GTAC Workshop minutes 9 August 2018

At the offices of Gas Industry Company Limited

Level 8, 95 Customhouse Quay, Wellington

Thursday 9 August 2018 at 9:00am

Note: these minutes provide a high level record of the position reached and points raised at the workshop to inform First Gas's design of the gas transmission access code (GTAC).

1. Rebate mechanism

1.1 FAP findings

1.1.1 Rebate mechanism worse due to a new entrant coming up against incumbents with rebates (59)

1.1.2 Pass-through of rebates may increase costs to consumers

1.2 Position reached

1.2.1 ~~There was general agreement that t~~Transmission and balancing charges would not be subject to a rebate mechanism, but PR fees would be rebated.

1.3 Points raised

1.3.1 First Gas is to look at whether IPs at RPs should be treated differently to other parties to the GTAC in terms of rebates. In particular, it was suggested that a separate rebate mechanism should be created for IPs at RPs in relation to incentive charges.

2. Transmission incentive fees

2.1 FAP findings

2.1.1 Incentive charges (daily overruns/underruns) not symmetrical (12)

2.1.2 Level of incentive charges too high (12)

2.1.3 May encourage inefficient pipeline usage decisions or excessive efforts for nominations accuracy (54)

2.1.4 Higher fees should not apply at congested delivery points when congestion is not evident (13, 55)

2.1.5 High incentive charge reduces competition if not cost reflective (13, 60)

2.1.6 Disproportionately high in non-congested situations (60)

2.1.7 Similar concerns with hourly overrun fees and rebates

2.2 Position reached

2.2.1 The aggregate level of incentive fees would be reduced by reducing "F" from 2 to 1.5. The incentive fees would be made symmetrical by changing the underrun fee to F-2 (the formula in section 11.4(b) of the GTAC).

2.2.2 At a congested delivery point First Gas would notify at every nomination cycle if congestion is likely to occur.

2.2.3 The increased incentive fees that apply to a congested delivery point will apply when First Gas gives notice of congestion.

2.3 Points raised

2.3.1 First Gas to reconsider the amount of notice for the "Extra ID Cycle". In particular, whether 30 minutes or one hour was an appropriate notice period having regard to the interests of producers (who want a shorter notice period) and shippers (who want a longer notice period). First Gas will seek feedback and present a proposal at a subsequent workshop. First Gas was asked to consider whether the notice period should be in a SOP (i.e. outside the GTAC) to enable the amount of notice to be easily adjusted.

2.3.2 First Gas to revisit the definition of "congestion''. In particular, whether an unusual event, such as a momentary constraint could be captured within the existing definition.

3. ERM charges

3.1 FAP findings

3.1.1 Asymmetry of ERM charges may create an inefficient incentive to park gas (15, 57)

3.1.2 ERM charge may not be effective relative to market spread (App D - 173)

3.1.3 ERM fees can be changed if required (21)

3.2 Position reached

3.2.1 Balancing would be more effective if ERM charges are 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.

4. Review of peaking regime

4.1 Points raised

4.1.1 In terms 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 *at their location*"). 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.

4.1.2 In relation to charges under the peaking regime, First Gas was asked to consider:

(a) Replicating the daily overrun and underrun incentive arrangements on an hourly basis (to be illustrated 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 represent DNC purchased, and whether adding it to DNC for a day is appropriate.

4.1.3 An additional point was raised for First Gas to check whether there is a mechanism to undertake regional curtailments (i.e. whether First Gas could scale back a particular profile or profiles pro rata). This related to the situation in section 10.3(b) of the 8 December 2017 GTAC where congestion is in effect due to the current offtake of gas.

The meeting closed at 3.00pm