

MEMORANDUM

TO: GTAC Stakeholders
FROM: First Gas
DATE: 24 July 2018
RE: Block 1 Outputs – 7 Peaking Regime

This memo sets out the proposed elements of the proposed GTAC Peaking Regime. This memo is based on the outcomes of the discussion at the workshop on 11 July 2018 as per the Draft Minutes issued by the GIC on 17 July. This design will be discussed at the workshop on 9 August 2018. Following this discussion, drafting will be issued showing how the Peaking Regime will be implemented in the GTAC.

Final Assessment Paper (FAP) Findings

The findings of the FAP were as follows:

- Agreed Hourly Profiles (AHPs) are uncertain and require further design work (13, 50, 55). Case for applying AHPs not well justified (55)
- The fact that AHPs are only available at Dedicated Delivery Points (DDPs) is unfair (50)
- Hourly overruns only apply at DDPs is unfair (13, 50, 61)
- HORs can be minimised through Specific HQ/DQ and AHPs, but there is no guidance on how these will be applied. This creates the potential for inefficient usage of the pipeline (55)
- OBA parties don't have access to AHPs which is unfair (18, 68)
- Operational flexibility important but should not be provided without discrimination (182)

Position reached

The general preference was to focus on "Option 1" (defining the characteristics of the flows in a peaking regime) rather than "Option 2" (RPs and DPs greater than 200GJ/h). However, there were a number of detailed questions regarding the design of Option 2. The general view was that a further workshop session is required to discuss the design of a peaking framework before proceeding to detailed drafting.

Proposed solution

The outline below sets out a proposed solution based on Option 1 presented at the workshop.

Characteristics of flows to be included in the Peaking Regime

1. Producers or Users that can inject or take their daily flow in less than 16 hours; and
2. Producers or Users that can rapidly ramp up and down their injection or load within an hour; and
3. Users that have the capacity to take the more than 50% of the capacity of the network at their location or Producers that have the capacity to over or under inject gas at a rate that can adversely affect the linepack and/or pressure in the receipt zone, or pipeline system; and

4. Producers or Users that are in control of their usage or injection.

More detail on this discretion could be provided through the Balancing SOP to determine the details.

Shippers will need to provide information on loads at shared Delivery Points that meet these criteria.

Requirements on users in the Peaking Regime

1. An AHP must be submitted for all dedicated delivery point or receipt points included in the Peaking Regime for each day
2. The TSO will assess the profile and accept unless there is insufficient capacity.
3. The TSO will regionally curtail flows equally across all shippers in the affected areas. This will include users not subject to the Peaking Regime.
4. The party submitting an AHP may change an AHP at any ID cycle
5. If there are multiple parties delivering to a user in the Peaking Regime then multiple AHPs will need to be submitted.
6. If the delivery point is under an OBA then the AHP will be submitted by the OBA Party

Charging Under the Peaking Regime

1. The DNC for the day for the delivery point will be the sum of the hourly quantities (HQs)
2. Provide for Incentive fees (in GTAC and ICAs) to ensure compliance with the profile:
 - If max. flowed HQ > 1.25 x max. nominated HQ (NHQ) of the profile, charge for the additional capacity used on an hourly basis, i.e. $\sum(\text{flowed HQ} - \text{NHQ})_i$ for each HQ-NHQ > 0
 - This is summed to give the additional capacity used for the day
 - DNC is charged at prevailing rate for the delivery point or the average DNC if peaking is at a receipt point the charge is based on the average DNC for the Transmission System
3. The charges under the scheme will represent DNC purchased and added to DNC for the day. This avoids double charging for daily and hourly peaking.

Planned Maintenance Profiles

1. Large receipt and delivery points will need to provide shut down and start up profiles for planned maintenance.
2. Points requiring a profile will be those where the TSO has a legal requirement to provide these under the CC Regulations.
3. This profile will be provided for approval by the TSO
4. This profile will not be subject to the Peaking Regime and will not link to DNC
5. The Interconnected Party will have an obligation to update the TSO on changes to the profile

Unplanned Downtime

1. No formal profile will be required
2. There will be an obligation to inform the TSO of the time to coming back online.
3. The Interconnected Party will have an obligation to update the TSO on changes to the profile

Points raised during discussion

Item	Addressed by
<p>1. First Gas to provide clarity on the users who will be subject to the peaking framework, including how each of the four criteria are applied and First Gas's ability to "look through" to peaking parties who are not directly connected to the transmission network</p>	<p>All criteria must be met for the load to be included in the Peaking Regime.</p> <p>Based on a preliminary assessment, the Delivery Points/Users we would see being subject to the Peaking Regime, based on meeting the criteria are:</p> <ul style="list-style-type: none"> • Whakatane Board Mills • Refining New Zealand • Huntly Power Station • TCC DP • Stratford DP2 (Stratford peakers) • Stratford DP3 – delivery of gas to storage • Mangorei DP (Nova's new peakers yet to be built) • Kinleith • Te Rapa DP • Methanex Motunui • Methanex Waitara Valley • Any future peaking power stations <p>Receipt Points we would see being subject to the Peaking Regime, based on meeting the criteria are:</p> <ul style="list-style-type: none"> • Oaonui • Kupe • Pohokura • Tikorangi 1, 2 & 3 • Turangi • Kowhai • Stratford DP3 – receipt of gas from storage <p>This list is preliminary and detailed analysis of loads and capacity is required for this list to be completed.</p> <p>Shippers will need to provide information on loads meeting the criteria for peaking. As these would need to have TOU metering, the loads</p>

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	would be visible to First Gas through other sources of information (e.g. DRRs, CCO) this would allow First Gas to audit Shipper compliance with this requirement.
2. Consider a mechanism to address Vector's concerns about two shippers delivering to a Dedicated Delivery Point	Both shippers would be required to provide an AHP for that point which would be added together for analysis purposes.
3. First Gas to consider whether the peaking framework is affected by non-standard arrangements	Existing Supplementary Agreements are not able to be altered to apply the Peaking Regime. New arrangements would include the Peaking Regime.
4. First Gas to consider stakeholder concerns about the lack of certainty regarding the peaking fee and the potential for it to be out of proportion to the system impact (noting the comments from some parties that this concern is linked to the discussion around overrun and underrun fees at the next workshop)	Charging is based on the DNC at the point in the system and is based on charging for additional system usage on an hourly basis. We believe that DNC is the correct basis for charging. The additional hourly DNC purchased is added to the DNC for the user. This ensures that the user will not be exposed to Daily Overrun Fees in addition to Peaking.
5. First Gas to reflect on approval of the previous day's agreed hourly profiles (AHPs), the conditionality of that approval and timing	Approval of AHPs will be in line with the nomination cycle. It will be no different to approval of any other nomination in terms of conditionality.
6. First Gas to confirm the position where an AHP is not approved and how the AHP ranks when compared to DNC. The group discussed the possibility for prorating nominations in a region.	We do not believe that DNC and AHPs should have any priority over one another. Curtailment of both profiles would be pro-rated on an equal basis. However, in making this statement we need to consider the nature of the profiles being compared. One profile is an hourly profile while the other is for gas delivery over a day. It would be inappropriate to curtail DNC and AHP if the peak of the AHP caused a problem during a particular hour while the overall volume of gas delivered by the AHP and DNC profiles over the day did not. First Gas needs to retain the flexibility to make these judgements about the profile.

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	<p>In proposing AHPs, First Gas is proposing a tool for gathering information about peaky loads to better manage the pipeline. Hence, if the peaking profile can be accommodated over the day, it will be. However, curtailment would be on a daily basis alongside other DNC nominations.</p>
<p>7. First Gas to consider whether unplanned outages should be excluded from the AHP framework and subject to a separate framework having regard to the need for First Gas to have information regarding outages.</p>	<p>First Gas has proposed a framework for unplanned outages as detailed above.</p>
<p>8. First Gas to consider the trigger for a peaking charge of a flow at a delivery point or receipt point that is 1.25 x maximum hourly flow.</p>	<p>First Gas has proposed a trigger for charging as outlined above.</p>