins – i.e. items agreed that can already be fixed. That same

party should also audit that the list of topics includes everything that the GIC and enough parties think is an issue, and that audit should be ratified in a workshop.

This may sound like a lot of work – but a lot of work is required to lift the code to its required level. And issues need to be fleshed out and debated up front, not locked away with parties wondering if those issues will get addressed or not.

First Gas issued a letter to industry on potential further gas quality work. First Gas should clarify whether it still intends to progress this work given it did not include gas quality in its list of topics in the memorandum.

#### **Q4 – In order of priority, what are your top 3 topics for discussion at future GTAC workshops?**

These are:

- 1) The full proposal (and project plan) that is an output of the memorandum. It is critical to get the planning and the mandate right.
- 2) A VTC change request extending the VTC to 1 October 2020 (or the alternative proposed in the answer to Q1). It is important for industry not to be bottlenecked by an arbitrary date again.
- 3) All remaining topics have equal priority because the order in which they are addressed is not as important as addressing all the relevant items.

Having said that, there are some items, like the D+1 agreement, that may require multiple workshops, and possibly some subsequent tasks (like if the legislation actually needed changing), which need to be built into the project plan.

#### **Q5 – Are there any other documents that need to be produced prior to submission of the revised GTAC?**

All supporting arrangements must be completed, and many will require workshopping and consultation, including:

- ICAs
- D+1 agreement (and possibly a MoU from parties that they will sign this if it is not executed prior to the GTAC and its supporting arrangements being put to the GIC)
- Priority Rights and Auction Rules (as this contains the vexed element of TOU switching in congested situations).
- Park and Loan arrangements (which will also need to be factored into the Balancing SOP).
- Gas Pricing and Methodology Policy.
- Supplementary Agreements and Interruptible Agreements.

**Q6 – Is the proposed timeframe realistic? Do you have any suggestions to improve the chances of meeting this timeline?**

The proposed timeframe is not realistic because:

- It is already a ½ month behind time (as the Independent Facilitator's terms of reference have not been consulted on),
- The proposal has not been finalised or ratified,
- The draft topic workshops do not have sufficient regard for a number of items including supporting arrangements.
- The lack of granularity to the plan makes it difficult to conclude that it is realistic.
- There is no time between code workshop and consultation changes and the submission of the revised GTAC to the GIC (there should be a full legal review).

The timeframes should be made more granular to a) determine whether or not it is realistic, and b) properly allow industry to start a well-structured process.

First Gas also seems to be making an assumption that a) no inputs or analysis is required prior to workshop agendas being published, and b) that one workshop per topic will be sufficient to get a resolution. It is highly likely that a series of workshops will be required for some of the more difficult topics. The draft proposal in the memo does not seem to contemplate this.

Further granularity is also required to test whether the window for the GIC review and for IT is sufficient (noting that on the latter First Gas agrees with industry that further time was required for the GTAC\_v1 IT process). The GIC should be able to advise on the required timeframe – we do not want them pushed for time, particularly if there are further issues with the GTAC\_v2. There should be no overlap between the GIC process and the IT process in case the GTAC\_v2 is not approved by the GIC.

It is important that the deadline is permitted to shift if necessary to allow sufficient time to work through all the issues. For the present, it is appropriate to be working towards a 1 October 2019 start date but the project must be allowed to shift to a 1 October 2020 date if that becomes necessary. It will not be acceptable to have timeframes condensed, and industry rushed, as was the case at the end of 2017, in order to meet an arbitrary deadline.