

GTAC Workshop minutes 12 July 2018  
At the offices of Gas Industry Company Limited  
Level 8, 95 Customhouse Quay, Wellington

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Thursday 12 July 2018 at 9.00 am

## **1. Process matters**

### **1.1 Position reached**

Trustpower to write a letter to other shippers raising its concerns regarding possible Commerce Act risks and proposing that shippers procure legal advice.

### **1.2 Points raised**

The following points were raised:

1. The Gas Act contains objectives in relation to competition and Gas Industry Co will be applying those objectives in its assessment of the GTAC, but that does not avoid risks under the Commerce Act.
2. The Commerce Commission is unlikely to provide a view while the content of the GTAC is still uncertain.
3. The MPOC MOU provides that obtaining advice regarding Commerce Act risks is the responsibility of the parties.
4. Although the GTAC is currently being drafted a final version may not be required for the purpose of legal advice.

## **2. Nominations**

### **2.1 FAP issues**

- The burden of nominations largely falls on shared delivery points. UK system operator makes nominations on behalf of mass market load (46)
- IPs approval of nominations
- Number of nomination cycles facilitating management of overrun/underrun

### **2.2 Position reached**

There was general agreement that nominations had value in terms of First Gas's overall management of the gas transmission system.

There was agreement that, where an OBA exists, OBA parties should approve nominations.

There was general agreement to provide for an appropriate mechanism to address the burden of nominations on mass market shippers and reduce those parties' exposure to overrun/underrun charges. However, it was agreed that the UK system was too sophisticated and costly for the NZ gas system. The general agreement was to provide a mechanism for dealing with shippers to customers in allocation groups 4 and 6 who face overrun/underrun charges and progress option 2 (First Gas to fund a simple mechanism for mass market nominations). Industry would progress

a separate workstream to develop a better mechanism for mass market nominations which could be implemented at a later date through the change request process.

First Gas should revisit the drafting of Interconnected Parties' approval of nominations at points with an OBA ("approve, curtail or reject").

### 2.3 Points raised

Shippers to provide First Gas with suggestions on the number and timing of the nomination cycles. First Gas to consider those suggestions having regard to the operational implications of an increased number of nomination cycles and revert to the group with a proposal.

First Gas should consider the functionality of the IT system in relation to receipt point nominations (in particular "auto-confirmation").

Whether the reduction in the burden of nominations should apply to nominations made by shippers to ToU customers. This proposal did not receive general support on the basis that shippers to those customers are best placed to provide information regarding their customers' expected use.

The gas industry should, where relevant, consider the electricity industry's experiences in terms of improvements to its demand forecasting as a separate regime.

## 3. Priority rights

### 3.1 FAP issues

- FG discretion to negotiate supplementary agreements (SAs) could allocate scarce capacity outside PR process (88)
- Transfer between end-users if they change shippers not clear (43)
- Shippers may not give best estimate of capacity and FG may not police this (43)

### 3.2 Position reached

The general agreement was that new SAs should provide access to daily nominated capacity and should be subject to the priority rights regime. There was agreement that this may not be the case for existing supplementary agreements.

There was general agreement that there did not need to be a specific requirement for priority rights to "follow" the end-user. However, First Gas would add drafting ~~would be added~~ to provide that a shipper would use reasonable endeavours to trade PRs if that shipper lost the customer to which the PRs related.

There was general agreement with First Gas's position that there are appropriate incentives on parties not to over-nominate to hoard capacity for a congested delivery point (i.e. the RPO obligation and the cost associated with over-procurement of PRs). This was subject to a minor change to the drafting (discussed below).

### 3.3 Points raised

First Gas to consider whether the scope of new SAs should be limited to the price of the transmission service. If SAs are not limited to price, then First Gas will provide a proposal on how supplementary capacity ranks in comparison to other capacity.

First Gas was asked to consider the term of PRs.

A minor change should be made to the drafting to remove the reference to “warrant” in relation to the requirement that a shipper give its best estimate of capacity and replace with “ensure to the extent reasonably practicable” or equivalent wording. The change would better reflect the relationship between shippers and end-users.

## **4. Wash-ups**

### **4.1 FAP finding**

- Wash-up agreement should be simple to prepare (68)
- Not concerned that a wash-up agreement is still to be negotiated (126)

### **4.2 Position reached**

ShippersVector would have a go at re-writing Schedule 3 of the MBB Pilot Agreement and liaise with First Gas with a view to having that schedule incorporated as a schedule to the GTAC. That would address any concerns that shippers may have regarding the absence of a wash-up agreement.

## **5. Other arrangements**

### **5.1 Position reached**

The parties agreed that transition from the current codes to the GTAC is a technical matter that First Gas should consider and present a proposal to the group.

First Gas is to consider and report back to the group on the extent to which the D+1 pilot agreement is already incorporated into the GTAC.

The relative merit of D+1 compared to a central forecasting mechanism or prorating DNC as a basis for transmission charges should be considered by the Downstream Allocation Working Group (DAWG)

### **5.2 Points raised**

The following points were raised:

1. Whether parties’ positions are carried over from the MPOC/VTC to the GTAC or whether a reset occurs on 30 September.
2. There needs to be clarity regarding the treatment of cash-outs under the MPOC when transition to the GTAC occurs.
3. Transition may need to be addressed as a separate schedule to the GTAC.
4. Other issues in relation to transition were likely to be identified as the process develops.
5. Whether an enhanced forecasting mechanism or prorating DNC may be a better way to determine transmission charges than the existing D+1 arrangement.

## **6. Next steps**

### **6.1 Position reached**

Notes of the workshops would be circulated next week.

The spare workshop days may be required to loop back on some matters that are not yet ready for detailed drafting (such as peaking).

In relation to liabilities, parties would have an opportunity to discuss First Gas's concepts at the 7-9 August workshop block. Supporting material would be circulated to the group in advance of the workshop block.

### **6.2 Points raised**

Greymouth raised concerns about compression of the process and timeframes, particularly around the IT procurement. The IF noted that the group had agreed to be ambitious and see how far matters can be progressed.

The meeting closed at 3.00pm.