

MEMORANDUM

TO: GTAC Stakeholders
 FROM: First Gas
 DATE: 31 July 2018
 RE: Block 2 Supporting Materials – 6 Nomination Cycle Timing

During the GTAC workshop on 12 July stakeholders discussed the timing of nomination cycles and the number of cycles. This was in the context of peaking discussions as stakeholders noted that management of nomination accuracy would be assisted by more nomination cycles and different timing. Following the workshop stakeholders provided First Gas with proposals for timings. We would like to thank stakeholders for their inputs. This memo responds to the proposals made by stakeholders and proposes a way forward. This will be discussed at the workshop on 9 August in the context of the Transmission Incentive Fees discussion (5.1).

Current Nomination Cycle Times

The current nomination cycle time are as follows:

	Provisional	Changed Provisional	ID 1	ID 2	ID 3	ID 4
Nominations due	16:00	16:00	22:00	10:00	14:00	18:00
Confirmation due	17:00	16:30	22:30	10:30	14:30	18:30
Approved due	18:00	17:00	23:00	11:00	15:00	19:00

These nomination cycle times have been in place since 2015. Timings have been designed around the market opening times and D+1 information provision. The current ID1 duration is problematic for First Gas as it is 10 hours long. This currently creates issues for scheduling and therefore an additional cycle during this timeframe would be supported.

Proposals from Stakeholders

Three stakeholders provided feedback on the nomination cycle timing.

Methanex provided the following comments:

Methanex considers the optimal gap between ID cycles to be no more than 3-4 hours. To put matters into perspective, a complex outage at Methanex' Motunui plant would cause a gap between nominations and gas flows in excess of 6 TJ per hour until Methanex has an opportunity to renominate. This presents considerable risk to the system and users as a whole if Methanex is unable to signal the need for reduced gas injections by having to wait for a protracted period before it can renominate, bearing in mind that Section 15.2 of MPOC enables it to immediately curtail nominations. A three-hour lag would still see an 18 TJ imbalance emerge, but represents a reasonable trade-off given the inevitable time required to re-forecast/request/approve nominations.

We also recognise that there may be particular points in the day that gas-fired generators would like to set an ID cycle time in order to match certain electricity

market requirements so we are not opposed to some degree of asymmetry in timing between each cycle deadline. Our baseline proposal (based on nomination deadlines) is for eight ID cycles each day in the following form:

- *Maintain current ID 1 at 22:00 day prior*
- *Set ID 2 at 02:00*
- *Set subsequent ID cycles deadlines at 3-hour intervals thereafter with last cycle (ID8) at 20:00*

This structure would alleviate the main concern Methanex has with the loss of the curtailment rights set out in Section 15.2 of MPOC. At the same it would eliminate the need for ad hoc emergency ID cycles which Methanex considers to be fundamentally flawed in any case.

Nova provided a proposal for the following nomination cycle timing:

Cycle	CP	ID 1	ID 2	ID 3	ID 4	ID 5	ID 6	ID 7
Closing Time	16:00	23:00	5:00	10:00	13:00	15:00	18:00	21:00
Effective Time		0:00	6:00	11:00	14:00	16:00	19:00	22:00

This was based on the following rationale:

1. CP – Loaded the day before
2. ID1 – to effect the start of the gas day
3. ID2 – Takes effect pre-morning generation peak
4. ID3 – Post morning peak, an hour into the emsTradepoint day
5. ID4 – Post first D+1 data availability
6. ID5 – Post the second D+1 data availability
7. ID6 – End of day and evening peak adjustment, post confirmed D+1s
8. ID7 – Last chance balance, evening peak tidy-up

Greymouth also provided the following response:

We would prefer hourly cycles – i.e. 24, but possibly 12 if a 1 hour window for approvals cannot overlap with subsequent cycles being open.

Then the key thing would be optionality – i.e. it should be customisable for each shipper / ICA party as to whether they turn off or on cycles to use that are outside of their business hours.

Notwithstanding the above, if 4 cycles are to remain, we'd prefer the current timeframes as these were debated 'recently' even if that term is used loosely. If there is a 5th cycle, then it may make sense to put this in the early morning before the power peak, or later in the evening to provide added optionality for shippers.

First Gas assessment of stakeholder proposals

In assessing the proposals from stakeholders we have considered the following aspects:

- Whether the change will be beneficial for stakeholders in managing their position

- Whether the cycles will be well utilised by stakeholders
- The impact on First Gas operations of the changed cycle time and number

Greymouth Proposal

While the idea of 24 cycles or even 12 cycles is attractive from the perspective of providing flexibility, we do not believe that all cycles would be used. Moreover, as the gas market is not open 24 hours, cycles outside these times would be of limited value to stakeholders.

We also understand the attractiveness of optionality as proposed by Greymouth we feel that there would be difficulties in integrating the different cycle information together. This would potentially create additional workload if system checks fail. This is potentially more likely as the data sets will not be synchronised – nominations coming in at different times would be considering different system states and therefore could conflict.

Nova Proposal

We believe that the proposal will allow shippers to better manage and correct their position during the day for the following reasons:

- The increased number of cycles will allow shippers to correct their position more quickly
- The impact of balancing gas transactions will be realised faster on the pipeline, and also make it easier for Shippers to manage their own positions better by trading gas
- More frequent updates will make it easier for shippers to flow to nominations which may reduce the number of curtailments on the system
- The ID2 timing could reduce the number of curtailments required due to high pressure developing after the gas day starts but prior to the morning peak starting

In general we believe the proposal supports the GTAC concept of Shippers and OBAs being more responsible for their own positions.

There are some concerns with the proposal that will need to be managed:

- If scheduled maintenance of IT systems is required, this would only be possible between the start of IDs 1 and 2, and 2 and 3. This could make IT operations more difficult
- Workload for OBA parties may become a problem, unless this could be managed via system functionality e.g. blackout periods where OBA parties can auto-decline for a number of cycles or use of auto-approval functions within certain tolerances. The functionality of the IT system would need to be addressed during development
- Timeframes for assisting external parties with nomination queries/issues is reduced however there is also less time to wait to fix an error that gets through, due to more frequent cycles.

Methanex Proposal

The Methanex proposal provides useful context from a large user as to the scale of changes that can occur between nomination cycles. However, we feel that this timing does not take into account the timing of information flows that is evident in the proposal from Nova. The proposal from Methanex would see cycles at 14:00 and then 17:00. While the 14:00 would be timed following the D+1 data availability, the 17:00 cycle would be prior to the gas market

closing. We think it is preferable to target specific times when new information is available rather than even spacing.

Methanex raises valid concerns regarding the positions that could build up between cycles if there was an upset with a large facility like Methanex. However, we believe this is best dealt with using the Extra ID cycle rather than introducing additional cycles.

Proposed Nominations Schedule

Based on the assessment of the Nova proposal, First Gas is satisfied that this proposal will have benefits for Shippers and OBA Parties managing their position, will largely be utilised and will not have an adverse impact on First Gas operations. We would therefore support adoption of the cycle times proposed as shown in the table below.

Cycle	CP	ID 1	ID 2	ID 3	ID 4	ID 5	ID 6	ID 7
Closing Time	16:00	23:00	5:00	10:00	13:00	15:00	18:00	21:00
Effective Time		0:00	6:00	11:00	14:00	16:00	19:00	22:00

We make the following observations regarding the schedule:

- The CP timing could be shifted to 1800 to allow full use of the gas market prior to its current closing time of 1730hrs
- Between ID 3 and 4, 4 and 5, 5 and 6, 6 and 7, there is no room for an Extra ID cycle. We therefore propose that an Extra ID cycle is only allowed to be called between ID cycles 1 and 2 or 2 and 3

We look forward to discussing this proposal with stakeholders at the workshop on August 9.