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## Analysis of Submissions on September 2016 Single Code Options Paper - Part 1

# Executive Summary

On 13 September, Gas Industry Co published a consultation paper entitled *Gas Transmission Access - Single Code Options Paper - Part 1* (SCOP1). The paper was presented at a workshop on 20 September 2016. It proposed a regulatory objective and discussed how options for a new transmission access regime could be developed and framed. Eleven submissions were subsequently received. These are analysed and responded to here.

Submissions generally agree with the proposals and process set out in SCOP1, including unanimous support for First Gas and Gas Industry Co co-leading the process, with complementary responsibilities. Gas Industry Co notes that its role will include:

1. Facilitating the consultation process on key documents;
2. Independently analysing key documents and submissions on those documents; and
3. Making a full evaluation of proposals against Gas Act and GPS objectives when First Gas arrives at a point where it is requesting users to sign up to new arrangements.

In response to specific suggestions we have reframed the regulatory objective as:

To promptly establish a new non-discriminatory gas transmission open access regime that facilitates safe, efficient and reliable operation and use of the gas transmission system, including:

1. competition in the production and marketing of gas;
2. efficient investment; and
3. transparency of information.

We also agree with suggestions that:

1. Some matters are highly interdependent and will need to be considered as a package, rather than sequentially;
2. The principles for determining whether a matter is best dealt with in the new code or in a supporting arrangement should be established at the outset; and
3. New design options should not be constrained by our suggested synthesis of the PEA's guiding principles, nor should that synthesis be regarded as fully comprehensive, or demanding more complexity than is needed to meet the regulatory objective.

A number of specific suggestions made in submissions have also been discussed with First Gas.

First Gas is now developing a second options paper. It discussed its emerging views on the options at an industry workshop on 9 November 2016, and expects to issue the options paper before the end of November 2016.

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# 1. Introduction and purpose

Since earlier this year, both of New Zealand's open access transmission systems – the Maui and Vector pipelines – came under the ownership of First Gas Limited (First Gas). For several years prior, Gas Industry Co and stakeholders had been reviewing the access arrangements to these pipelines, as set out in the Maui Pipeline Operating Code (MPOC) and the Vector Transmission Code (VTC). Before First Gas became owner, various proposals to 'converge' these codes were under consideration.

On becoming the new transmission system owner, First Gas confirmed that it wished to develop a new access regime, and a single new transmission code. As 'industry body' under the Gas Act, Gas Industry Co has a responsibility to ensure that any such arrangements meet the objectives of the Gas Act and GPS. It may even be necessary for Gas Industry Co to recommend regulation to the Minister, where it is not satisfied the objectives will be achieved.

Considering these matters, First Gas and Gas Industry Co agreed to co-lead the new code development work, each with its complementary responsibilities. This approach was discussed at a stakeholder workshop on 24 August 2016, and Gas Industry Co undertook to 'get the ball rolling' with an initial options paper. On 13 September, it published a consultation paper entitled *Gas Transmission Access - Single Code Options Paper - Part 1 (SCOP1)*, and presented the paper at a workshop on 20 September 2016.

Submissions on SCOP1 were made by:

- Contact Energy (Contact);
- Critical Contingency Operator (CCO);
- Genesis Energy (Genesis);
- Greymouth Gas (Greymouth);
- Major Gas Users Group (MGUG);
- Mercury;
- Methanex New Zealand Limited (Methanex);
- Nova Energy (Nova);
- Spindletop Law Limited (Spindletop);
- Trustpower; and
- Vector Limited (Vector).

We analyse these submissions in this report.

All the submissions, the SCOP1 paper and workshop presentations are available from Gas Industry Co's website at: <http://gasindustry.co.nz/work-programmes/transmission-pipeline-access/developing/gas-transmission-access-single-code-options-paper-september-2016/>

First Gas is now developing a second options paper. It discussed its emerging views on the options at an industry workshop on 9 November 2016, and Gas expects to issue the options paper before the end of November 2016.

## 2. What SCOP1 said

### 2.1 Proposed Regulatory Objective

Chapter 2 of SCOP1 set out the objectives of the Gas Act and GPS relevant to the development of new transmission access arrangements. While those objectives are paramount, SCOP1 noted that stakeholders generally find it helpful to have a more targeted 'regulatory objective', and proposed:

To promptly establish a new non-discriminatory gas transmission open access regime to replace the MPOC and VTC that facilitates:

1. efficient operation of the transmission system and use of pipeline capacity;
2. competition in upstream and downstream markets; and
3. efficient investment in pipelines.

**Figure 1 - Regulatory Objective proposed in SCOP1**

### 2.2 Structure of new arrangements

SCOP1 proposed that the structure of any new access regime would comprise not only a new code, but also supporting operating procedures, contracts, and possibly regulations. Chapter 3 of SCOP1 set out the coverage of the current codes as a starting point for considering what the new arrangements would need to cover. However, Chapter 4 suggested that, at the early stage of options development, it would not be necessary to specify what elements of the access regime will be specifically dealt with in each of the various arrangements (ie in the code, procedures, contracts, or regulations).

### 2.3 Initial scope of the options

SCOP1 considered that the central arrangements of concern to current and prospective pipeline users will be the service definitions, ie what core services the Transmission Service Provider (TSP) will offer to pipeline users. For example, options could include:

1. A point to point service;
2. A zonal service;
3. An entry–exit service; or
4. A common carriage service.

Within each service it would be necessary to describe:

1. The products being offered (eg annual capacity, interruptible capacity, postage stamp transport etc);
2. How each product would be priced (eg by cost allocation or on a market); and
3. How each product would be allocated if scarce (eg on a first-come-first-served basis, in proportion to historic use, by auction etc).

SCOP1 noted that previous work of the Panel of Expert Advisers (PEA), in considering overseas arrangements and the lessons we could learn from them, should be of help in defining the core services. It would then be possible to consider the supporting arrangements, such as:

1. balancing arrangements (eg MBB, B2B etc);
2. reconciliation arrangements (eg D+1, monthly allocation etc); and
3. governance arrangements (eg code change and dispute resolution).

SCOP1 proposed a synthesis of the PEA's guiding principles as a design guide:

A new transmission access regime should ideally:

1. Provide for a menu of transmission services, both firm and non-firm rights, where firm rights are;
  - (a) tradeable; and
  - (b) allocated on a willingness to pay basis when scarce.
2. Provide full disclosure of:
  - (a) the standard terms and conditions of the firm and non-firm services;
  - (b) the amount of firm and non-firm service offered;
  - (c) the physical capacity of the system (by location or zone, as appropriate) including the underlying methodology applied, which should be stable over time;
  - (d) the proportion of available capacity offered as firm service (the proportion to be determined by the TSP after stakeholder consultation);
  - (e) any programme for the progressive release of capacity (it is desirable for firm service rights to be offered for a range of terms, and generally with a rolling release in future years, but a relatively simple term structure and release profile could be adopted at the outset allowing the arrangements to evolve over time in response to the needs of contracting parties.);
  - (f) the basis on which non-standard arrangements may be negotiated;
  - (g) any non-standard agreements that are negotiated; and
  - (h) all information relevant to the formation of prices for capacity rights.
3. Include a nominations regime (at least for those zones where congestion is possible) with incentives for parties to give accurate nominations.
4. Move away from grandfathering arrangements that give preferential renewal rights to incumbent users.
5. Provide price signals to indicate scarcity where possible.
6. Allocate any congestion rents in a way that minimises distortions to long-term bidding for firm capacity and short-term incentives.
7. Recover the costs of making information transparent, and establishing a single access regime, from a broad base.
8. Be supported by efficient governance arrangements.

**Figure 2 - SCOP1 proposed design guide**

## 2.4 Process

SCOP1 proposed that the process for developing new gas transmission access arrangements should be open, fair, collaborative and timely (aiming for 1 October 2018 'go-live'). It clarified the co-leadership roles of First Gas and Gas Industry Co, and Gas Industry Co's regulatory role, setting out their complementary responsibilities.

In regard to Gas Industry Co's regulatory role, SCOP1 reminded readers of the requirements of the Gas Act in situations where regulations need to be recommended to the Minister.

Within these boundaries, Gas Industry Co undertook, where possible, to align its work with that of First Gas by means of joint workshops and avoiding duplication of work and documentation and, ultimately, to provide an independent assessment of the new access regime proposed by First Gas.

## 3. Submitter views and Gas Industry Co comment

### 3.1 General tenor of submissions

It will be seen from the [Appendix A](#) summary of submissions that submitters generally agree with the proposals and process set out in SCOP1. However, some specific suggestions have been made which we address below.

### 3.2 Specific views on regulatory objective

Some submitters propose that the regulatory objective needs to capture some additional concepts. In particular:

1. The CCO notes that efficiency and reliability are given equal emphasis in the Gas Act objectives, so proposes that reliability is added to the regulatory objective. Spindletop also considers that pipeline integrity warrants inclusion, and that urgent repairs should not be reliant on a customised price path being decided. Greymouth also emphasises the importance of system maintenance and investment for secure supply.
2. Genesis suggests that 'ease of use' should be encouraged by including a 'fit for purpose' statement. It believes that an overly complex solution will result in reduced competition. Vector also believes that simplicity will support the use of gas.
3. MGUG advocates a holistic objective, emphasising the overall health of the gas sector, particularly as seen from the perspective of gas consumers.
4. Mercury and Trustpower both stress the importance of transparency to competitive outcomes.
5. Nova suggests wording changes to clarify the objective.
6. In addition to pipeline integrity (included in point 1 above), Spindletop suggests that the new arrangements should aim to facilitate upstream investment (and consequential downstream investment). It notes that pipeline owners in North America provide financing, technical support and DBOO<sup>1</sup> capital lease structures to facilitate new connections and development of upstream/downstream facilities.

### Gas Industry Co comment

We consider that submitters have made thoughtful, valid and valuable suggestions. As noted in SCOP1, for any analysis Gas Industry Co may do, such as an analysis of a proposed new access regime, it is the Gas Act and GPS objectives that are paramount. The regulatory objective is subordinate, and intended to be a concise statement of the essential outcomes sought from any proposed reform. So it is not essential that it captures the detail of all desired outcomes; only that it captures their essence.

While we consider that 'reliability' is inherent in 'efficiency', we agree that it makes sense to mirror the '...safe, efficient and reliable...' wording in the Act (although no-one has expressly proposed that safety be included). Transparency and adequacy can then be added to

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<sup>1</sup> Design, build, own and operate.

competition and investment as examples of what is required. We think this would also then provide for the more 'holistic' objective sought by MGUG.

Regarding Spindletop's concern that awaiting a customised price path approval may delay urgent pipeline repair, we understand that the Commerce Commission will be reviewing the requirements for gas pipeline customised price paths in 2017. First Gas has told us that it will be engaging in that review to seek sufficient flexibility to respond to urgent pipeline work if and when required.

Regarding Spindletop's other suggestion, that a key objective should be the facilitation of upstream and downstream investment. We agree that it is important that the access arrangements do not discourage efficient investment, but do not see that as the primary purpose of the reform. In any case, we have generalised the reference to investment by removed the words '...in pipelines' after 'efficient investment'. This may go some of the way to address Spindletop's concern.

Spindletop points out that pipeline owners in North America offer financing and lease arrangements to encourage investment. This is interesting, but we regard that aspect of the pipeline's business mostly to be an aspect of economic regulation, which First Gas is best placed to pursue with the Commerce Commission if it wishes.

Regarding the Genesis suggestion to include reference to 'fit for purpose' arrangements, we agree with the sentiment, but consider that the objective of establishing an open access regime inherently assumes that the regime will be well-suited for that purpose. We agree that simplicity of design is important but consider it to be a means to an end rather than an objective in itself.

We have also incorporated most of Nova's suggested edits. However, we have left the word 'promptly' in the objective because we consider it is important for the industry that this work is not unduly protracted. MBIE, and a number of other stakeholders, also think it is important to bring this work to a prompt conclusion.

The resulting changes are redlined below.

To promptly establish a new non-discriminatory gas transmission open access regime ~~to replace the MPOC and VTC~~ that facilitates:

- ~~1. safe, efficient and reliable operation and use of the gas transmission system, including: and use of pipeline capacity;~~
- ~~2. competition in upstream and downstream markets the production and marketing of gas; and~~
- ~~3. efficient investment in pipelines; and~~
3. transparency of information.

A clean version of the revised regulatory objective is as follows:

To promptly establish a new non-discriminatory gas transmission open access regime that facilitates safe, efficient and reliable operation and use of the gas transmission system, including;

1. competition in the production and marketing of gas;
2. efficient investment; and
3. transparency of information.

### Figure 3 - Revised Regulatory Objective

We think this revised regulatory objective accommodates most stakeholder suggestions, and is a concise description of the essential objective of the reform.

### 3.3 Specific views on structure of new arrangements

Most submitters agree that it is not necessary to specify which elements of the access regime will be addressed in a new code (rather than in operating procedures etc) at this stage of the process. For example, Trustpower suggests that supporting arrangements such as balancing can be designed once the overall design of the access arrangements is developed. However, Greymouth considers that an early decision on the future of D+1 would facilitate later decisions on whether arrangements such as MBB can be included. Greymouth believes that the D+1 arrangements need to be in the code if they are to be retained.

Nova also doubts that matters can be dealt with strictly sequentially, because they have a high degree of interdependence. However, it does consider that the split between what is defined in the access regime, versus being addressed in regulation, is less critical in the early design stages.

Mercury proposes some priority be given to matters that affect competition such as transaction costs and complexity.

Genesis argues that it would be prudent at the outset to work out the principles that would apply for determining whether a matter is best dealt with in the new code or in a supporting arrangement. MGUG goes further and suggests what those principles could be. And Vector proposes that the balancing default rule, for example, should sit in the code since it fundamentally impacts transmission costs.

#### **Gas Industry Co comment**

We agree with Greymouth that, if shippers want to manage their own balance positions, they need early information about how much gas they have delivered. This can be provided by telemetered metering or, particularly for mass market shippers, D+1 allocations. However, at this stage at least one of the options discussed by First Gas at the 9 November workshop would not require a D+1 arrangement. And, if D+1 is required, it is not clear to us why it should be in a new code (as Greymouth proposes) rather than, say, regulation (as the other downstream reconciliation arrangements are).

We agree with Greymouth, Nova and others that some matters are highly interdependent and will need to be considered as a package, rather than sequentially.

We also think submitters are right to ask what principles will apply to determining whether a matter is best dealt with in the new code or in a supporting arrangement. We understand that First Gas will address this in its forthcoming options paper.

### 3.4 Specific views on initial scope of the options

Most submitters agree with the suggested synthesis of the PEA's guiding principles, but some consider:

1. It was incomplete (eg MGUG suggests the overarching health of the gas sector should not be forgotten, Trustpower urges more emphasis on transparency, Spindletop notes that other principles may also apply, and Vector notes that the work of the Gas Industry Transmission Access Working Group (GITAWG) may also be relevant);
2. It should be a guide rather than a boundary (eg Mercury and Vector both support considering options that may not comply); and
3. It should not be used to justify unnecessary complexity (eg Methanex point out that the PEA's principles mostly address constraints, and that parts of the system are currently unconstrained).

Regarding the initial scope of the options, most submitters agree with Gas Industry Co's suggestion that the central arrangements of concern to current and prospective pipeline users will be the service definitions, ie what core services the Transmission Service Provider (TSP) will offer to pipeline users. In particular, the initial options should describe the proposed products, how each product would be priced, and how they would be allocated if scarce.

MGUG considers First Gas should give weight to Gas Industry Co previously indicated preference for a flow on nominations regime. And Vector considered that it was important to set out a broad range of options including balancing options.

### **Gas Industry Co comment**

We think a cautionary approach to the principles, as generally advocated by submitters, is justified. Nevertheless we believe that the synthesis of the PEA principles is a useful guide.

We are pleased with the level of consensus on using service definitions as the starting point.

## **3.5 Specific views on the process**

Submitters unanimously support the concept of co-leadership (First Gas and Gas Industry Co), with complementary responsibilities. No contrary views were expressed, but Nova cautions that Gas Industry Co may need to separate itself from the process and address issues from an independent perspective at times.

At the 9 November workshop, where Gas Industry Co presented a summary of submissions on SCOP1, attendees asked for more clarity around Gas Industry Co's role.

The situation we are in is one that brings out the core challenge in the coregulatory model when the implementation choices are:

1. industry arrangements (e.g. codes given effect via ICAs/TSAs); or
2. regulated arrangements.

The co-regulatory model includes a preference for exploring industry (non-regulatory) arrangements. But, as in the development of a single code, we need to retain the independence that is required to support a recommendation to the Minister, should one be required.

At the workshop various analogies were explored. For example, is Gas Industry Co's role more like an engineer checking that the architect's building is structurally sound, or is it more like a building inspector checking at various stages that the building design is compliant with regulations? The building inspector analogy is better from the viewpoint of its independence, however, the Gas Act and GPS objectives are not sufficiently specific to gas transmission as to consider them a 'design regulations'. So the analogy is only helpful to a degree.

We think it will be more helpful if, at each stage of the process, we make it clear what Gas Industry Co will actually be doing. For example, in respect of the options development process, GIC will:

1. Facilitate the consultation process on key documents.

Gas Industry Co has processes in place for communicating with, and processing submissions from, gas industry stakeholders. It therefore make sense for Gas Industry Co issue key documents, such as options paper, and call for submissions. This would not prevent First Gas and stakeholders having more expansive discussions with stakeholders.

2. Independently analyse key documents and submissions on those documents.

We expect that First Gas will do its own analysis of submissions on key documents, but by

developing an independent view, and independently considering stakeholder views as voiced in submissions, Gas Industry Co will ensure that:

- (a) Our views are made known equally to all stakeholders, including First Gas;
  - (b) Our views are on record; and
  - (c) We can influence outcomes and manage expectations where we consider that proposals are not well aligned with the Gas Act and GPS objectives.
3. Make a full evaluation of proposals against Gas Act and GPS objectives when First Gas arrives at a point where it is requesting users to sign up to new arrangements.

This is a necessary part of our role, but should also make it clear whether GIC would, or would not, recommend regulation in any area, and this may avoid hold-out (ie there may be little merit in holding out if the result is regulation rather than contract).

In addition, in regard to the Spindletop suggestion that the process might benefit from some specialist international expertise, we can confirm that we will be using consultants if and when they are needed.

### **3.6 Specific views on other matters**

In addition to the matters we sought feedback on, the CCO submission raised a number of additional matters. In particular, the CCO believes that new arrangements should:

1. Strongly incentivise users to maintain balance;
2. Set out mechanisms for managing contingency events;
3. Provide sufficient contingency linepack to allow time to respond to a contingency;
4. Set out a methodology for cost allocation that encourages good behaviour during a contingency; and
5. Avoid confusion between 'contingency events' and 'curtailments'.

In our view item 4 is addressed in the Gas Governance (Critical Contingency Management) Regulations 2008. But we have discussed the other matters with First Gas, which agrees that the new code should provide clear mechanisms to promote responsible use and operation of the transmission network before critical contingencies are declared.

# Appendix A Summary of submissions

QUESTION	COMMENT
<b>Question 1</b>	Do you agree with the proposed regulatory objective? If not, how would you propose describing the objective?
CCO	Yes, but the regulatory objective needs to capture the concept of reliability as well as efficiency.
Genesis	Yes, but the regulatory objective needs to capture the concept of 'ease of use', perhaps by incorporating a 'fit for purpose' statement.
Greymouth	System maintenance and investment (ie prevention) is most important to stakeholders. Intelligent pigging is part of this and results should be disclosed.
MGUG	Yes, but to avoid a narrow interpretation – that it relates only to gas transmission – it should be referenced to the overall health of the gas sector, thereby reflecting the Gas Act objectives. Also, it needs to be clear that it is end consumer outcomes that matter (and not just shippers').
Mercury	Yes, but, as recognised by the PEA, transparency is key to an efficient and competitive market, and should be explicitly mentioned in the regulatory objective.
Nova	<p>Broadly agrees, but suggests some edits:</p> <p>To <del>promptly</del> establish a new non-discriminatory gas transmission open access regime <del>to replace the MPOG and VTC</del> that facilitates:</p> <ol style="list-style-type: none"> <li>1. efficient operation <del>and use</del> of the <del>gas</del> transmission system <del>and use of pipeline capacity</del>;</li> <li>2. competition in <del>upstream and downstream markets</del> <del>the production and marketing of gas</del>; and</li> <li>3. efficient investment in <del>pipelines</del> <del>gas transmission assets</del>.</li> </ol>
Spindletop	<p>Two major threats to ongoing supply are not addressed by the proposed Regulatory Objective:</p> <ul style="list-style-type: none"> <li>• Major outages caused by pipeline integrity issues... so the objective should allow for First Gas to make urgent repairs if necessary without waiting for a customised price path to be decided by the Commerce Commission.</li> <li>• The under reporting of 'bankable' gas supply... so the new arrangements should aim to facilitate upstream investment (and consequential downstream investment)</li> </ul>

QUESTION	COMMENT
Trustpower	Yes. It looks complete and should also improve transparency.
Vector	Yes, but keeping the code as simple as possible should also be an objective, since that will promote the use of gas.
<b>Question 2</b>	Do you agree that it is not necessary to specify what elements of the access regime will be addressed in a new code at this stage of the process?
Genesis	Yes.
Greymouth	Considers that early decisions need to be taken about whether MBB and D+1 are to be retained, because these could significantly affect code and contract design.
MGUG	<p>Yes, but the principles guiding whether elements belong in a code, contract or regulation should be articulated. MGUG suggests these might be:</p> <ol style="list-style-type: none"> <li>1. For matters affecting stakeholders, stakeholder input needs to be allowed for (this includes discount deals that affect the price to other stakeholders).</li> <li>2. Where the consumer impact is broad the matter should in the code (where broad consultation is allowed for).</li> <li>3. Where only one party is affected, a contract is most suitable.</li> </ol>
Mercury	Yes, but matters that affect incentives to compete (such as transaction costs and complexity) should be evaluated early on.
Nova	The matters that need to be addressed are heavily interdependent so may need to be considered in total rather than sequentially.
Spindletop	Yes, a short term narrowing of focus is necessary.
Trustpower	Yes, providing that we look out for situations where the choice of an option might create problems with a supporting arrangement. At this early stage it is best to focus on the general form of gas transmission access, supporting arrangements such as balancing can be designed once the overall design of the access arrangements is developed.

QUESTION	COMMENT
Vector	Yes, but the First Gas options paper should indicate where the various elements are likely to sit. The balancing default rule, for example, should sit in the code since it fundamentally impacts transmission costs.
<b>Question 3</b>	Do you agree with the suggested synthesis of the PEA's guiding principles?
Genesis	Yes, but simplification and standardisation should be pursued where possible.
MGUG	Yes, as long as the overarching health of the gas sector is not forgotten.
Mercury	Yes, but this shouldn't rule out options that do not comply with the principles.
Methanex	Yes, but they are relevant to constrained pipelines whereas parts of the system, such as the Maui pipeline, are not constrained.
Nova	Yes.
Spindletop	The PEA principles were developed to address issues arising from a capacity constraint, and under a different ownership structure. They may be useful, but should not preclude other principles (possibly as developed in other jurisdictions) from applying.
Trustpower	Yes. Also a single code should provide greater transparency, making access to gas easier for consumers.
Vector	Yes, but would prefer they are kept at a high level so as not to rule out options at this stage. Also notes that the regulatory objective does not reference facilitation of competition in upstream and downstream markets, so does not align with the guiding principles.

QUESTION	COMMENT
<b>Question 4</b>	Do you agree with the suggested initial scope of the options?
Genesis	Yes, but at the outset, First Gas should develop a decision making framework to guide what to include in the code, operating procedures, individual contracts etc., and high level governance arrangements.
MGUG	First Gas should give weight to the outcome of previous Gas Industry Co work indicating a strong preference for a flow on nominations (common carriage) regime.
Mercury	Yes, and each service option the types of product, congestion management and pricing possibilities should also be considered.
Nova	Yes.
Spindletop	Yes.
Trustpower	Yes.
Vector	<p>Yes, but Gas Industry Co and First Gas should remain open to a broad range of options at this stage.</p> <p>Suggest the second options paper should include:</p> <ul style="list-style-type: none"> <li>• A programme of work required to deliver the new transmission code</li> <li>• Definition of services</li> <li>• Balancing options/services</li> <li>• Consideration of the work done by the Gas Industry Transmission Access Working Group (GITAWG)</li> </ul>
<b>Question 5</b>	Do you consider that the process outlined above is appropriate?
Contact	Yes.

QUESTION	COMMENT
Genesis	Yes.
Greymouth	Code process could be bottlenecked if GIC fails to complete its balancing review and address the future of D+1
Mercury	Yes, but Gas Industry Co should be open to expanding its role if required.
MGUG	Yes.
Methanex	<p>Yes, but Gas Industry Co should actively consult with First Gas as it develops the design options, to give the best chance of avoiding regulation.</p> <p>Gas Industry Co should provide further process and timeline information after the release of the First Gas options paper.</p>
Nova	Yes, but where disagreements between First Gas and stakeholders arise, Gas Industry Co will need to separate itself from the process and address the issues from an independent perspective.
Spindletop	Yes, but suggests that the process might benefit from some specialist international expertise to ensure that mistakes that have occurred elsewhere are not repeated and that the final product is balanced, fit for purpose and sustainable.
Trustpower	Yes, but Gas Industry Co should be part of all discussions on a code proposal.
Vector	Yes, and appreciate efforts of First Gas and Gas Industry Co to minimise work duplication and gaps.

QUESTION	COMMENT
<b>Other specific comments</b>	
CCO	<p>CCO wishes new arrangements to:</p> <ul style="list-style-type: none"> <li>• Strongly incentivise users to maintain balance;</li> <li>• Set out mechanisms for managing contingency events;</li> <li>• Provide sufficient contingency linepack to allow time to respond to a contingency;</li> <li>• Set out a methodology for cost allocation that encourages good behaviour during a contingency; and</li> </ul> <p>Avoid confusion between 'contingency events' and 'curtailments'.</p>
Genesis Energy	<p>Welcomes First Gas commitment to work collaboratively with Gas Industry Co.</p> <p>Urges First Gas to simplify and standardise wherever possible, and to notify its plans as far ahead as possible so that stakeholders can resource accordingly.</p>
Greymouth Gas	<p>The new code should:</p> <ul style="list-style-type: none"> <li>• Comply with legislation and Government policy</li> <li>• Provide comprehensive, simple and transparent open access</li> <li>• Do what is best for New Zealand</li> <li>• Facilitate an efficient, effective and resilient gas industry</li> </ul>
Nova Energy	<p>Nova supports the First Gas objective of creating a commercial environment that favours the increased use of gas over the long term.</p> <p>Transmission arrangements in other jurisdictions provide useful models for consideration, some aspects of the design will necessarily be unique to New Zealand (because of small volumes, simple pipeline arrangement etc).</p> <p>Whatever the final design, Gas Industry Co should stand ready to assess the merits of the final proposal from an independent perspective.</p>

## ABOUT GAS INDUSTRY CO

Gas Industry Co is the gas industry body and co-regulator under the Gas Act. Its role is to:

- develop arrangements, including regulations where appropriate, which improve:
  - the operation of gas markets;
  - access to infrastructure; and
  - consumer outcomes;
- develop these arrangements with the principal objective to ensure that gas is delivered to existing and new customers in a safe, efficient, reliable, fair and environmentally sustainable manner; and
- oversee compliance with, and review such arrangements.

Gas Industry Co is required to have regard to the Government's policy objectives for the gas sector, and to report on the achievement of those objectives and on the state of the New Zealand gas industry.

Gas Industry Co's corporate strategy is to 'optimise the contribution of gas to New Zealand'.

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