

22 January 2018

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Dear Ian

## Submission on the Final GTAC - 8 December 2017 Version

### Introduction

1. This is Vector Limited's (Vector) submission on the Gas Transmission Access Code submitted by First Gas for the GIC's assessment on 8 December 2017 (*Final GTAC*).
2. We appreciate the active engagement by the GIC, First Gas, and other industry participants in the development of a new, single gas transmission access code.
3. Vector's gas trading business remains committed to a non-regulated access arrangement for gas transmission services and to a GTAC commencement date of 1 October 2018.
4. We set out in Appendix A our assessments, as a Shipper, whether the various sections in the *Final GTAC* are better or worse than the current code arrangements. Where we use the term "neutral", the proposed arrangement is, in our view, neither better nor worse than the status quo.
5. We also propose minor or technical changes to the *Final GTAC* in Appendix B.
6. No part of this submission is confidential. Vector's contact person for this submission is:

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### Overall assessment

7. It is Vector's assessment that the *Final GTAC*, in its entirety, is not better than the current code arrangements. While we agree with most of the provisions in the *Final GTAC*, some of the proposed changes will have a significant negative impact on both our gas trading operations and our End-users.
8. We acknowledge the GIC's challenging task of assessing the *Final GTAC*, given the high standards that the GTAC will be assessed against, and the impossibility of coming up with a determination that will be welcomed by all industry participants. That is not to say that we do not support some concepts in the *Final GTAC* which we consider to be excellent, and which we identify in this submission.
9. It is the practical operation of a number of provisions, together with certain concepts that we do not believe to be workable, that leads us to conclude that the *Final GTAC* is not better, let alone materially better, than the current code arrangements.

10. In addition, we believe the GIC's assessment of the GTAC should not include an assessment of whether a new IT system would make the GTAC materially better than the current code arrangements. We discuss this further in Appendix A.
11. In the transition to the GTAC regime, we expect Vector's gas trading business to incur costs in making the necessary changes to align its contracts, processes and systems with the new code provisions. However, as we will be using the same inputs across our transmission capacity and gas purchasing operations (including customer gas consumption forecasts), we expect our operational costs to be lower in the future. As a guide, we expect to 'break even' within five years.

### **Making the GTAC materially better than the current code arrangements**

12. In our view, addressing the following issues would make the *Final GTAC* better for Vector as a Shipper on the single gas transmission pipeline and its End-users.
  - Liability – First Gas has materially changed the allocation of risk without justification and Shippers are in a worse position. First Gas should offer balanced and equitable liability provisions and maintain the direct indemnity in relation to gas quality as is currently provided under the Vector Transmission Code (VTC) and the Maui Pipeline Operating Code (MPOC).
  - First Gas discretion – with First Gas' recent announcement of its purchase of the Ahuroa gas storage facility, there needs to be changes to First Gas' discretion in the GTAC on setting fees and terms on the Excess Running Mismatch and Park and Loan service, as these all relate to either the intended or unintended use of flexibility.
  - Hourly Overrun Charges – we believe the proposal to apply Hourly Overrun Charges to only a small number of Dedicated Delivery Points simply because it is easy to identify End-users that exceed their MDQ at those points is not fair. In the interest of fairness, a principle embodied in Section 43ZZJ(1) of the *Gas Act 1992* and section 9 of the *Government Policy Statement on Gas Governance 2008*, we suggest that Hourly Overruns and the tools associated with their implementation be removed from the GTAC until such time that the issue of fairness is addressed.
  - Running Mismatch Tolerance – the methodology in the GTAC for allocating tolerance to Shippers, as currently drafted, has some serious flaws that will result in perverse outcomes. We believe the issue with the methodology stems from the decision by First Gas to use daily nominated capacity (DNC) as the basis for allocating tolerance due to its "locked in" quantity.
13. We discuss the above issues in more detail in Appendix A.

### **Recommendation**

14. Vector **recommends** that the GIC refer the *Final GTAC* back to First Gas for further discussion and consultation(s) with industry participants on the: 1) sections identified in this submission process to be worse than the current code arrangements, and 2) sections that can benefit from significant improvements at no significant cost to any parties.
15. We note that First Gas released five memorandums for consultation just prior to its submission of the *Final GTAC* to the GIC on 8 December 2017. Industry participants only had three business days to provide feedback on those memorandums. We believe that reflects the presence of issues that require more thorough discussion or consultation. In addition, we do not consider 'last-minute' consultations to be consistent with good regulatory

practice and prefer that the regulator and industry participants avoid such practice in the future.

16. We believe our recommendation for further discussion and consultation can be achieved without any delays to the targeted GTAC go-live date of 1 October 2018.

Yours sincerely  
For and on behalf of Vector Limited



**Luz Rose**  
Senior Regulatory Specialist

## APPENDIX A: *Final GTAC* Section Assessments

### GAS TRANSMISSION PRODUCTS

#### GTAC s2 - Transmission Services

1. Section 2 is a general outline of the base transmission product First Gas proposes to offer under the GTAC. In our opinion, the only significant difference in this section from the Vector Transmission Code (VTC) is the replacement of firm capacity in the form of Annual Capacity Reservations with Daily Nominated Capacity (DNC).
2. Vector recognises that the move from Annual Capacity Reservation to DNC does provide both the industry and our End-users with greater flexibility and removes the requirement for grandfathering rights, which has been perceived in the past as a barrier to competition. We will use this opportunity to design new product and service offerings for our End-users. This will, however, require significant investment in new systems to effectively manage our DNC nominations and develop those new processes, products and services.
3. While we believe First Gas will not gain financially from the introduction of DNC, there will be significant 'winners and losers' amongst End-users under the *Final GTAC*. We are concerned that this has not been 'front footed' by First Gas and could lead to significant issues during its implementation.

Vector's assessment of s2: **Better in terms of efficiency, reliability and fairness.**

#### GTAC s3 – Transmission Products and Zones

4. Vector is pleased with First Gas' decision to adopt a zoning approach with respect to Delivery Points under the GTAC. We believe First Gas has struck the right balance between the need for information to efficiently manage the transmission system and limit Shippers' operational overheads. As a result of the zoning approach, the number of chargeable delivery points (for standard transmission delivery points) is reduced from approximately 55 under the VTC to 15 under the GTAC.
5. The introduction of Daily Underrun and Daily Overrun charges incentivises Shippers to make their DNC nominations as accurate as possible. The rebating of these charges will also benefit those Shippers who invest in improving their forecasts and estimates that would inform their DNC nominations, and efficiently use transmission capacity.
6. We understand that the implementation details of Priority Rights, as a bespoke transmission product designed for the New Zealand gas market, are still being developed by First Gas. In our view, it would be better if Priority Rights were removed from the GTAC until the development work is completed. It can then be introduced through the GTAC change request process.
7. First Gas has developed the concept around Agreed Hourly Profiles, MHQ, and Hourly Overrun Charges during the recent workshops into a potentially workable form. However, we still have serious concerns that Hourly Overrun Charges are to be applied to only a small number of large DNC End-users simply because it is easy to identify their exact hourly gas gate usage. Parties with Existing Supplementary Agreements, which will have a fixed MHQ (presumably set on metering design limitations), will have a free rein to work within that MHQ. This will give a competitive advantage to those parties on a Supplementary Agreement over a large DNC End-user. This is particularly relevant for thermal generation End-users. We consider this to be unfair.

8. Section 43ZZJ(1) of the *Gas Act 1992* provides that the principal objective in relation to gas is “to ensure that gas is delivered to existing and new customers in a...fair manner”. The principle of fairness is reaffirmed in section 9 of the *Government Policy Statement on Gas Governance 2008*, which states that it is also among the Government’s objectives that the GIC take fairness into account in all its recommendations. In the interest of fairness, we suggest the removal of Hourly Overruns and the tools associated with its implementation from the GTAC.
9. The cost to Vector and End-users to implement the systems and processes and manage these on a daily basis may be prohibitive. If implemented, we have concerns that this becomes a burdensome activity for Shippers and End-users with limited benefit to First Gas.

Vector’s assessment of s3: **Neutral**

#### GTAC s7 – Additional Agreements (SAs and IAs)

10. Vector’s view is that the only changes made to Supplementary and Interruptible Agreements under the *Final GTAC* are to align these agreements with the new daily transmission capacity products.

Vector’s assessment of s7: **Neutral**

#### GTAC s4 - Nominations

11. Nominations under the GTAC mirror existing code arrangements with the obvious addition of DNC nominations. However, First Gas has chosen to ignore the requirements on Receipt Point OBA Parties and Shippers to fully manage their upstream GSAs via the GTAC. Intentionally or not, First Gas has decided to only allow approval or curtailment of Shippers’ NQ and the automatic acceptance of decreases to Shippers’ NQ. This prevents higher quantities being approved where that may be what is contracted under the upstream GSA. It is difficult to understand First Gas’ reasons for placing restrictions on upstream contracts.
12. We are pleased that First Gas has included an Emergency Nominations Cycle in the *Final GTAC*, which is necessary to enable parties to manage unplanned outages with the loss of their ability to implement a section 15.2 Curtailment. We note that First Gas has chosen to restrict Shippers’ ability to call upon an emergency cycle where End-users’ demand has decreased materially due to an unplanned outage. The reason for this restriction is unclear and could potentially have an impact on other Shippers and End-users if this causes a breach or potential breach of a lower Acceptable Line Pack Limit.

Vector’s assessment of s4: **Neutral**

### PRICING TERMS

#### GTAC s11 – Fees and Charges

13. Vector has a number of concerns about the introduction of credits under the *Final GTAC*. Firstly, it appears that some Shippers will contribute to the pool of credits but will not be apportioned any credits, e.g. Shippers with Supplementary or Interruptible Agreements who incur the transmission related incentive charges. Secondly, credits do not appear to be calculated for months prior to the previous month where washups will change the inputs to the calculation. Finally, credits add to an already significant number of Fees and Charges that are present within the GTAC compared to current Fees and Charges under the MPOC and the VTC. The process of reconciling this information will almost be impossible for

Shippers. It is accepted though that this is an outcome of a fair and transparent charging regime.

14. We are concerned about the proposed limited application of an Hourly Overrun Charge, which appears to be designed to replace the current peaking charges under the MPOC.
15. As stated above, we believe that the proposal to apply an Hourly Overrun Charge to only a small number of Dedicated Delivery Points simply because it is easy to identify End-users that exceed their MHQ at those points is unfair. It is also not consistent with the fairness principle in either Section 43ZZJ(1) of the *Gas Act 1992* or section 9 of the *Government Policy Statement on Gas Governance 2008*.

Vector's assessment of s11: **Worse in terms of efficiency and fairness.**

## SYSTEM OPERATION

### GTAC s5 – Energy Quantity Determination

16. The publication times by First Gas of the Gas Composition Data, HDR, and DDRs for the previous day drives the timing of the downstream daily allocation process. Under the GTAC, this will have an impact on the calculation of Shippers' mismatch positions, their DNC deliveries, and therefore their ability to effectively and efficiently manage their mismatch and DNC nominations. However, without the movement of the publication of Gas Composition Data time, which the industry relies on to calculate their TOU consumption, to 10:00am, the GTAC process only delivers a result prior to the Intra Day 4 nominations cycle. Suggestions to improve this process in the past have been halted due to system constraints on First Gas. It is therefore hard to reconcile First Gas' unwillingness to improve these times with a new IT system.
17. As Vector's Data Services Team used to process the Energy Allocations, we fully understand that there can be times when raw data, for a variety of reasons, is not available and can cause the timing of the publication of this data to be breached. As a potential solution to this problem, we would propose that rather than hard coding these publication times into the GTAC, they are set as service level agreement targets with a mid-90% KPI.

Vector's assessment of s5: **Neutral**

### GTAC s6 – Energy Allocations

18. Vector believes that section 6 reflects all the necessary inputs and outputs for the calculation of Energy Allocations for Shippers and End-users with an OBA as currently provided for under the MPOC and the VTC.

Vector's assessment of s6: **Neutral**

### GTAC s7 – Additional Agreements (ICAs)

19. Vector agrees with First Gas' proposal to place the details associated with Interconnection Agreements in the actual ICAs rather than in the GTAC. The GTAC now essentially contains the operating arrangements for transporting gas for Shippers, which is in our opinion the correct function of the GTAC and is in line with current practice under the VTC.

Vector's assessment of s7: **Neutral**

## GTAC s8 - Balancing

20. Vector supports First Gas' approach to balancing at a transmission system level rather than at Welded Points and Pools. The removal of the automatic cashing out of mismatch incentivises parties to trade gas instead.
21. First Gas must remove itself from setting the  $F_{\text{NERM}}$  and  $F_{\text{PERM}}$  to ensure there is 'arm's length' transaction in the setting of the Ahuroa gas storage fees, Park and Loan fees, and Excess Running Mismatch fees. Storage, Park and Loan, and Excess Running Mismatch Tolerances are all about access to flexibility, whether accessed intentionally or unintentionally, and therefore are inter-related. First Gas, in setting either the Excess Running Mismatch Fees or the Park and Loan Fees, has the ability to increase the attractiveness of its unregulated storage service. Vector proposes that as  $F_{\text{NERM}}$  and  $F_{\text{PERM}}$  are purported to be based on section 12.12(d) of the MPOC, the straightforward solution would be to replicate the MPOC formula in the GTAC for "adjustment".
22. Vector supports the introduction of a Park and Loan service, but as the details and fees of this service are left to the discretion of First Gas, it is our opinion that this concept must be removed from the current version of the GTAC. It can then be introduced via the GTAC change request process once the concept has been fully developed and protection has been put in place to ensure that First Gas' discretion is limited.
23. Vector has concerns about how tolerance is to be allocated across Shippers and OBA parties, and the perverse and inequitable outcomes this will generate. To illustrate the point, a Shipper who purchases gas from a producer at a Receipt Point that is on OBA and then sells that gas to an End-user at a Delivery Point on OBA (and nominating for DNC) will be entitled to a share of tolerance for that gas sale. That Shipper will not be exposed to any Mismatch risk due to both Receipt Point and Delivery Points being on OBA. Further, the OBA parties will be entitled to tolerance as well; so in effect, there will be a 'doubling up' of tolerance allocation.
24. In addition, by limiting the distribution of tolerance to DNC and OBA parties, Shippers supplying End-users on supplementary or interruptible agreements will get allocated no tolerance yet they take on the same imbalance risk that a Shipper nominating DNC does. Further to this, a buyer of gas from an Interconnected Party that is not on OBA who trades gas with another Shipper will get no allocation of tolerance, despite taking on the mismatch risk at the Receipt Point where the Interconnected Party injects the gas.
25. The perverse outcomes stem from the decision by First Gas to use a capacity product (DNC) as the basis for allocating tolerance for a system balancing issue. It is understood that this was deemed to be suitable because of its quantities being known on the day and could therefore provide Shippers and OBA Parties with certainty in relation to tolerances. We would argue that this certainty is not required for Shippers and OBA Parties and in fact could result in parties using known tolerance to deviate from the primary obligation of matching receipts to deliveries. In our view, tolerance should be used (if available) for the unintended deviations between receipts and deliveries. Uncertainty of tolerance would ensure that parties did not rely on the tolerance for known variances between supply and demand, and encourage gas trading.

Vector's assessment of s8: **Worse in terms of efficiency and fairness.**

## GTAC s9 - Curtailment

26. Vector is concerned that Shippers are required to indemnify First Gas in relation to any failure to comply with an operational flow order. This is not the case under the MPOC or the VTC.

In addition, the Shipper is deemed to have failed to act as a reasonable and prudent operator (RPO). The Shipper loses the benefit of being assessed to the RPO standard in each case.

Vector's assessment of s9: **Neutral**

#### GTAC s10 – Congestion Management

27. Vector is pleased that First Gas has taken the congestion management concept first proposed by the Gas Industry Transmission Access Working Group (GITAWG) a few years ago, and developed this into a firm transmission product within the GTAC.

Vector's assessment of s10: **Better in terms of reliability.**

#### GTAC s12 – Gas Quality

28. With the exception of the indemnity and First Gas' exclusion of liability, which Vector covers under section 16, this section is substantially the same as is currently within the VTC. In Vector's opinion, this represents a missed opportunity for First Gas to improve the monitoring and/or publication of gas quality issues.

Vector's assessment of s12: **Neutral**

#### GTAC s13 – Odourisation

29. The First Gas proposal within the GTAC, in the main, mirrors the current arrangements detailed in the VTC. The new proposals now include the requirement, as reflected in current practice, of First Gas publishing the results of the monthly odourisation tests carried out in the previous month.
30. The GTAC does not, however, give Shippers the ability to audit First Gas' odourisation procedures and processes which retailers require in order to demonstrate their compliance with the *Gas (Safety and Measurement) Regulations 2010*. This is another missed opportunity for First Gas to improve the current arrangements.

Vector's assessment of s13: **Neutral.**

#### GTAC s14 – Prudential Requirements

31. Vector's view is that the changes proposed in this section do not materially alter the allocation of rights and obligations between the parties.

Vector's assessment of s14: **Neutral**

#### GTAC s15 – Force Majeure

32. Vector's view is that the changes proposed in this section do not materially alter the allocation of rights and obligations between the parties.

Vector's assessment of s15: **Neutral**

## GTAC s16 – Liabilities

### *Non-specification gas and subrogated claims*

33. GTAC differs materially from the MPOC and the VTC in that the gas quality indemnity provisions (section 12) in the GTAC reduce a Shipper's ability to recover its losses as a result of a third party causing non-specification gas to flow into the transmission system.
34. Section 16 of the GTAC purports to allow Shippers and Interconnected Parties to recover losses by pursuing other such parties in the name of First Gas. First Gas suggests that these provisions make up for the GTAC's lack of direct indemnity protection given by First Gas in relation to the risk of non-specification gas, as there is under the MPOC and the VTC. We strongly disagree with the view of First Gas. Such provisions will only work where First Gas has a sound basis on which to pursue the third party in the first place. The Shipper's claim is only as good as the claim that First Gas has against the other Shipper or Interconnected Party.
35. Firstly, there will be difficulty in establishing loss. Because First Gas excludes liability for non-specification gas, it will not have suffered any loss as a result of a Shipper's claim. Section 16.12(c) apparently deems the loss of the first Shipper to be First Gas' loss and section 16.12(d) deems the breach of the wrongdoer to be First Gas' breach, but it is not clear that deeming provisions are effective and so it may be difficult to establish causation, foreseeability and loss.
36. Secondly, in the case of a claim against an Interconnected Party, the Shipper has no ability to influence the Interconnected Party's obligations in favour of First Gas. The Shipper only has visibility on what ought to be provided for in an ICA pursuant to section 7.13 of the GTAC. But this does not give us sufficient comfort on the strength of these provisions. For example, section 7.13(r) states only that there will be "liabilities provisions consistent with those in section 16" but we have no detail on how this will be achieved.
37. Our issue with sections 12 and 16 of the *Final GTAC* is that Shippers are left exposed to all the weaknesses in a claim rather than this risk being shared with First Gas as is currently the case. Under the GTAC, the Shipper takes all the risk of such a claim having no basis or being unsuccessful against the third party. Under the MPOC and the VTC, there is no such risk for the Shipper as it has the benefit of a direct indemnity. The proposed GTAC provisions do not give Shippers sufficient confidence that a claim in the name of First Gas against the other party would be legitimate. Instead of being able to simply claim against First Gas under an indemnity, the Shipper must attempt to navigate an imperfect mechanism for a subrogated claim.

### *Deemed failure of RPO and obligation to mitigate*

38. In addition, the GTAC does not take a balanced approach to liability. As discussed above, in section 9.12, Shippers are required to indemnify First Gas in relation to a failure to comply with an operational flow order. In this scenario, the Shipper is deemed to have failed to comply with the RPO standard. Similarly, in section 11.9, Shippers indemnify First Gas in relation to losses arising from overruns or overflows and if such events result in a critical contingency being declared, the Shipper is deemed to have failed to comply with the RPO standard. However, the GTAC does not deem First Gas to fail RPO in relation to any matters which First Gas is responsible for. The result is that Shippers lose the full benefit of the exclusion to liability set out in section 16.1 but First Gas does not.
39. The GTAC also uses a different standard for First Gas when it comes to the obligation to mitigate loss. The obligation for First Gas is to use "reasonable endeavours to mitigate" its loss whereas Shippers are required to mitigate to the "fullest extent practicable". It is Vector's

view that Shippers should be subject to the same standard as First Gas. Using different standards does not represent an equitable approach to the code.

Vector's assessment of s16: **Worse in terms of fairness.**

#### GTAC s17 - Code Changes

40. Vector retains the view that, as the GTAC is a commercial contract between its signatories, they should have the first opportunity to agree on any code changes. The GITAWG had lengthy discussions on changing the code change process for the VTC. The industry approved the change request arrangements proposed by the GITAWG. Shippers accepted that it is unlikely that they will always get 100% approval of a change request and therefore a change request with a high percentage of agreement was approved. We believe the VTC voting arrangement should also be applied to the GTAC.
41. We recognise the importance for industry participants (and the regulator) of having the ability to refer proposed code changes to an independent arbitration process. The GTAC proposal encapsulates what we consider to be the best elements of the VTC code change process but has excluded the final step in the VTC of allowing signatories to vote on the code changes. The proposed GTAC arrangements also means that, unlike the VTC change request process, the GIC cannot be actively involved in code change discussions.
42. Finally, by automatically referring the final decision making process to the GIC, the code change process could be at risk of being extended for considerable periods of time.

Vector's assessment of s17: **Neutral**

#### GTAC s18 – Dispute Resolution

43. The disputes section in the GTAC lacks the detailed process set out in both the MPOC and the VTC. It does, however, cover all the options set out in the MPOC and the VTC.

Vector's assessment of s18: **Neutral**

#### OTHER MATTER

##### *New IT system*

44. One matter that was repeatedly raised during the industry workshops on the GTAC was the replacement of OATIS with a new IT system. First Gas has made claims that a material betterment through the GTAC will be the implementation of a new IT system. While we do not disagree that a replacement system for OATIS will most likely be materially better than OATIS, we do caution the GIC with regards to including this in its assessment.
45. OATIS is at, or very near, the end of its lifespan and both the previous transmission system owners had, prior to the sale of their transmission pipelines to First Gas, already started investigations into potential OATIS replacements. Regardless of whether the GTAC goes ahead or not, Vector believes a replacement IT system is required and will be installed within 1-2 years.
46. We are disappointed that First Gas has not taken the opportunity to use the new IT system to enhance the services provided to Shippers, e.g. energy quantity determination where First Gas has settled for offering what is essentially the status quo. It is therefore our opinion that the assessment of the GTAC should not include an assessment of whether a new IT system would make the GTAC materially better than the current code arrangements.

**APPENDIX B: Table of Minor or Technical Changes to the *Final GTAC***

Section	Proposed Change	Comment
1.1	Commerce Commission means the regulatory body for competitive and regulated markets	No definition for Commerce Commission.
1.1	Day means a period of 24 consecutive hours, beginning at 0000 NZST hours and Daily shall be construed accordingly	<p>Definition of time under the MPOC and the VTC is in New Zealand standard time unless otherwise indicated. First Gas has decided to make time New Zealand statutory time unless otherwise indicated. As this has been raised previously in submissions, First Gas must have reasons for this change but the unintended consequence is that wherever Day is used in the context of quantity, Day is referred to in New Zealand statutory time.</p> <p>Vector proposes that First Gas change the definition of time back to the definition under the MPOC and the VTC. Otherwise, First Gas needs to carefully review the GTAC to ensure that when Day is being used in relation to a quantity, it is clearly a day in New Zealand standard time.</p> <p>For example:</p> <p>3.28 - An AHP can only be requested in advance. An AHP may be for part of a Day and/or a full Day (or Days) up to a maximum of 7 Days. An AHP must commence at a time corresponding to the start of a nominations cycle. An AHP that starts on a Day must include all Hours from the time it starts until the end of that Day.</p>
1.1	Gross Calorific Value means the total amount of heat released when Gas is burned	No definition for Gross Calorific Value, only Calorific Value. Calorific Value is never used on its own, so it makes more sense to remove and add a definition for Gross Calorific Value.

Section	Proposed Change	Comment
1.1	<p><i>Maintenance</i> means, in relation to any part of the Transmission System (including any Receipt Point, Delivery Point, Bi-directional Point, compressor or other <b>facility</b>, Metering, pipeline or pipeline equipment including any aerial, bridge or other crossing, culvert, drainage, support or ground retention works) any testing, adding to, altering, repairing, servicing, replacing, upgrading, inspecting, cleaning, pigging, decommissioning, removing or abandoning, as well as any preparatory or return-to-service work relating to any such activity;</p>	<p>All Delivery Points, Receipt Points etc are called a facility but in other parts of the GTAC it is called a station.</p>
1.1	<p><i>Operational Balancing Arrangement or OBA</i> means a Gas allocation option available to an OBA Party under its ICA at one or more Receipt Points, or at one or more Individual Delivery Points, whereby at the relevant point:</p> <p>a) each Shipper's Receipt Quantity is its approved NQ;</p> <p>b) each Shipper's Daily Delivery Quantity is its Approved NQ</p>	<p>At a Receipt Point, there is no concept of Approved NQ, only approved NQ by the Interconnected Party.</p>
1.1	<p><i>Running Mismatch Tolerance</i></p> <p>Further consultation is required.</p>	<p>Running Mismatch is calculated from the physical amounts of gas purchased and delivered. The tolerance given to this has been set by the DNC nominated by Shippers on the previous Day.</p> <p>Using DNC for a tolerance disadvantages Shippers who deliver under a Supplementary or Interruptible Agreements, who purchase from a non-OBA Receipt Point, and where AHPs have been used. It also creates significant benefits for Shippers who purchase from Receipt Points with an OBA and deliver to Delivery Points with an OBA. It is not acceptable to create different protections for different Shippers who are accessing the same transmission system.</p>

Section	Proposed Change	Comment
2.3	Subject to the terms of this Code, First Gas shall at all times be able to receive Gas from a Shipper and, simultaneously, be able to make available equivalent Gas for that Shipper to take, up to limits of that Shipper's MDQ and MHQ. First Gas will be deemed to have delivered Gas to a Shipper when that Shipper takes Gas at a Delivery Point.	As a core principle of the new transmission capacity products provided to Shippers, this clause does not fit with the concepts under the GTAC. There is no relationship between Gas purchased by a Shipper with the Gas that it delivers to Delivery Points. First Gas should either remove or reword this section.
3.18	Any amendment to the Auction TCs will also require consultation with Shippers and will be subject to approval by the GIC applying the criteria for changing this Code set out in section 17.11	It needs to clearly state that amendments to Auction TCs will be subject to the same rigor as the original Auction TCs.
3.19	First Gas will notify Shippers not later than 20 Business Days before a Scheduled PR Auction of the:	Vector is unsure why suggestions to increase this to 20 Business Days have previously been rejected by First Gas. Vector is concerned that this time period is too short for Shippers and impacted End-user(s) to agree potential terms for bids on Priority Rights.
3.30	<p>An AHP amends DNC. For all purposes of this Code, DNC amended by an AHP shall be treated as "standard" DNC unless specifically stated otherwise. The Shipper's DNC shall be, where an AHP applies for:</p> <p>(a) a full Day, equal to the sum of the Hourly amounts of transmission capacity set out in the AHP; or</p> <p>(b) part of a Day, equal to:  <math>DNC_P \times H/24 + \sum HTC_{AHP}</math></p> <p>where:</p> <p><math>DNC_P</math> is the Shipper's DNC at the time the AHP starts;</p> <p><math>H</math> is the number of hours between 00:00 NZST on the Day until the AHP start time; and</p> <p><math>\sum HTC_{AHP}</math> is the sum of the Hourly amounts of transmission</p>	This again relates to the concerns around the definition of Day and time. Even if First Gas chooses to not make the changes, then as a minimum, NZST needs to be added to the definition of H.

Section	Proposed Change	Comment
	capacity from the AHP start time until the end of that Day.	
3.32	Subject to <i>section 4.16(b)</i> , where it is unable to approve a Shipper's request for an AHP, First Gas will offer the most DNC it reasonably can <b>up to a Shipper's requested AHP</b> .	At present, the clause allows First Gas to provide more DNC than requested by a Shipper.
3.33	First Gas may curtail any previously approved AHP where it determines that is necessary to avoid breaching an Acceptable Line Pack Limit or having to curtail DNC or Supplementary Capacity. Where it does so after the AHP start time, First Gas will convert the AHP into Approved NQ (or an adjustment to the Approved NQ prior to the start of the AHP) <b>and then curtail the resulting Approved NQ at an equal priority to all Approved NQ</b> .	Why is AHP being treated as a lower priority than DNC? Surely the AHP can be cancelled but the associated DNC is treated on equal footing as all other DNC where First Gas believes that an Acceptable Line Pack Limit may be breached.
4.1(b)	the Interconnected Party will be required (under its ICA) to approve, <b>reject</b> or curtail those NQs in accordance with <i>section 4.12</i> .	<p>GTAC still gives the Interconnected Party no ability to reject a Shipper's NQ. This is a requirement to ensure effective management of Interconnected Parties' contracts with Shippers.</p> <p>It is unclear why First Gas is concerned about including the ability for Interconnected Parties to reject Shipper's NQ as it has ignored previous proposed changes to include the ability to reject nominations.</p>
4.12(a)	must either approve, <b>reject</b> or curtail Shippers' NQs on OATIS not later than 30 minutes after the Provisional, Changed Provisional or Intra-Day Nominations Deadline (as the case may be);	<p>GTAC still gives the Interconnected Party no ability to reject a change to a Shipper's NQ. This is a requirement to ensure effective management of Interconnected Parties' contracts with Shippers.</p> <p>It is unclear why First Gas is concerned about including the ability for Interconnected Parties to reject Shipper's NQ as it has ignored previous proposed changes to include the ability to reject nominations.</p>

Section	Proposed Change	Comment
4.16(a)	<p>Any decreased NQ requested in an Intra-Day Cycle will be approved, provided that:</p> <p>at any Receipt Point or Delivery Point where an OBA applies, any change on that Day to the most recent Scheduled Quantity shall be subject to the limitation that 1/24<sup>th</sup> of the Scheduled Quantity applicable in each previous Hour of that Day (an <i>Hourly SQ</i>) shall be deemed to have flowed and accordingly the decreased Scheduled Quantity (for a Receipt Point) or decreased Proposed Scheduled Quantity (for a Delivery Point), respectively, shall not be less than the sum of the Hourly SQ for all the Hours of that Day up to and including the Hour in which the Intra-Day NQ must be approved;</p>	<p>A decrease in NQ at a Receipt Point with an OBA should not be automatically approved. This is a requirement to ensure effective management of Interconnected Parties' contracts with Shippers.</p> <p>It is unclear why First Gas is concerned about automatic approval of decreases at Receipt Points as it has rejected proposed changes to exclude Receipt Points in previous submission.</p>
4.18(a)(ii)	<p>a major customer's (or, where it is an End-user, its own) demand for Gas due to a plant or process malfunction including, where it loses the use of an alternative fuel, its demand for Gas materially increases or decreases; or</p>	<p>Shippers need the ability to call an emergency cycle if an End-user demand materially decreases.</p>
7.13(a)(i)	<p>the owner of such facility and the land on which it is located, and of any other equipment and facilities located within the facility;</p>	<p>All Delivery Points, Receipt Points etc are called a facility but in other parts of the GTAC it is called a station. This , should be amended for consistency</p>
7.13(g)	<p>... and that First Gas must publish that information on OATIS</p>	<p>There should be a stronger obligation on First Gas to publish information on scheduled and unplanned outages. Unless the Interconnected Party can provide an explanation on why the information is confidential, then First Gas MUST publish the information on OATIS. This aligns with the core principle of transparency under the GTAC.</p>
7.13(m)	<p>that construction of any new Receipt Point, Delivery Point or Bi-directional Point, or material upgrade of any such existing facility is conditional on:</p>	<p>All Delivery Points, Receipt Points etc are called a facility but in other parts of the GTAC it is called a station. This should be amended for consistency.</p>

Section	Proposed Change	Comment
8.24	Consider re-wording or removing.	This creates ambiguity by implying Running Mismatch gets adjusted for trades. We believe the intention of the clause is to state that the Gas trade will be applied at the end of the day for the purpose of calculating the Running Mismatch. The clause seems unnecessary as a Gas trade is now captured under Mismatch.
10.3(a)(v)	to the extent there is Available Operational Capacity, approve further NQs pro-rata in proportion to Shippers' <b>remaining</b> NQs <b>not approved</b> ; or	The previous action by First Gas is to approve NQs covered by Priority Rights. These quantities need to be removed from the calculation; otherwise, Shippers' NQ above their Priority Rights holding will have a higher priority than a Shipper who does not hold any Priority Rights.
10.3(b)(vi)	if Available Operational Capacity is still insufficient, after allowing for the extent to which Shippers have exercised their Priority Rights (subject to <i>section 3.14</i> ), curtail Shippers' then current Approved NQs pro-rata in proportion to Shippers' <b>Approved</b> NQs, subject to (as applicable) <i>section 4.16(a)</i> or <i>(b)</i> .	The word "Approved" is missing.  It has to be Approved NQ, not NQ, as it is the curtailment of offtake.
10.7(b)(i)	that expected maximum daily <b>offtake</b> is greater than either 400 GJ or 10% of the current peak Daily offtake of the relevant Delivery Point; and/or	The word "offtake" is missing.
11.13	Each Month, First Gas will credit each Shipper a share of the total transmission-related incentive charges and Priority Rights Charges payable by all Shippers in respect of the previous Month, equal to:	The calculation of the credit does not appear to cover the change in $DOC_{TOTAL}$ due to wash ups of Shippers' Delivery Quantity.  First Gas is crediting the total Priority Rights Charges, which includes the Reserve Price. How can First Gas claim that the Reserve Price covers reasonable direct costs if First Gas returns that amount to Shippers?

Section	Proposed Change	Comment
Schedule 2 5.8 Gas Composition data	By 1000 each Day, data for the previous Day	This reflects current practice. In addition, delaying the contracted publication time to 12.00 delays the submission of retailers' daily TOU data until after 12.00. This in turn delays the downstream daily allocation process and the calculation of the balancing gas calculations, and limits Shippers' information in managing their DNC and balancing gas position until ID4. If all of the previous day's delivery data (Shippers and transmission) is available by 12.00, then Shippers have information on their previous day's position to use in ID3.
Schedule 2 (New)	"DNC Total", to be provided at the conclusion of the day	DNC Total is required to be published enable Shippers to estimate their Running Mismatch Tolerance for the day. This was a major reason of First Gas' selection of DNC in the first place.