

MEMORANDUM

TO: Stakeholders
 FROM: First Gas
 DATE: 29 June 2018
 RE: GTAC Workshop Plan

This memo sets out a proposed set of workshops and supporting documents to be completed before the GTAC is resubmitted to the GIC. These workshops are based on the workplan discussed at the stakeholder workshop on 21 June 2018 and the stakeholder feedback on the proposed workshop topics, order and structure.

Stakeholders have agreed that the GIC’s Final Assessment Paper (FAP) provides the basis of the proposed workshop plan, and this aligns well with the priority issues identified by stakeholders from our memo of 19 April 2018. Stakeholders have also agreed that to maximise the potential for a 1 October 2019 implementation date, the industry will commit to an initial set of multi-day workshops.

We will retain flexibility to add or remove items from the workplan where there is consensus among stakeholders that doing so will help to achieve the materially better test. We will also look to optimise the programme as the process progresses to ensure the best use of everyone’s time.

Timeline Overview

An overview of the proposed timeline of meetings and submissions that we consider would enable a 1 October 2019 go live (if the GTAC is approved) is provided in the table below. This timeline will be reconsidered from time to time during the work programme to confirm that it remains fit for purpose in making progress towards the objective.

Item	Timing
Workshop Block 1 <ul style="list-style-type: none"> • Workstream 1 – ICAs (1.1 - 1.2) • Workstream 2 - Linepack Management and Intraday Flexibility (2.1 - 2.4) • Workstream 3 – Nominations and Governance (3.1 - 3.3) 	10 - 12 July
Metering Requirements Technical Meeting	mid-July
Workshop Block 2 <ul style="list-style-type: none"> • Workstream 1 – ICAs (1.3 – 1.5) • Workstream 4 – Liabilities (4.6) • Workstream 5 – Transmission Fees (5.1 – 5.3) 	7 - 9 August
Workshop Block 3 (Spare)	22 - 23 August
Workshop Block 4 <ul style="list-style-type: none"> • Workstream 4 – Liabilities (4.1 – 4.8) • Workstream 3 – Nominations and Governance (3.4 – 3.7) 	28 - 30 August
Release GTAC for Stakeholder Consultation	mid-September
Workshop Block 5 <ul style="list-style-type: none"> • Workstream 6 – Supporting Arrangements (6.1 – 6.5) 	18 – 20 September
Consultation on the GTAC ends	mid-October
Submit to GTAC GIC	end October
GIC Preliminary Assessment Paper (PAP) Released	Early December
Consultation on the PAP ends	Mid-January
GIC Final Assessment Paper Released	End-February

This timetable does not allow for any cross-submissions on the PAP submissions.

We acknowledge that the above timetable does not allow for a 9-month IT delivery programme. This will impact the time available for stakeholders to test the IT system. We therefore welcome input from stakeholders suggestions from stakeholders on resolving this issue.

Workshop Process

The workshops will follow the process below for releasing material ahead of the workshops and integrating the outcomes from the workshops into the GTAC:

- One week before workshop: Agenda and supporting material released
- One week after workshop: Outcomes documented
- Two weeks after workshop: Drafting changes released for consultation
- Four weeks after workshop: Comments due on drafting changes
- Six weeks after workshop: Drafting incorporated into GTAC

The following tables take the workshop contents agreed on 21 June 2018 (the first four columns) and add an objective, supporting material and an indicative timing for each topic.

Metering Requirements Technical Meeting

In addition to the workshops, a meeting will be held in Bell Block to discuss the technical issues around the Metering Requirements. This will be scheduled for mid-July and convened outside the main workshop process. We ask that stakeholders nominate technical experts for this meeting. Please contact John Blackstock for inclusion in the attendance list john.blackstock@firstgas.co.nz.

Workshop Block 1 – 10-12 July

Location: GIC, Wellington

Tuesday 10 July (10am – 5pm)

		GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing
Workstream - 1 ICAs						
1.2	Core terms of interconnection	s.7.13	D.1 1. The core terms of interconnection should be standard across all interconnected parties (so that coherent, non-discriminatory access is assured). Except to the extent that individually negotiated terms are appropriate.	Determine which are the common and essential terms of interconnection that need to be standardised	<ul style="list-style-type: none"> Information on current number of ICAs, termination, counterparties, confidentiality Summary of possible core terms and their treatment under MPOC, VTC and GTAC template ICAs 	10-12pm
Lunch						
1.1	Integration of ICAs in the Code	s.7.13	D.1 2. Terms that apply to interconnected parties through ICAs must mesh with the terms that apply to all other interconnected parties and to Shippers through TSAs. The Terms and conditions of access to, and use of, the gas transmission system must be fully described for all system users and be coherent (i.e. work together).	Establish how ICAs should be integrated into the GTAC (e.g. via a list in the GTAC, specification of common terms in the GTAC, or some other form)		1-2pm
Workstream 2 - Linepack Management and Intraday Flexibility						
2.4	Allocation methods (upstream and downstream)	6	<ul style="list-style-type: none"> Range of receipt point and dedicated delivery point allocation methods lack clarity/specificity (18) Absence of D+1 agreement under GTAC to replace existing one under VTC 	Clarify allocation methodologies and how these are specified		2-5pm

Wednesday 11 July (9am – 5pm)

		GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing
Workstream 2 - Linepack Management and Intraday Flexibility						
2.1	Taranaki Target Pressure	7.13 (e)	<ul style="list-style-type: none"> • Efficient and prudent to at least maintain level of control under MPOC (187) <ul style="list-style-type: none"> ○ Reasonable endeavours to keep between 42-48 ○ Reasonable endeavours to keep towards low end ○ Reference to aggregate ERM ○ RPICA not mirror of section 7.13(e) (180) ○ Inclusion in the GTAC as well as in the ICAs (per 7.13) 	Revise treatment of Taranaki Target Pressure in GTAC to address concerns highlighted in FAP		9-10am
2.2	Balancing	8	<ul style="list-style-type: none"> • FG has not defined the amount of linepack to be set aside for shipper tolerances and no constraint on setting tolerances. As this is outside GTAC, there is no constraint on FG to act neutrally (19, 75) • Principles for setting running mismatch tolerances or the tolerances themselves to be included in GTAC (19, 75) • First Gas role as balancing agent 	Clarify balancing regime	<ul style="list-style-type: none"> • Approach to setting Balancing Tolerances 	10am-12pm
Lunch						

		GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing
2.3	Peaking	3.26 - 3.33 11.5	<ul style="list-style-type: none"> Hourly overruns only apply at DDPs (13, 50, 61) HORs may be avoided through Specific HQ/DQ and AHPS but no guidance on how these will be applied. Potential for inefficient usage of the pipeline (55) AHPs are uncertain and require further design work (13, 50, 55). Case for applying AHPs not well justified (55) AHPs only available at DDPs – this is unfair (50) OBA parties don't have access to AHPs (18, 68) Operational flexibility important but should not be provided without discrimination (182) 	Discuss possible designs for peaking regime that address concerns raised in FAP	Peaking design <ul style="list-style-type: none"> Purpose of peaking regime Design options to manage peaking 	1pm-5pm

Thursday 12 July (9am – 3pm)

		GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing
Workstream 3 - Nominations and Governance						
3.1	Nominations	4	<ul style="list-style-type: none"> Burden largely on shared delivery points. UK system operator makes nominations on behalf of mass market load (46) IPs approval of nominations Nominations cycles and ability to manage exposure to overrun/underrun charges 	Ensure that nominations processes are appropriate for all customer classes to use the system and manage risk	<ul style="list-style-type: none"> Description of UK mass market nomination system Suggestions for design of mass market nomination system for GTAC 	9-11am
3.2	PRs	3.13, 3.25	<ul style="list-style-type: none"> FG discretion to negotiate SAs could allocate scarce capacity outside PR process (88) Transfer between end-users if they change shippers not clear (43) Shippers may not give best estimate of capacity and FG may not police this (43) 	Identify changes required to address PR issues raised in FAP		11am-12pm
	Lunch					
3.3	Wash-up principles and approach		<ul style="list-style-type: none"> Wash-up agreement should be simple to prepare (68) Not concerned that a wash-up agreement is still to be negotiated (126) 	Present washup principles for consultation with shippers	Washup Principles <ul style="list-style-type: none"> Current arrangements Proposed arrangements 	1pm-3pm

Metering Requirements Technical Meeting – July

Location: New Plymouth

No.	Topic
2.5	Metering Requirements Technical Update

Convenors: Len Rodenburg, John Blackstock (First Gas)

Location: First Gas Offices, Bell Block

Attendees to be advised by stakeholders

Workshop Block 2 – 7-9 August

Location: Wellington

Tuesday 7 August (10am – 5pm)

	GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing	
Workstream 1 – ICAs						
1.3	Core terms of interconnection	s.7.13	<ul style="list-style-type: none"> • Accuracy requirements need to be contained within the ICA (65) • OBAs have no entitlement to AHPs, etc. (18, 68). IC parties discouraged from using OBA accordingly • Shippers not best placed to choose the allocation method (68) • IPs best placed to react to OFOs under curtailment (21, 83) • Obligations to protect customers from non-spec gas have been reduced, in particular the shipper right to seek confirmation of compliance (94) <p>D.1 Needs to include:</p> <ul style="list-style-type: none"> • 7.13(b) Metering requirements (location, ownership, monitoring rights) (160) • 7.13(g) details on disclosure of outage information (27, 160) • 7.13(r) liability (160) • 12.2 injection and monitoring of off-specification gas (160) • Assuring equality of access to IPs • Need to mesh, shipper and IP and those of other IPs to ensure there is coherency of arrangements <p>2. Absence of confidentiality arrangements for IC parties (27)</p>	Determine detail of core ICA terms	<ul style="list-style-type: none"> • Summary from GIC of core terms and comparative Treatment under FG Existing ICAs 	10am-5pm

Wednesday 8 August (9am – 5pm)

		GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing
Workstream - 1 ICAs						
1.3	Core terms of interconnection		As per Tuesday Workshop	Determine detail of core ICA terms		9am-12pm
Lunch						
1.5	OFOs/Curtailment	9.12 and 4.18	<ul style="list-style-type: none"> Deemed non RPO if fail to comply with OFO (21) (alongside Liabilities Workstream) Adverse timing implications of replacing MPOC section 15.2 with option for shippers to request an extra intra-day cycle under GTAC 4.18 (22) 	Define OFO curtailment mechanisms to address FAP findings		1-3pm
1.4	Associated documents (how they will be integrated into code)	IC Policy Metering Reqts	<ul style="list-style-type: none"> Absence of Metering Requirements document so can't be assessed by GIC (64) Not having Metering Requirements document as a schedule so can be changed without consultation (64) 9 month interval between special tests is worse than under VTC and MPOC (16, 64) Obligations to protect customers from non-spec gas have been reduced including shipper right to seek confirmation of compliance (94) 	Establish how associated documents will be integrated into the code given ICA outcomes	IC Policy	3-4pm
Workstream 4 - Liabilities						
4	Presentation on proposed liabilities framework	16	<ul style="list-style-type: none"> Concerns expressed about subrogated claims provisions (16.12) and exclusion of liability for third party losses in context of non-spec gas (16.2) (184) Inability to take action on behalf of another party and First Gas in relation to the same event 	Present proposed treatment of liabilities to be discussed during next workshop block	Summary of proposed approach to redrafting liabilities provisions	4-5pm

Thursday 9 August (10am – 3pm)

		GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing
Workstream 5 - Transmission Fees						
5.1	Transmission incentive fees (daily overruns/ underruns)	11.4	<ul style="list-style-type: none"> Incentive charges (daily overruns/underruns) not symmetrical (12) Level of incentive charges too high (12) May encourage inefficient pipeline usage decisions or excessive efforts for nominations accuracy (54) Higher fees should not apply at congested delivery points when congestion is not evident (13, 55) High incentive charge reduces competition as it is not cost reflective (13, 60) Disproportionately high in non-congested situations (60) Hourly overrun fees and rebates 	Discuss level of incentive fees Identify changes to ensure higher fees only apply when congestion is in place	Transmission pricing dry run <ul style="list-style-type: none"> Indicative pricing to illustrate pricing approach under GTAC Overrun Fee at F1.5, Underrun Fee at F -2 Presentation on estimated quantum of incentive fee revenue at this level 	9am-11am
5.2	ERM	8.11	<ul style="list-style-type: none"> Asymmetry of ERM charges may create inefficient incentive to park gas (15, 57) ERM charge may not be effective relative to market spread (App D - 173) Ability to change ERM fees (21) 	Discuss options for ERM fee symmetry and change process		11am-12pm
	Lunch					
5.3	Rebate	11	<ul style="list-style-type: none"> Rebate mechanism worse due to a new entrant coming up against incumbents with rebates (59) Pass-through of rebates may increase costs to consumers 	Discuss options for rebating differences between revenue cap and actual revenue		1pm-3pm

Workshop Block 3 – 22 to 23 August (overflow meetings)

Location: Auckland

Wednesday 22 August (10am – 5pm)

	GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing

Thursday 23 August (9am – 3pm)

	GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing

Workshop Block 4 – 28 to 30 August

Location: Wellington

Tuesday 28 August (10am – 5pm)

		GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing
Workstream 4 - Liabilities						
4.1	Interaction between TSAs and ICAs	7	<ul style="list-style-type: none"> Differences between liability arrangements (183) 	Determine liability provisions	<ul style="list-style-type: none"> Liability section – proposed redraft 	10am-5pm
4.2	Definition of RPO	1.1	<ul style="list-style-type: none"> Including “having due consideration to other users of the Transmission System” (183) 			
4.3	FG liability for non-spec gas	12.11	<ul style="list-style-type: none"> Liability for non-spec gas excluded and inconsistent with 12.3 (183) 			
4.4	Inflation of liability caps	16.4/1 6.5	<ul style="list-style-type: none"> Liability caps imported without adjustment for inflation. (183) Not clear if charges included within caps (183) 		<ul style="list-style-type: none"> Review of liability caps adjusted for inflation 	

Wednesday 29 August (9am – 5pm)

		GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing
Workstream 4 - Liabilities						
4.5	Deeming non-RPO	16.1 9.12(b) 11.9(b) 12.2 12.10	<ul style="list-style-type: none"> Deeming non RPO for injection of non-spec gas and non-compliance with OFOs (184) 	Redraft liability provisions to address FAP findings		9am-5pm
4.6	Subrogated claims and indemnity arrangements for non-specification gas	16.12 16.2	<ul style="list-style-type: none"> Concerns expressed about subrogated claims provisions (16.12) and exclusion of liability for third party losses in context of non-spec gas (16.2) (184) Inability to take action on behalf of another party and First Gas in relation to the same event 			
4.7	Incentives Pool and BPP		<ul style="list-style-type: none"> No equivalent mechanism to the MPOC Incentives Pool and BPP (184) 			
4.8	Mitigation obligation	16.1; various	<ul style="list-style-type: none"> Loss mitigation concept expressed in an inconsistent way 			

Thursday 30 August (10am – 3pm)

		GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing
Workstream 3 - Nominations and Governance						
3.4	Termination	19	<ul style="list-style-type: none"> Parties should be able to remedy default rather than terminate (105) Termination if unpaid for 10 business days is unfair (105) Termination should depend on expiry or sale of all PRs (106) Term too short to be efficient (103) Continuity following termination (111) 	Determine changes to termination provisions required to resolve issues identified in FAP		9am – 11am
3.5	Confidentiality	20	<ul style="list-style-type: none"> Should have ability for other parties to identify material as confidential (106) CA should be required for authorised disclosure (106) MPOC clearer on obligation on FG not to disclose confidential information (106) Shipper should have an ability to appoint an auditor (106) Link between confidentiality and termination Requirements to publish information 	Determine changes to confidentiality provisions required to resolve issues identified in FAP		11am-12pm
Lunch						
3.6	Supplementary Agreements Governance	7.1	<ul style="list-style-type: none"> Checks and balances on entering into SAs (44) No requirement for FG to publish its analysis (163) Impacts of legacy SAs on MPOC parties 	Resolve issues with SA governance and transparency	<ul style="list-style-type: none"> Data on current number of Agreements, termination, counterparties, confidentiality Summary of key terms and purpose 	1-2pm
3.7	Change Requests	17	<ul style="list-style-type: none"> 5 business day deadline for additional information is unfair (26, 105) Draft change request timing does not give enough time for change requestor to review submissions (26, 105) 	Address issues with Change Request process timeframes	<ul style="list-style-type: none"> Review of Change Request Timeframes 	2-3pm

Workshop Block 5 – 18 – 20 September

Location: Wellington

Tuesday 18 September (10am – 5pm)

		Objectives	Supporting Material	Indicative Timing
Workstream 6 - Supporting Arrangements				
6.1	Metering Requirements	Present Metering Requirements	<ul style="list-style-type: none"> Metering Requirements 	TBD
6.2	Balancing SOP	Present Balancing SOP	<ul style="list-style-type: none"> Balancing SOP 	TBD

Wednesday 19 September (9am – 5pm)

		Objectives	Supporting Material	Indicative Timing
Workstream 6 - Supporting Arrangements				
6.4	PR Auction Terms Scoping	Present scope of PR Auction Terms	PR Auction Terms Scoping <ul style="list-style-type: none"> What will be in the Auction T&Cs How they will be developed for approval by GIC 	TBD
6.5	Transitional Arrangements	Present proposed plan for transitional arrangements	Transitional Arrangements <ul style="list-style-type: none"> Scope of arrangements How they will be resolved 	TBD

Thursday 20 September (9am – 3pm)

		Objectives	Supporting Material	Indicative Timing
Workstream 6 - Supporting Arrangements				
	EMS Tradeport Arrangements	Present proposed arrangements with EMS Tradeport		TBD