

GTAC Workshop Block 2

8 August 2018

Firstgas

Agenda Items	Indicative Timing
<i>Workstream 1 – ICAs</i>	
1.3 Core Terms of Interconnection (contd.)	9am-11:30am
Trustpower Update on Commerce Commission Opinion	11:30-11:45am
Greymouth Discussion on Commerce Act Risk	11:45am- 12:00pm
Lunch	12-12:30pm
<i>Workstream 4 – Liabilities</i>	
4 Proposed Liabilities Framework	12:30-2:30pm
<i>Workstream 1 – ICAs</i>	
1.5 OFOs/Curtailment	2:30-4:00pm
1.4 Integration of Associated Documents into the code	4-5pm

Discussion Objective

Present proposed treatment of liabilities to be discussed during next workshop block

GTAC Reference

ss. 12 and 16

FAP Findings

- 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

Supporting Material

- Pre-release of presentation material

- First Gas acknowledges concerns raised in FAP and in prior industry submissions
- Proposed approach is to keep consistent with approach in existing codes:
 - to address concerns First Gas has sought to change existing responsibilities/liability allocations
 - consistent with broader approach of having regard to VTC approach (which is itself based on the MPOC approach)
 - current arrangements are well understood and commonly used in the past (including in ICAs)
- New subrogation concept is removed
- Deeming parties to be non-RPOs is removed
- Back to back non-specification gas indemnity included
- Liability caps adjusted upward to reflect historical inflation adjustments
- Consistent approach between GTAC and ICAs

FAP Findings

Interaction between the GTAC (TSAs) and ICAs.

GTAC s7 requires the liability arrangements in GTAC s16 to be reflected in ICAs. We think that approach does not take into account differences in the obligations that apply to Shippers and Interconnected Parties. Some of the obligations that apply to Interconnected Parties will require exclusions and limits on liability that are different to s16 of the GTAC

Proposed approach

- Liabilities sections to be set out in full in Schedules 5 and 6 of the GTAC (and therefore will be incorporated in full into each new ICA)
- Liabilities section in each new ICA to mirror the liabilities section in the GTAC. Required differences to be recognised as per FAP comments

FAP Findings

GTAC s1.1. definition of “*Reasonable and Prudent Operator*”

Reference to “having due consideration to other users of the Transmission System” may increase the scope for dispute give the vagueness of that concept

Proposal

- Retain current RPO definition, but address the comment that the last part of the definition is vague
- Specifically refer to other Shippers and Interconnected Parties who use the transmission system to inject, convey or receive gas
- Considered appropriate for Shippers and ICA parties to have regard to the position of other Shippers and ICA parties given nature of the system

FAP Findings

GTAC section 12.11

Unless it can be shown that First Gas caused gas to become Non-Specification Gas, we think that GTAC s12.11 effectively excludes any liability that First Gas may have for loss that a Shipper suffers in relation to the taking of Non-Specification Gas (whether the RPO standard has been breached or not)

Proposal

- Delete section 12.11 GTAC
- Reflect back to back indemnity concept raised by submitters prior to GTAC final assessment
- RP ICA parties give indemnity where they inject non-specification gas
- First Gas gives indemnity where Shipper takes non-specification gas at a DP (irrespective of whether First Gas is the causer)
- Subject to limitations in the liabilities section
- Reflects the approach used in the current VTC (which is based off the MPOC approach)

FAP Findings

GTAC ss16.4 and 16.5 “*Capped Liability*”

The liability caps under the GTAC appear to be adopted from the MPOC and the VTC. However, that does not take into account the fact that the caps in the MPOC and VTC have been adjusted for inflation on an annual basis since the commencement of those codes

Proposal

- Starting monetary caps in section 16.4 to be increased to current inflation adjusted levels
- \$10m becomes \$12.5m
- \$30m becomes \$37.5m
- Payments of charges and fees specified in the GTAC not to be the subject of the liability caps

FAP Findings

GTAC s16.2 “*Limitation of a Party’s Liability*”

This does not carve out liability for the injection of Non-Specification Gas (or other relevant liabilities) from the general exclusion of liability to third parties

Proposal

- Re-instate in section 16.2 of the GTAC the exception for payments by First Gas under the non-specification gas indemnity in section 12
- Same approach as taken in the VTC (which was based off the MPOC approach)

FAP Findings

GTAC s16.12 “*Subrogated Claims*”

Concerns as to effectiveness of new provision. In any event, not an improvement on current codes

Proposal

- Section 16.12 deleted in full
- Consistent with approach used in VTC and MPOC
- First Gas provides shipper indemnity for non-specification gas (irrespective of whether First Gas is the causer)

FAP Findings

MPOC s14 and s12.4 “*Incentives Pool*” and VTC s8 “*Balancing and Peaking Pool*”

There is no equivalent to the liquidated damages mechanism in the MPOC and the VTC if a Shipper or Welded Party is unable to offtake gas due to the actions of another Shipper or Welded Party. This risk remains under the GTAC, but the equivalent mechanism for a Shipper or Interconnected Party to recover loss under the GTAC is unclear

Proposal

- These pools not used in practice. Add complexity to the codes for no or negligible benefit given not used
- Appropriate structures and incentive payments have been (or will be) included in the GTAC after industry discussion
- Clear curtailment and OFO procedures, with ability for First Gas to enforce as required
- First Gas considers overall balance of GTAC on this issue is appropriate

FAP Findings

GTAC s16.1 and various references

There are various references to “*reasonable endeavours*” and “*to the fullest extent practicable*” in the context of the obligation to mitigate loss. This looks to be a consistency issue arising from the adoption of the VTC drafting for some provisions, while new drafting has been inserted for others

Proposal

- Use consistent terminology
- Base on the current language used in the corresponding provisions of the current codes

FAP Findings

GTAC ss16.1, 9.12(b), 11.9(b), 12.2, 12.10 and ICAs

The use of the RPO standard has been modified in the GTAC when compared to the MPOC and the VTC. Under the MPOC and the VTC the need to establish a breach to the standard of an RPO was only avoided in the case of the provisions regarding Non-Specification Gas (which is not the case under the GTAC), not other provisions. We think that exclusions from the need to establish a breach of the RPO standard should be reconsidered

Proposal

- Deemed non-RPO concept removed
- Specified breaches constitute failure to act as an RPO – precisely the same language as used in MPOC for injection of non-specification gas
- Not a broad RPO failure concept – limited to the specific provision concerned (as per MPOC)
- To apply to breach of OFO and overflow provisions given seriousness of consequences of breach (HSE, pipeline integrity). Will improve position of First Gas (and indirectly other “innocent” users) to recover from breaching party
- Consistent approach adopted in ICAs

Discussion Objective

Define OFO curtailment mechanisms to address FAP findings

GTAC Reference

ss. 9.12, 4.18

FAP Findings

- 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)

Supporting Material

- Nominations Cycle Timing

- Current nomination cycles:

	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

- Current cycle has a 10 hour gap between ID1 and ID2
- No allowance to adjust before morning peak
- FG recognises the issues with this gap
- Some stakeholders had suggested hourly cycle timings while others thought this would be problematic
- We think hourly cycles would lead to information getting out of sync as some parties wouldn't update

How should a revised new cycle times be assessed?

- Whether the change would be beneficial for stakeholders in managing their position
- Whether the cycles would be well-utilised by stakeholders
- The impact on FG operations

- Proposed nomination cycles:

	Provisional	Changed Provisional	ID 1	ID 2	ID 3	ID 4	ID 5	ID 6	ID 7
Nominations due	16:00	16:00	23:00	5:00	10:00	13:00	15:00	18:00	21:00
Confirmation due	17:00	16:30	23:30	5:30	10:30	13:30	15:30	18:30	21:30
Approved due	18:00	17:00	0:00	6:00	11:00	14:00	16:00	19:00	22:00

- Based on the following information provision:
 - CP – Loaded the day before
 - ID1 – to effect the start of the gas day
 - ID2 – Takes effect pre-morning generation peak
 - ID3 – Post morning peak, an hour into the emsTradepoint day
 - ID4 – Post first D+1 data availability
 - ID5 – Post the second D+1 data availability
 - ID6 – End of day and evening peak adjustment, post confirmed D+1s
 - ID7 – Last chance balance, evening peak tidy-up

Assessment

- *Does it assist stakeholders in managing their position?*
 - YES. Stakeholders can adjust timing prior to morning peak and at other times when new information is available
- *Is it likely to be well used?*
 - YES. Given links to new information provision stakeholders are likely to use it
- *Is there any adverse impact on FG operations?*
 - NO. FG operations feel it will improve their ability to manage the system due to better information

Considerations

- IT maintenance likely only to be performed between ID1 and ID3 as other windows would not be long enough
- Workload for OBA parties may be an issue, but there will be auto-approval functionality in the Tieto system
- Timeframes for assisting stakeholders would be reduced but also the time to wait to fix errors is reduced
- Extra ID cycles could only be inserted between ID1 and 2 and ID2 and 3 due to timing

Additional Option:

- Should the CP timing be moved to 18:00 to allow full use of the gas market prior to closing time of 17:30?

Extra ID cycle is the equivalent of MPOC 15.2 curtailment:

MPOC (s. 15.2)

WP may give notice to reduce the SQ due to:

- Non-spec Gas
- Unscheduled maintenance
- FM event
- Contingency event

Flows to/from that point are automatically curtailed

GTAC (s. 4.18)

Extra ID cycle may be called by a Shipper, OBA Party or FG due to:

- Unplanned outage
- Plant upset of major user
- Reduction in pipeline operational capacity

FG approves ID cycle and publishes reasons for cycle an hour prior to cycle

Key question:

- Are there issues with timing that need to be addressed?

First Gas Position:

- There is no link between receipt and delivery nominations to allow automatic curtailment to occur
- Users will need time to prepare to adjust their nominations

Current GTAC drafting could be improved to target curtailment following a receipt point outage:

GTAC Current

Receipt Points without OBAs have no nomination

Extra ID cycle can be called by Shipper to adjust nominations, but they may not be aware

Shipper subject to ERM

FG can curtail delivery points pro-rata but has no information to base this on

GTAC Proposal

Shippers required to nominate at receipt points without OBAs (s. 4.1)

Extra ID cycle called by FG due to outage at receipt point (s. 4.18)

FG adjusts nominations prior to Extra ID cycle:

- At RP: pro-rate receipts based on quantity being produced
- At DP: adjust deliveries of shippers from affected delivery point either pro-rata or based on pre-defined priority

Key questions:

- Do you agree that the TSO should be able to curtail deliveries if there are receipt point outages?
- Should all receipt points be subject to nominations? Should all IPs have an approval right?

First Gas Position:

- There is no link between receipt and delivery nominations to allow automatic curtailment to occur
- It would be advantageous to allow the TSO to step in to curtail deliveries in this instance

Discussion Objective

Establish how associated documents will be integrated into the code given ICA outcomes

GTAC Reference

Interconnections Policy
Metering Requirements

FAP Findings

- 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)

Supporting Material

- Interconnections Policy
- Metering Requirements Technical Meeting Outputs

Metering Requirements technical meeting outcomes **Firstgas**

Proposal

- Move to BS EN 1776 as the core standard for metering:
 - Outcomes-based standard which will give users flexibility in the design and maintenance of their Metering Systems.
 - revised in 2015 and therefore up to date with respect to gas metering technology.
- First Gas envisage that we will adopt any future revisions to this standard, thus keeping up with technology.
- Use NZS 5259:2015 for energy determination which is a standard tailored to the New Zealand situation.
- Supplement BS EN 1776 with a document to reflect system conditions/NZ requirements
- Supplement forms the basis of the 'Metering Requirements'
- No change proposed to metering corrections from existing 'Metering Requirements' document
- FG will move to new standard

Meeting Findings

- Move to BS EN 1776 supported
- Existing metering would be covered under existing standard and new standard adopted on an 'opt-in' basis.
- Maybe requirement for special terms required in ICAs for particular metering systems
- Potential for 'sunset clause' by which time all metering moves to a new standard
- Upgrades might trigger need to comply with new standard
- Minimum gap between special metering tests 2-3 months rather than 9 months

Actions:

- Targeted consultation on key points of discussion responses sought by 10 August
- Revised document issued for consultation early September for discussion at the workshops 18-20 September

What is Proposed for integrating Metering Requirements?

- First Gas is proposing a framework that retains a Metering Requirements (MR) Document that is referred to in both the GTAC and ICA's with Receipt and Delivery Point Interconnected Parties (IP)

GTAC

- Shipper focussed
- Requires Metering at every point
- Provision of Info e.g. DDRs/HDRs
- Special Testing
- Corrections under MR Document

MR Document

- A single set of metering technical standards, testing requirements and correction methodologies
- Refers to local and int. standards

ICAs

- IP focussed
- Metering Location
- MR Document referenced (new metering / testing / corrections)
- Provision of Info
- Special Testing

The GTAC allows Shippers to request testing of metering:

Current Provisions (ss. 5.3 and 5.4)

Shippers can request an unscheduled test but cannot do so within 30 days of previous testing and testing shall only be required once every 9 months

Costs are reimbursed by requesting party if the metering is accurate; otherwise costs are borne by FG

Issues raised in FAP

9 month interval is worse than MPOC (60 days) and VTC (90 days)

First Gas Position:

- We had based the interval on the practicalities of servicing large meters overseas and the improvements in metering technologies that make testing less critical
- We have received strong feedback that the interval should be 2-3 months and will make this change provided that allocation of costs remains the same

The move to new metering standards is currently optional:

Options

Set a long-stop date for implementation

Require metering owners to replace metering progressively when there is a significant upgrade

Issues

Requiring upgrades to metering imposes a capital cost on users

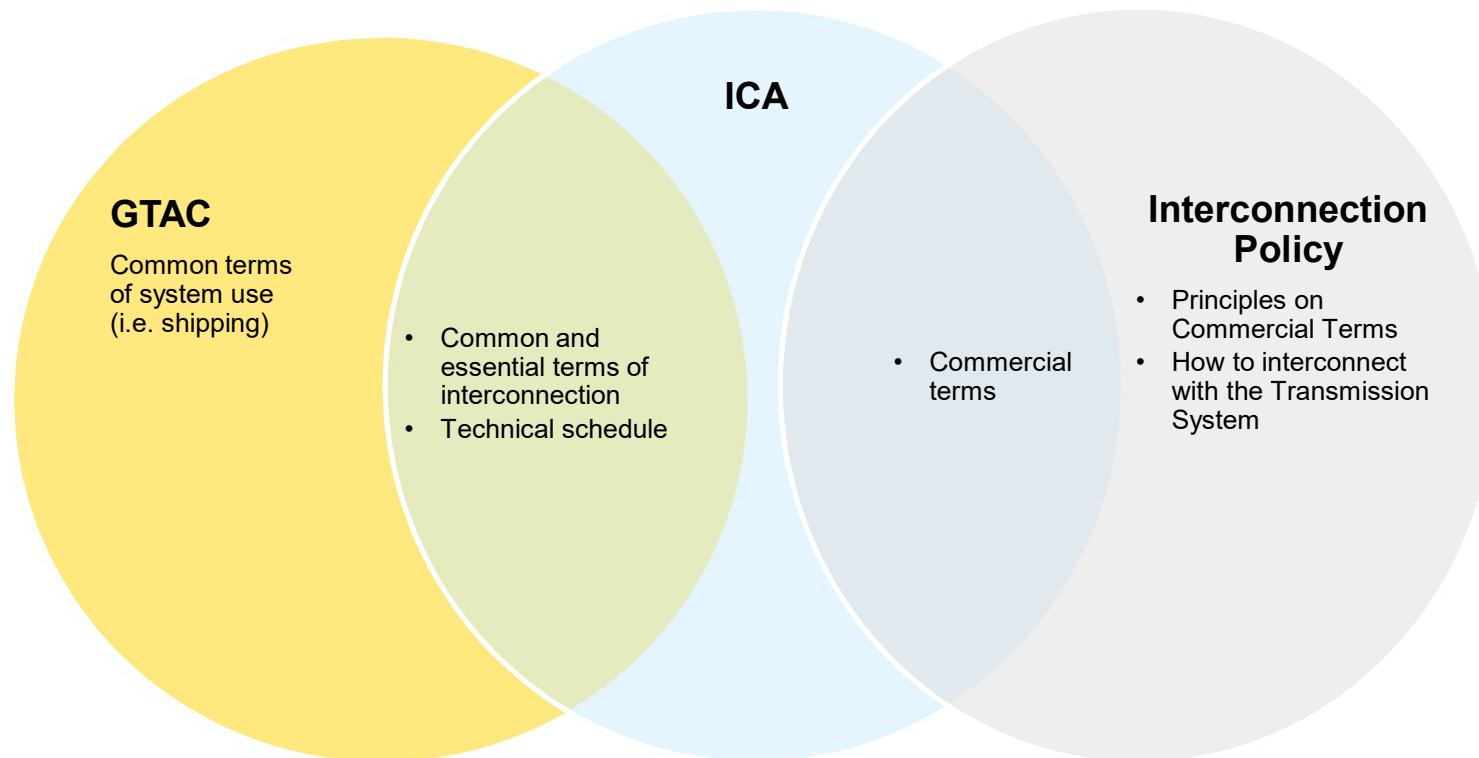
Would harmonise systems for FG

Users have the right of test so there may be no benefit in changing

First Gas Position:

- FG intends to adhere to its new standard
- We are happy to accept compliance on a voluntary basis and progressive basis
- We would support review in 2-3 years time if there remained substantial parts of the network on previous standard

- The Interconnection Policy is design as a 'how to' guide on connecting with the transmission system and the basis for the start of the relationship with Interconnected Parties



Contract Structure

- What contracts are required and how they interrelate
- ICAs, ICEAs (optional) and contracts with Shippers

Ownership

- Who owns what?
- Equipment – FG owns the hot tap 'T' and all DP infrastructure. IP owns RP infrastructure
- Land - FG will own DP land but may lease in some cases. FG will require access to RP land.

Technical Issues

- Interconnection at an Existing Station
- Gas Quality – relevant specifications
- Odourisation – relevant standards and ownership
- Repeats the ICA technical schedule in plain English

Design and Construction

- Principles if the DP/RP is being built by others
- Insurance and indemnities if construction by others

Financial Considerations

- Cost Recovery and Pricing – how recover of DP capital expenditure will be recovered in line with Commerce Commission Pricing guidelines. How operating expenditure will be recovered.
- Termination Fee – how this is set if it is required.
- Prudential Requirements

Transmission of Gas

- The Role of Shippers
- Insufficient Transmission Capacity – how FG will assess this
- Investment in Transmission Capacity – parameters under which FG will invest
- Transmission Pricing Agreement – how this can be used to promote investment in the network

Interconnection Process

- Application and Assessment – how to apply and what are the assessment criteria and timing
- Planning and Contract Negotiation Phases
- Design and Construction Phases

Have we got things in the right place?

- GTAC
 - S. 8 setting up connection between GTAC and schedules
 - Schedules 5 and 6 - Common and essential terms (technical and operational standards)
 - Operational terms than interact with shipping
 - Liabilities
- ICAs
 - Common and essential terms, plus:
 - Individual terms covering consenting, design and construction phases
 - Commercial terms
- Metering requirements
 - Technical standards that support metering arrangements in the GTAC and ICAs
- Interconnection Policy
 - Guidance on how to connect to the system
 - Principles on how the individual terms are to be negotiated

First Gas Position:

- We believe that these arrangements allow sufficient flexibility while ensuring there is enough transparency in the process