

MEMORANDUM

TO: GTAC Stakeholders
 FROM: First Gas
 DATE: 21 August 2018
 RE: Block 2 Outputs – 6 ERM Charges

This memo describes details of the proposed changes to ERM Charges in the GTAC following on from discussions at the workshop on Tuesday 9 August 2018 as documented in the Draft Minutes issued by the GIC on 17 August 2018.

The proposed changes to the GTAC are provided in appendix 1 of this memo. This is open for consultation until 3 September 2018. If stakeholders wish to comment on these proposed changes, this can be done during the Workshop Block occurring September 4 to 6 (which will enable discussion of the topics with First Gas) or comments can be submitted to First Gas through the GIC website prior to 3 September.

Final Assessment Paper (FAP) findings

The findings of the FAP on ERM Charges were summarised in the GTAC work programme as follows:

- 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)

Positions reached

The following position was reached during the workshop. The way this point has been addressed is given in the table below.

| Item | Addressed by |
|--|--|
| August 9 | |
| 3.2.1 First Gas should start ERM charges symmetric at \$0.50/GJ (i.e. positive and negative ERM charge are the same). First Gas can change the ERM charge up to a maximum of \$1.00/GJ. A change to the ERM charge could make the charges for positive and negative ERM asymmetric if necessary to keep the pipeline balanced. | Changes to the value of ERM Charges in s. 8.14 to \$0.50/GJ for both F_{NERM} and F_{PERM} . First Gas has retained the ability to change these values in s. 8.14 and there is express consideration of whether these should be symmetrical. |

Points raised during discussion

There were no points raised relating to this discussion to be addressed.