

MEMORANDUM

TO: Stakeholders
 FROM: First Gas
 DATE: 25 July 2018
 RE: GTAC Workshop Plan – Revised Following Block 1

The first block of workshops for the GTAC has been held and excellent progress has been made through the material. First Gas would like to thank stakeholders for their positive contributions in progressing the work. In order to optimise inputs from stakeholders, we have revised the schedule of workshops to make better use of the time available and address substantive issues as early as possible. The scope of the items to be covered has not changed.

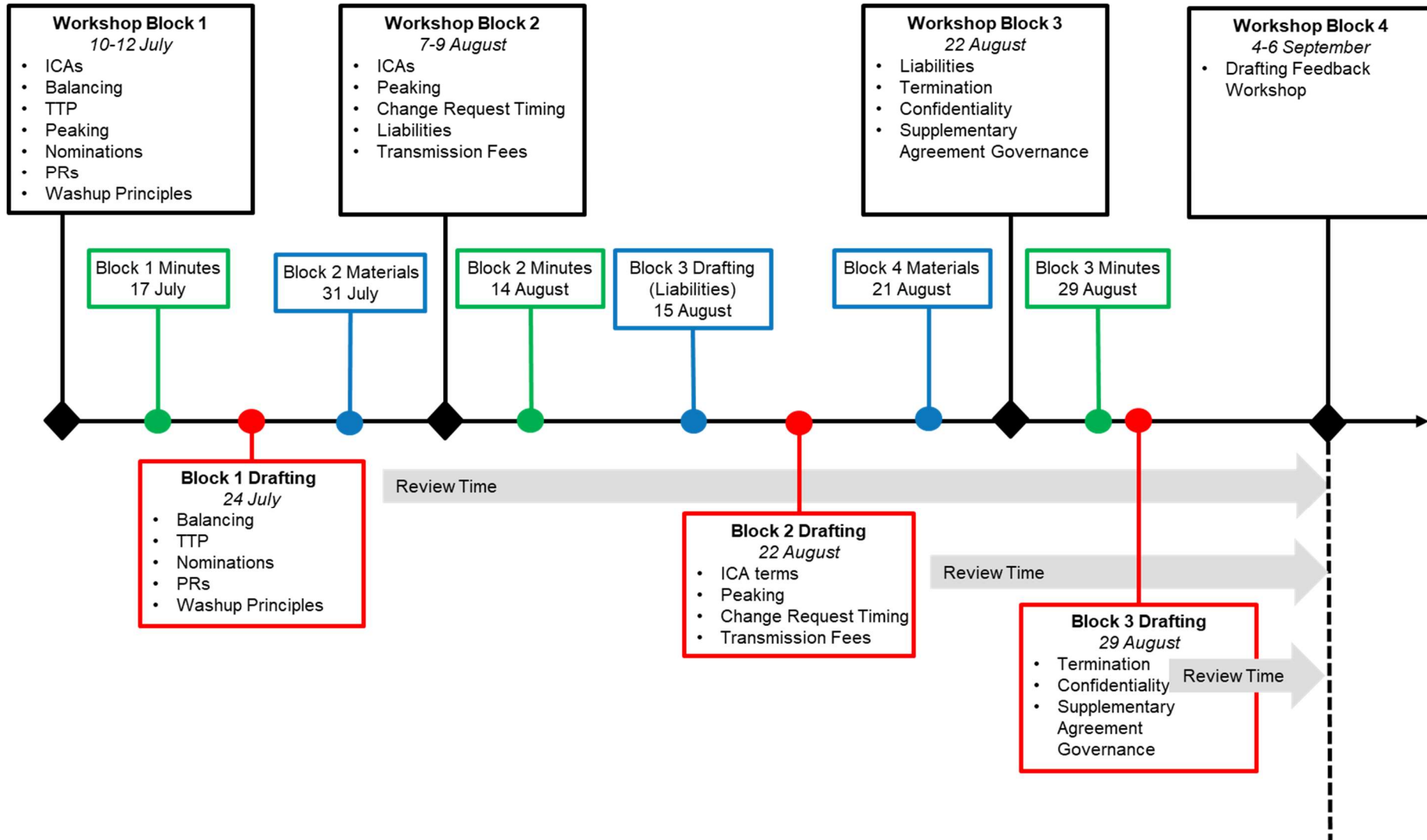
Timeline Overview

An overview of the proposed timeline of meetings and submissions that we consider would enable a 1 October 2019 go live (if the GTAC is approved) is provided in the table below. This timeline will be reconsidered from time to time during the work programme to confirm that it remains fit for purpose in making progress towards the objective.

Item	Timing
Workshop Block 1 <ul style="list-style-type: none"> • Workstream 1 – ICAs (1.1 - 1.2) • Workstream 2 - Linepack Management and Intraday Flexibility (2.1 - 2.4) • Workstream 3 – Nominations and Governance (3.1 - 3.3) 	Complete
Metering Requirements Technical Meeting	25 July
Workshop Block 2 <ul style="list-style-type: none"> • Workstream 1 – ICAs (1.3 – 1.5) • Workstream 2 Workstream 2 - Linepack Management and Intraday Flexibility (2.2 – Review of Peaking Design) • Workstream 4 – Liabilities (4.6) • Workstream 5 – Transmission Fees (5.1 – 5.3) 	7 - 9 August
Workshop Block 3 <ul style="list-style-type: none"> • Workstream 4 – Liabilities (4.1 – 4.8) • Workstream 3 – Nominations and Governance (3.4 – 3.7) 	22 - 23 August
Workshop Block 4 <ul style="list-style-type: none"> • Drafting Feedback Workshops 	4-6 September
Release GTAC for Stakeholder Consultation	mid-September
Workshop Block 5 <ul style="list-style-type: none"> • Workstream 6 – Supporting Arrangements (6.1 – 6.5) 	18 – 20 September
Consultation on the GTAC ends	Early/mid-October
Submit to GTAC GIC	end October
GIC Preliminary Assessment Paper (PAP) Released	Early December
Consultation on the PAP ends	Mid-January
GIC Final Assessment Paper Released	End-February

The key change in the workshop planning is to bring forward material from the 28-30 August workshops into the spare workshop days on 22-23 August in Auckland. This will allow for the substantive parts of the work programme to be completed by the end of August.

It is also proposed that we delete the 28-30 August workshops and instead meet on the 4-6 September to discuss feedback on the drafting proposed to date. Moving these meetings back allow stakeholders sufficient time for review of drafting prior to this session. The overall timing is shown in the diagram on the following page. A full copy of the GTAC will not be issued prior to these sessions, but rather the discussion will be limited to the excerpts issued for consultation. We believe this will allow for expedited consultation on the drafting. We acknowledge that this will only allow for a single week to review any changes from Workshop Block 3. However, we feel that these items (aside from Liabilities) are largely administrative and we do not feel that the changes will be substantial. The Liabilities drafting will be issued prior to Workshop Block 3 and discussed at that session.



Metering Requirements Technical Meeting – July

Location: New Plymouth

No.	Topic
2.5	Metering Requirements Technical Update

Convenors: Len Rodenburg, John Blackstock (First Gas)

Location: First Gas Offices, Bell Block

Attendees to be advised by stakeholders

Workshop Block 2 – 7-9 August

Location: Wellington

Tuesday 7 August (10am – 5pm)

	GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing	
Workstream 1 – ICAs						
1.3	Core terms of interconnection	s.7.13	<ul style="list-style-type: none"> • Accuracy requirements need to be contained within the ICA (65) • OBAs have no entitlement to AHPs, etc. (18, 68). IC parties discouraged from using OBA accordingly • Shippers not best placed to choose the allocation method (68) • IPs best placed to react to OFOs under curtailment (21, 83) • Obligations to protect customers from non-spec gas have been reduced, in particular the shipper right to seek confirmation of compliance (94) <p>D.1 Needs to include:</p> <ul style="list-style-type: none"> • 7.13(b) Metering requirements (location, ownership, monitoring rights) (160) • 7.13(g) details on disclosure of outage information (27, 160) • 7.13(r) liability (160) • 12.2 injection and monitoring of off-specification gas (160) • Assuring equality of access to IPs • Need to mesh, shipper and IP and those of other IPs to ensure there is coherency of arrangements <p>1. Absence of confidentiality arrangements for IC parties (27)</p>	Determine detail of core ICA terms	<ul style="list-style-type: none"> • Summary from GIC of core terms and comparative Treatment under FG Existing ICAs 	10am-5pm

Wednesday 8 August (9am – 5pm)

		GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing
Workstream - 1 ICAs						
1.3	Core terms of interconnection		As per Tuesday Workshop	Determine detail of core ICA terms		9am-12pm
	Lunch					
1.5	OFOs/Curtailment	9.12 and 4.18	<ul style="list-style-type: none"> 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) 	Define OFO curtailment mechanisms to address FAP findings		1-2pm
1.4	Associated documents (how they will be integrated into code)	IC Policy Metering Reqts	<ul style="list-style-type: none"> 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) 	Establish how associated documents will be integrated into the code given ICA outcomes	IC Policy	2-2:30pm

		GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing
Workstream 4 – Liabilities						
4	Presentation on proposed liabilities framework	16	<ul style="list-style-type: none"> 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 	Present proposed treatment of liabilities to be discussed during next workshop block	Summary of proposed approach to redrafting liabilities provisions	3:30- 5pm

Thursday 9 August (9am – 3pm)

		GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing
Workstream 5 - Transmission Fees						
5.3	Rebate	11	<ul style="list-style-type: none"> Rebate mechanism worse due to a new entrant coming up against incumbents with rebates (59) Pass-through of rebates may increase costs to consumers 	Discuss options for rebating differences between revenue cap and actual revenue		9am-10am
5.1	Transmission incentive fees (daily overruns/ underruns)	11.4	<ul style="list-style-type: none"> Incentive charges (daily overruns/underruns) not symmetrical (12) Level of incentive charges too high (12) May encourage inefficient pipeline usage decisions or excessive efforts for nominations accuracy (54) Higher fees should not apply at congested delivery points when congestion is not evident (13, 55) High incentive charge reduces competition as it is not cost reflective (13, 60) Disproportionately high in non-congested situations (60) Hourly overrun fees and rebates 	Discuss level of incentive fees Identify changes to ensure higher fees only apply when congestion is in place	Transmission pricing dry run <ul style="list-style-type: none"> Indicative pricing to illustrate pricing approach under GTAC Overrun Fee at F1.5, Underrun Fee at F -2 Presentation on estimated quantum of incentive fee revenue at this level	10am-12pm
	Lunch					
5.2	ERM	8.11	<ul style="list-style-type: none"> 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) 	Discuss options for ERM fee symmetry and change process		1-2pm
Workstream 2 - Linepack Management and Intraday Flexibility						
2.2	Peaking		<ul style="list-style-type: none"> Review of First Gas Peaking Proposal 	Refine design in order to draft provisions		2-3pm

Workshop Block 3 – 22 to 23 August

Location: Auckland

Wednesday 22 August (10am – 5pm)

		GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing
Workstream 4 - Liabilities						
4.1	Interaction between TSAs and ICAs	7	<ul style="list-style-type: none"> Differences between liability arrangements (183) 	Determine liability provisions Redraft liability provisions to address FAP findings	<ul style="list-style-type: none"> Liability section – proposed redraft Review of liability caps adjusted for inflation 	10am-5pm
4.2	Definition of RPO	1.1	<ul style="list-style-type: none"> Including “having due consideration to other users of the Transmission System” (183) 			
4.3	FG liability for non-spec gas	12.11	<ul style="list-style-type: none"> Liability for non-spec gas excluded and inconsistent with 12.3 (183) 			
4.4	Inflation of liability caps	16.4/16.5	<ul style="list-style-type: none"> Liability caps imported without adjustment for inflation. (183) Not clear if charges included within caps (183) 			
4.5	Deeming non-RPO	16.1 9.12(b) 11.9(b) 12.2 12.10	<ul style="list-style-type: none"> Deeming non RPO for injection of non-spec gas and non-compliance with OFOs (184) 			
4.6	Subrogated claims and indemnity arrangements for non-specification gas	16.12 16.2	<ul style="list-style-type: none"> 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 			
4.7	Incentives Pool and BPP		<ul style="list-style-type: none"> No equivalent mechanism to the MPOC Incentives Pool and BPP (184) 			
4.8	Mitigation obligation	16.1; various	<ul style="list-style-type: none"> Loss mitigation concept expressed in an inconsistent way 			

Thursday 23 August (9am – 3pm)

		GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing
Workstream 3 - Nominations and Governance						
3.4	Termination	19	<ul style="list-style-type: none"> Parties should be able to remedy default rather than terminate (105) Termination if unpaid for 10 business days is unfair (105) Termination should depend on expiry or sale of all PRs (106) Term too short to be efficient (103) Continuity following termination (111) 	Determine changes to termination provisions required to resolve issues identified in FAP		9am – 11am
3.5	Confidentiality	20	<ul style="list-style-type: none"> Should have ability for other parties to identify material as confidential (106) CA should be required for authorised disclosure (106) MPOC clearer on obligation on FG not to disclose confidential information (106) Shipper should have an ability to appoint an auditor (106) Link between confidentiality and termination Requirements to publish information 	Determine changes to confidentiality provisions required to resolve issues identified in FAP		11am-12pm
Lunch						
3.6	Supplementary Agreements Governance	7.1	<ul style="list-style-type: none"> Checks and balances on entering into SAs (44) No requirement for FG to publish its analysis (163) Impacts of legacy SAs on MPOC parties 	Resolve issues with SA governance and transparency	<ul style="list-style-type: none"> Data on current number of Agreements, termination, counterparties, confidentiality Summary of key terms and purpose 	1-2pm
3.7	Change Requests	17	<ul style="list-style-type: none"> 5 business day deadline for additional information is unfair (26, 105) 	Address issues with Change	<ul style="list-style-type: none"> Review of Change Request Timeframes 	2-3pm

	GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing
		<ul style="list-style-type: none"> Draft change request timing does not give enough time for change requestor to review submissions (26, 105) 	Request process timeframes	<ul style="list-style-type: none"> First Gas right of veto 	

Workshop Block 4 – 4 to 6 September

Location: Wellington

Tuesday 4 September (10am – 5pm)

	GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing
GTAC Drafting Feedback <ul style="list-style-type: none"> Go through feedback on drafting to discuss issues. 					10am-5pm

Wednesday 5 September (9am – 5pm)

	GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing
GTAC Drafting Feedback <ul style="list-style-type: none"> Go through feedback on drafting to discuss issues. 					9am-5pm

Thursday 6 September (10am – 3pm)

	GTAC Ref.	FAP Findings	Objectives	Supporting Material	Indicative Timing
GTAC Drafting Feedback <ul style="list-style-type: none"> Go through feedback on drafting to discuss issues. 					9am-3pm

Workshop Block 5 – 18 – 20 September

Location: Wellington

Tuesday 18 September (10am – 5pm)

		Objectives	Supporting Material	Indicative Timing
Workstream 6 - Supporting Arrangements				
6.1	Metering Requirements	Present Metering Requirements	<ul style="list-style-type: none"> Metering Requirements 	TBD
6.2	Balancing SOP	Present Balancing SOP	<ul style="list-style-type: none"> Balancing SOP 	TBD

Wednesday 19 September (9am – 5pm)

		Objectives	Supporting Material	Indicative Timing
Workstream 6 - Supporting Arrangements				
6.4	PR Auction Terms Scoping	Present scope of PR Auction Terms	PR Auction Terms Scoping <ul style="list-style-type: none"> What will be in the Auction T&Cs How they will be developed for approval by GIC 	TBD
6.5	Transitional Arrangements	Present proposed plan for transitional arrangements	Transitional Arrangements <ul style="list-style-type: none"> Scope of arrangements How they will be resolved 	TBD

Thursday 20 September (9am – 3pm)

		Objectives	Supporting Material	Indicative Timing
Workstream 6 - Supporting Arrangements				
	EMS Tradeport Arrangements	Present proposed arrangements with EMS Tradeport		TBD