

MEMORANDUM

TO: GTAC Stakeholders
FROM: First Gas
DATE: 21 August 2018
RE: Block 2 Outputs – 7 Peaking

This memo describes details of the proposed Peaking Regime for the GTAC. A draft Peaking Regime was presented in a memo issued on 24 July, which was discussed at the workshop on Tuesday 9 August 2018. The outcomes of this discussion are 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.

An Excel workbook showing an example of peaking charging has also been produced for information.

Final Assessment Paper (FAP) findings

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

- Hourly overruns only apply at DDPs (13, 50, 61)
- HORs may be avoided through Specific HQ/DQ and AHPS but no guidance on how these will be applied. Potential for inefficient usage of the pipeline. (55)
- AHPs are uncertain and require further design work (13, 50, 55). Case for applying AHPs not well justified (55)
- AHPs only available at DDPs – this is unfair (50)
- OBA parties don't have access to AHPs (18, 68)
- Operational flexibility important but should not be provided without discrimination (182)

Positions reached

Although consensus was not reached on the Peaking Regime itself, we consider the idea mature enough to release drafting for consultation. Consensus was not recorded on the proposal for planned maintenance and unscheduled maintenance profiles. However, we feel that these complementary arrangements were sufficiently mature for drafting.

Points raised during discussion

Item	Addressed by
August 9	
<p>4.1.1 In term of the characteristics of flows to be included in the peaking regime, First Gas was asked to provide clarity on the third characteristic (“Users that have the capacity to take the more than 50% of the capacity of the network <i>at their location</i>”). In particular, First Gas should clarify what it meant by “at their location” and consider a link to system impact rather than 50% of the capacity of the network.</p>	<p>A new section 3.28 provides the criteria for inclusion in the peaking regime which has defined this as ‘in the relevant part of the Transmission System’ (s. 3.28(c)(ii)). This is a difficult definition to make as it requires judgements. Some users may have a much wider impact than others due to the nature of their load or the transmission system. First Gas is required to apply judgement in this case.</p>
<p>4.1.2 In relation to charges under the peaking regime, First Gas was asked to consider:</p> <ul style="list-style-type: none"> (a) Replicating the daily overrun and underrun incentive arrangements on an hourly basis (to be demonstrated by a worked example) (b) Applying a three hour moving average deviation that exceeds a specified level to recognise that sustained peaking is more likely to have an impact on the pipeline. (c) Whether the peaking regime (and therefore the charges) should be subject to a minimum flow. (d) Whether the charges under the scheme representing DNC purchased and being added to DNC for a day is an appropriate mechanism. 	<p>This has been implemented through the drafting in 11.5 which relates to how the charge is applied (see also outline below).</p> <p>We have also reviewed the nature of the fee and how charging is made. The peaking regime is designed to inform First Gas of peaking in the network. As such it is a service relating to network capacity allocation. We therefore believe that DNC is an appropriate basis for charging.</p>

GTAC Drafting Outline for Peaking Regime

Following the discussion at the workshop we have made changes to the GTAC to implement the Peaking Regime. The table below is designed as a guide to the drafting to understand where the design elements of the scheme are located in the GTAC. A spreadsheet demonstrating the charging for this scheme has been released alongside this memo.

Element of Peaking Regime	Reference in the GTAC
Providing for a Peaking Regime	3.27
Characteristics of flows to be included in the Peaking Regime. How First Gas identifies Peaking Parties.	3.28
When First Gas decides that a party is included in the regime and how we get information about new loads to be included	3.29
Requirement on either the shipper serving a Peaking Party or an OBA Party who is a Peaking Party to submit an Agreed Hourly Profile (AHP) at every nominations cycle	3.30
How the AHP relates to DNC	3.30
How AHPs interact with deemed flow	4.16
How First Gas approves the AHPs in consideration of other pipeline users	3.31
How First Gas manages congestion in conjunction with AHPs	10.3(b) in conjunction with changes to the definition of MHQ
Provide for Incentive fees (in GTAC and ICAs) to ensure compliance with the profile	11.5
Provide for a 25% tolerance on the three-hourly average of the hourly booked capacity before any charges are incurred	11.5 including definition of 'Hourly Limit'
A minimum tolerance of 1 TJ for overrun	11.5 including definition of 'Hourly Limit'
Symmetrical incentive fee based on the daily charge	11.5 including definition of 'M'
No charges incurred where maintenance is occurring following the interconnected party having complied with its maintenance notification obligations	11.6
No liability for Daily Underrun or Overrun for Shippers serving Peaking Parties or OBA Parties who are Peaking Parties.	11.6

Planned and unplanned maintenance profiles

Based on discussions during the meeting we have provided drafting for the provision of planned and unscheduled maintenance profiles at receipt and delivery points as follows.

Item	Addressed by
Receipt and delivery point interconnected parties must provide First Gas with start up and shut down profiles.	Section 9.5 of the receipt point and delivery point ICAs (which are common and essential terms in Schedule 5 and 6 of the GTAC) make this provision.
Where a planning maintenance profile was in place there would no liability for Peaking charges.	Allowance has been made in s. 11.6 of the GTAC to made this change.
Receipt and delivery points will have an obligation to supply information on outages to First Gas but not a profile	Section 3.5 of the receipt point and s. 3.6 of the delivery point ICAs (which are common and essential terms in Schedule 5 and 6 of the GTAC) make this provision.

We published a list of receipt and delivery points that would potentially be included in the Peaking Regime. Given that we intend to implement these changes for start up and shut down profiles we have revised the preliminary list as follows:

Peaking Regime

- Whakatane Board Mills
- Refining New Zealand
- Huntly Power Station
- TCC DP
- Stratford DP2 (Stratford peakers)
- Stratford DP3 – delivery of gas to storage
- Stratford DP3 – receipt of gas from storage
- Mangorei DP (Nova's new peakers yet to be built)
- Kinleith
- Te Rapa DP
- Any future peaker power station loads

Start-up/Shutdown Profile Regime

- Methanex Motunui & Faull Rd
- Methanex Waitara Valley
- Oaonui
- Kupe
- Pohokura
- Tikorangi 1, 2 & 3
- Turangi
- Kowhai

This remains preliminary and further work will be done to refine the list prior to GTAC implementation.