

MEMORANDUM

TO: Stakeholders
 FROM: First Gas
 DATE: 15 August 2018
 RE: Block 3 Support Materials – 3.6 Supplementary Agreements

This memo provides a summary of the Supplementary Agreements (SAs) currently held by First Gas in relation to the VTC. We outline here the number, key terms, term and purpose of the SAs where this information is not confidential. The purpose of this memo is to assist stakeholders in understanding the scope of SAs and their potential impact on operations under the GTAC. It is intended to support discussion at the workshop on 23 August.

Status of existing SAs under the GTAC

All existing Supplementary Agreements are governed by the VTC as the MPOC does not allow non-standard agreements. The VTC definition of SA includes Interruptible Agreements. Many SAs have been negotiated for a single year. Some will survive into the GTAC. First Gas intends to respect existing contract arrangements and any modifications to existing SAs will focus on necessary changes for operability. This is important to ensure operational certainty for Shippers holding SAs.

First Gas anticipates, however, that Shippers may no longer need some SAs under the GTAC due to the flexibility of capacity arrangements under the new code. First Gas has written to all shippers about that and to identify where SAs may no longer be required. First Gas will work with Shippers to ensure that existing SA arrangements are smoothly transitioned into the GTAC where necessary.

Current Supplementary Agreements

As at the date of this memo, 24 Supplementary Agreements exist, as shown in the table below.

Agreement Type	Number	Confidential
Supplementary Agreements	19	6
Interruptible Agreements	5	0
Total	24	6

Reasons for Supplementary Agreements

The 24 current Supplementary Agreements exist for the reasons set out below.

Reason for Supplementary Agreement	Number
Physical bypass opportunity	6
End-user's alternative fuel opportunity	4
Inflexibility of Reserved Capacity	8
To access marginal capacity above firm limit	1
To provide the end-user with capacity certainty	2
To improve First Gas' investment security	2
To encourage a new use of gas	1
Total	24

Expected Supplementary Agreements on 1 October 2018

The number of Supplementary Agreements expected at the start of 2018-19 comprises:

- Agreements with an expiry date later than 30/09/19, and
- Agreements First Gas has offered to Shippers to replace current, 1-year agreements.

Agreement Type	Number	Confidential
Supplementary Agreements	18	6
Interruptible Agreements	5	0
Total	23	6

SAs expected to continue into GTAC

Several SAs will expire during the next contract year and are unlikely to be replaced (i.e. standard terms and prices will then apply). The numbers likely to remain at the currently programmed commencement of GTAC are shown in the table below.

Agreement Type	Number	Confidential
Supplementary Agreements	15	6
Interruptible Agreements	5	0
Total	20	6

Summary of SA key terms

The tables on the following pages outline the key terms of SAs currently in place. Where confidentiality prevents disclosure of this information it has been redacted.

Supplementary Agreements as at 15 August 2018

	Agreement Name	Delivery Point	Expiry Date	Reason for Agreement	Capacity	Transmission Fees
1	Supplementary Agreement (Te Rapa Cogeneration Plant)	Te Rapa Cogeneration Plant	30/09/19-23	Physical bypass	mdq 23,200 GJ; mhq 1,092 GJ	Fixed fee (\$/day); variable fee (\$/GJ); (daily) overrun fee (\$/GJ)
2	Confidential					
3	Confidential					
4	Confidential					
5	Interruptible Shipper Contract (Kupe to Frankley Road)	Frankley Road-Bi	30/09/18	Inflexibility of Reserved Capacity	mdq: approved NQ; mhq: approved NQ/24	Standard transmission fee for the Delivery Point
6	Interruptible Shipper Contract (Kapuni to Pokuru 2)	Pokuru 2	30/09/18	Inflexibility of Reserved Capacity	mdq: approved NQ; mhq: approved NQ/24	Standard transmission fee for the Delivery Point
7	Supplementary Agreement (Auckland District Health Board)	Greater Auckland	30/09/18	Encourage new use of gas	mdq: 1,451 GJ; mhq: mdq/16	Fixed fee (\$/day); variable fee (\$/GJ); (daily) overrun fee (\$/GJ)
8	Supplementary Agreement (Rimu Production Station)	Mokoia	30/09/18	Inflexibility of Reserved Capacity	mdq 300 GJ; mhq 16 GJ	Variable fee (\$/GJ); (daily) overrun fee (\$/GJ)
9	Confidential					
10	Confidential					
11	Supplementary Agreement (Ballance Ammonia-Urea Plant)	Ballance 8201; Ballance 9626	30/09/18	Physical bypass	mdq: 10,300 & 12,200 GJ; mhq: 460 & 550 GJ	Fixed fee (\$/day); (daily) overrun fee (\$/GJ)
12	Supplementary Agreement (Whakatane Mill)	Whakatane	30/09/18	Alternative fuel	mdq: 3,400 GJ; mhq: 176 GJ	Fixed fee (\$/day); variable fee (\$/GJ); (daily) overrun fee (\$/GJ)
13	Supplementary Agreement (Tatua Dairy)	Tatuanui DF	30/09/18	Investment certainty for First Gas	mdq: 1,600 GJ; mhq: mdq/16	Standard transmission fees for the Delivery Point
14	Supplementary Agreement (Marsden Point)	Marsden 1	30/09/18	Investment certainty for First Gas	mdq: seasonal profile, 13,600 to 15,600 GJ; mhq: mdq/24	Fixed fee (\$/GJ.mdq); variable fee (\$/GJ); (daily) overrun fee (\$/GJ)

	Agreement Name	Delivery Point	Expiry Date	Reason for Agreement	Capacity	Transmission Fees
15	Interruptible User Contract (New Zealand Refining Company)	Marsden 1	30/09/18	To access capacity above firm limit	mdq: approved NQ; mhq: approved NQ/24	Fixed fee (\$/GJ.mdq); (daily) overrun fee (\$/GJ)
16	Supplementary Agreement (Bay Grain)	Te Puke	30/09/18	Inflexibility of Reserved Capacity	mdq: seasonal profile, 100 to 200 GJ; mhq: mdq/16	Fixed fee (\$/GJ.mdq); variable fee (\$/GJ); (daily) overrun fee (\$/GJ)
17	Supplementary Agreement (NZ Grain and Seeds)	Kihikihi (Te Awamutu)	30/09/18	Inflexibility of Reserved Capacity	mdq: seasonal profile, 200 to 400 GJ; mhq: mdq/16	Fixed fee (\$/GJ.mdq); variable fee (\$/GJ); (daily) overrun fee (\$/GJ)
18	Supplementary Agreement (CHH Penrose)	Greater Auckland	30/09/21	Physical bypass	mdq: 1,600 GJ; mhq: mdq/20	Fixed fee (\$/GJ.mdq); (daily) overrun fee (\$/GJ)
19	Supplementary Agreement (Lichfield 2 Delivery Point)	Lichfield 2	31/12/18	Provide End-user with capacity assurance	mdq: 4,400 GJ; mhq: 222 GJ	Standard transmission fees for the Delivery Point
20	Supplementary Agreement (Kauri & Maungaturoto Dairy Factories)	Kauri, Maungaturoto	31/12/18	Alternative fuel	mdq: seasonal profile, 2,500 to 5,000 GJ; mhq: mdq/20 with max. 130 GJ per DP	Fixed fee (\$/GJ.mdq); variable fee (\$/GJ); (daily) overrun fee (\$/GJ)
21	Supplementary Agreement (Pahiatua Dairy Factory)	Pahiatua DF	31/12/18	Investment certainty for First Gas	mdq: 3,634 GJ; mhq: 165 GJ	Standard transmission fees for the Delivery Point
22	Supplementary Agreement (Southern Paprika)	Warkworth	30/09/18	Alternative fuel	mdq: 1,500 GJ; mhq: 73 GJ	Fixed fee (\$/GJ.mdq); variable fee (\$/GJ); (daily) overrun fee (\$/GJ)
23	Interruptible User Contract (PanPac)	Hastings	30/09/18	Alternative fuel	mdq: approved NQ; mhq: approved NQ/24	Fixed fee (\$/GJ.mdq); (daily) overrun fee (\$/GJ)
24	Interruptible Shipper Contract (Kapuni to Pokuru 2)	Pokuru 2	30/09/18	Inflexibility of Reserved Capacity	mdq: approved NQ; mhq: approved NQ/24	Standard transmission fee for the Delivery Point