

FINAL ASSESSMENT PAPER

PRESENTATION TO STAKEHOLDERS

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FAP assessment of “more significant” aspects of the New Code

(ie Products, Pricing, Balancing, Quality and Liabilities)

The good



	Efficiency	Reliability	Safety	Environment	Fairness	Overall
Products						
Pricing						
Balancing						

The good



	Overall	Main aspects of design contributing to result
Products		Daily product, single receipt zone, and congestion management products
Pricing		Usage based prices, zoned prices, zero receipt zone price, market based congestion price, and payments for interruption
Balancing		System wide balancing, back-to-back cashout

The bad



	Efficiency	Reliability	Safety	Environment	Fairness	Overall
ICAs						
Liabilities						
Pricing						
Balancing						
Products						
Quality						

The bad



	Overall	Main aspects of design contributing to result
ICAs		Uncertain ICA terms
Liabilities		Uncertainty regarding aspects of the liability arrangements and concerns regarding reallocation of risk
Pricing		High incentive charges exacerbated by rebate arrangement
Balancing		Unknown balancing tolerances
Products		Transition costs, increased nomination workload, AHP uncertainty
Quality		Reduced protection from non-spec gas

Main changes identified in the FAP



- Uncertain ICA terms
- Uncertainty regarding aspects of the liability arrangements and concerns regarding reallocation of risk
- High incentive charges exacerbated by rebate arrangement
- Unknown balancing tolerances
- Uncertain AHP arrangements
- Transition costs, and increased nomination workload
- Reduced protection from non-spec gas



- Daily product, single receipt zone, and congestion management products
- Usage based prices, zoned prices, zero receipt zone price, market based congestion price, and payments for interruption
- System wide balancing, back-to-back cashout

FAP assessment of other aspects of the New Code

Other “red-arrows” summarised in FAP Appendix E



- Absent Metering Requirements document
- Absent Wash-up agreement
- IPs can't choose allocation method, even if they own and control the RP or DP
- OFOs may not be directed at party best able to respond
- Negotiated SAs and IAs may undermine benefits of PRs and/or competition
- Cost of PR auctions
- Short term of GTAC
- 9 month interval between special tests

PAP v FAP changes to “red-arrowed” items

- Some aspects of New Code were assessed as negative in PAP, but neutral in FAP
- For example:
 - concerns that mass market retailers are unable to obtain sufficient PRs to cover their demand
 - unfair to expect that a shipper would always be able to comply with an OFO and should always be exposed to liability
- No longer negative because we acknowledged current arrangements are no better
- Although no longer “red-arrowed” these concerns are shared by a number of submitters

How can we improve the next assessment?

Scope to improve the analysis

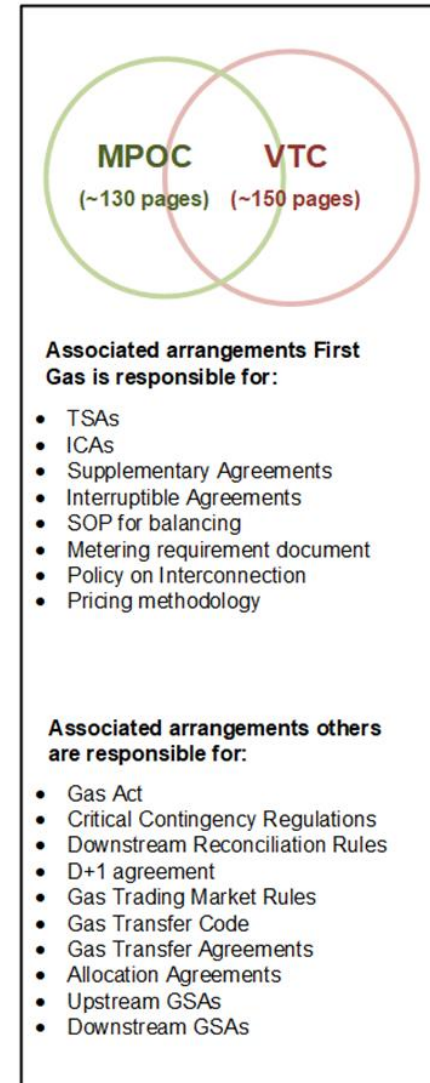
- We welcome any suggestions on how we can improve the analysis
- For example:
 - Is there a better way of analysing the “associated arrangements”?
 - Are there aspects of the New Code that were not addressed (eg Greymouth has suggested that downstream allocation requires more attention because the status quo is that the VTC has an associated downstream allocation methodology that would expire with the VTC)
- Also, would it be helpful for GIC (either on its own or together with the Independent Facilitator and/or others) to describe the key issues raised at each topic workshops?

GTAC Access Regime



V

MPOC/VTC Access Regime



Associated arrangements First Gas is responsible for:

- TSAs
- ICAs
- Supplementary Agreements (NRE) (NA)
- Interruptible Agreements (NRE) (NA)
- Wash-up Agreement (NA)
- SOP for balancing (NA)
- Metering requirements document (NA)
- Policy on Interconnection (NA)
- Pricing methodology (NA)
- Park and Loan (NA)
- PR auction rules (NA)

GIC has not reviewed the existing documents

New Code document was not available for review

Submissions

Submissions

- 3 sets of submissions are relevant:
 - New Code submissions – 22 January 2018
 - PAP submissions – 19 March 2018
 - Cross-submissions – 16 April 2018

discussed in:
GIC's Preliminary
Assessment Paper (PAP)
– 13 February 2018

discussed in:
GIC's Final
Assessment Paper (FAP)
– 25 May 2018

Design/transition suggestions not considered in our analysis (1)

- Submitters suggested many alternative design features and transition arrangements
- The New Code design/transition are matters for First Gas and its stakeholders... GIC's role is to assess the New Code against the current terms and conditions
- However, we note a number of these suggestions here so they are not lost to the ongoing design work
- Submitter design/transition suggestions included:
 - PRs should be recognised by the CCO when curtailment notices are given (Fonterra, PAP submission, Q7)
 - GTAC should use the MPOC/VTC liability wording (Fonterra, PAP submission, Q10 and Q18)
 - There should be full visibility on how and why SAs are granted (Fonterra, PAP submission, Q14)

Design/transition suggestions not considered in our analysis (2)

- Transitioning SAs should be independently reviewed (Greymouth, PAP submission cover letter)
- RPO disputes or queries should be assessed by an independent party (Greymouth, PAP submission cover letter)
- All Associated Arrangements (eg PR auction rules) need to be complete for a proper assessment to be made (Greymouth, PAP submission, Q1)
- Metering Requirements documentation needs to be complete for a proper assessment to be made (Methanex, PAP submission, p7, para 22)
- FG should consider nomination practice in UK (MGUG, PAP submission, Q15)
- In the interests of transparency, there should be a list of disclosures that are available to shippers and interconnected parties but not other interested parties (MGUG, PAP submission, Q23)
- OBAs should apply at all Maui pipeline RPs and DPs (Methanex, PAP submission, p5, para 13)

Design/transition suggestions not considered in our analysis (3)

- The ability of a shipper or an interconnected party to appoint an auditor to undertake an audit of First Gas' operating procedures in MPOC s24.6 appears to have merit, particularly in incentivising appropriate behaviours. (Methanex, NC submission, para 62)
- First Gas anticipates an annual code update and a shipper forum to evolve the code in line with industry needs (First Gas NC Submission, 17 Code Changes)
- Regulation is preferable, for example, to avoid the prohibitive costs associated with enforcement and dispute resolution (Trustpower, PAP submission, p9, para 10.1.4)

Heat Map of New Code submissions (ie how much better or worse do stakeholder believe the New Code provisions are, compared to the current terms of access and use)

	First Gas	Contact	Fonterra	Genesis	Greymouth	MGUG	Methanex	Shell	Todd	Trustpower	Vector	FAP
* Gas transmission products	Green	Light Green	Light Green	Light Green	Light Green	Light Green	Red	Orange	Light Green	Red	Light Green	Green/Red arrows
* Pricing	Green	Light Green	Orange	Red	Light Green	Orange	Orange	Orange	Light Green	Orange	Light Green	Green/Red arrows
Energy Quantity Determination	Grey	Grey	Grey	Grey	Orange	Grey	Orange	Grey	Grey	Grey	Light Green	Green/Red arrows
Energy Allocations	Grey	Grey	Grey	Grey	Orange	Grey	Orange	Orange	Grey	Grey	Light Green	Green/Red arrows
* Balancing	Green	Light Green	Light Green	Light Green	Red	Light Green	Red	Red	Light Green	Light Green	Orange	Green/Red arrows
Curtailment	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Orange	Grey	Light Green	Light Green	Light Green	Green/Red arrows
Congestion Management	Green	Light Green	Light Green	Light Green	Orange	Light Green	Light Green	Light Green	Light Green	Red	Light Green	Green/Red arrows
* Gas Quality and Odourisation	Light Green	Light Green	Orange	Light Green	Light Green	Light Green	Red	Light Green	Light Green	Light Green	Red	Green/Red arrows
Prudential Requirements	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Green/Red arrows
Force Majeure	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Green/Red arrows
* Liabilities	Light Green	Orange	Orange	Light Green	Light Green	Light Green	Red	Red	Orange	Light Green	Red	Green/Red arrows
Code Changes	Green	Red	Light Green	Light Green	Light Green	Green	Orange	Light Green	Light Green	Light Green	Light Green	Green/Red arrows
Dispute Resolution	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Green/Red arrows
Term and termination	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Green/Red arrows
Confidentiality	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Green/Red arrows
Assignment	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Green/Red arrows