

3 October 2018

Ben Gerritsen
General Manager Commercial and Regulation
First Gas Limited
Wellington

VECTOR LIMITED
101 CARLTON GORE ROAD
PO BOX 99882
AUCKLAND 1149
NEW ZEALAND
+64 9 978 7788 / VECTOR.CO.NZ

Dear Ben

Submission on the 11 September 2018 Version of the GTAC and Supporting Documentation

Introduction

1. This is Vector Limited's (Vector) submission on the *Gas Transmission Access Code Stakeholder Consultation – Guide to 2018 Changes* (Stakeholder Consultation Guide) and supporting documents issued by First Gas on 11 and 21 September 2018, following the GTAC workshops held in July to September 2018.
2. We appreciate First Gas' engagements with the industry through the above workshops, and commitment to producing a Gas Transmission Access Code (GTAC) that is "materially better" than the existing codes in a timely manner.
3. We recognise that significant improvements have been achieved by First Gas and the industry since First Gas submitted the 8 December 2017 version of the GTAC to the Gas Industry Company (GIC) for assessment.
4. Vector does not have comments on the following documents:
 - a) Draft SOP Balancing and Line Pack Management - 21 September 2018;
 - b) First Gas Metering Requirements Document 21 September 2018 - Draft;
 - c) Draft SOP Curtailment - 21 September 2018;
 - d) GTAC Schedules 7 and 8 Transitional and Wash-up Provisions - Consultation Version - 19 September 2018;
 - e) GTAC-Receipt-Point-ICA-Version-11-September-2018; and
 - f) GTAC-Delivery-Point-ICA-Version-11-September-2018.
5. We set out below our responses to the questions in the Stakeholder Consultation Guide.
6. Our comments and proposed minor amendments to the 11 September 2018 version of the GTAC are tracked in the **Appendix**.

Responses to consultation questions

1. Do you consider that the positive features of GTAC identified in the FAP are retained in the current GTAC draft that incorporates changes made during 2018?
7. Yes, Vector generally considers that the positive features of the GTAC identified in the GIC's Final Assessment Paper (FAP) are retained in the current draft that incorporates changes made during 2018.

2. Do you have any concerns about how the three key issues identified in the FAP have been addressed in the GTAC?

Incentive charge structure in non-congested situations

8. Vector supports the proposed changes to reduce the magnitude of overrun/underrun charges and correct the formula to make these charges symmetrical.

Liability provisions

9. Vector does not have any material concerns about how the liability provisions have been amended in the GTAC. We are pleased that the indemnities in respect of non-Specification Gas have been reinstated.
10. We have considered whether the exclusion of the balancing and peaking pool mechanism is detrimental to the industry and have concluded that, on balance, it is not. We are comfortable that First Gas has sufficient tools to ensure that Shippers are incentivised to use the pipeline prudently and efficiently.
11. We are comfortable with the disapplication of the RPO standard in certain circumstances, namely failure to comply with an operational flow order.
12. There are some drafting inconsistencies that we believe still exist and illustrate a different standard being applied to First Gas compared with Shippers. We recommend that First Gas be consistent in its drafting. In particular, in the indemnities given by Shippers in sections 9.12 and 11.10, it is not clear that the limitations and exclusions in section 16 apply to these indemnities. This is the case under the equivalent section of the Vector Transmission Code (section 4.23). First Gas has explicitly referenced exclusions and limitations in the indemnity given by First Gas (see sections 12.11 and 12.12). Because the drafting is silent in the case of Shippers but explicit for First Gas, there is uncertainty as to whether or not these apply to the Shippers' indemnities.

Interconnection Agreements

13. Interconnection Agreements (IAs) do not have a direct impact on Vector. We recognise that issues related to IAs were a significant focus at the workshops.

3. Do you have concerns about how we have implemented the solutions from the workshops to address the other FAP findings?

14. Vector does not have concerns about how the solutions discussed at the workshops were implemented to address the other FAP findings.

4. Do you consider that the changes we've made together have the intended impact and retain the positive features of GTAC identified in the FAP?

15. Yes, Vector considers that the changes made, so far, have the intended impact and retain the positive features of the GTAC identified in the FAP.
16. We note that the GTAC change control process will enable, if not facilitate, any necessary changes to the GTAC in the future.

5. Do you consider that our decision to not make certain changes to the GTAC has deteriorated access provisions in relation to the existing codes?

17. Vector supports First Gas' decision not to make certain changes to the GTAC, which are outlined in the Stakeholder Consultation Guide.
18. We recognise that industry participants will have the ability to raise change requests in the future, as necessary and appropriate.

Contact details

19. Please contact me if you wish to discuss any aspects of this submission at Anna.Carrick@vector.co.nz or 04 803 9044.

Yours sincerely
For and on behalf of Vector Limited



Anna Carrick
Manager Natural Gas Trading

Appendix: Vector's Comments and Proposed Amendments

Body / Schedule	Clause	Proposed Amendment / Wording	Comment
Body	1.1	<p><i>Running Mismatch Tolerance</i> means, for for Receipt Quantities:</p> <p><i>RQ_{SHIPPER}</i> is the aggregate of that Shipper's Receipt Quantities (whether under a TSA, an Existing Supplementary Agreement, a Supplementary Agreement, an Interruptible Agreement or otherwise) in respect of Receipt Points where an OBA does not apply;</p> <p><i>RQ_{TOTALRECEIPTS}</i> is the aggregate of all Shippers' Receipt Quantities (whether under a TSA, an Existing Supplementary Agreement, a Supplementary Agreement, an Interruptible Agreement or otherwise) in respect of Receipt Points where an OBA does not apply;</p>	Receipt Points do not have TSAs, SAs or IAs.
Body	1.1	<p><i>Supplementary Agreement</i> means an agreement, complying with <i>section 7.4</i>, entered into by First Gas and a Shipper, orand with a specified commencement date, on or after the date of this Code, for the transmission of Gas to a Delivery Point for supply to a specific End-user or site (but does not include an Existing Supplementary Agreement);</p>	To correct a typographical error.
Body	3.23	<p>Where a Shipper holds PRs in respect of a Delivery Point and has previously supplied, but no longer supplies, Gas to an End-user at that Delivery Point, that Shipper will use its reasonable endeavours to promptly trade <u>all or some of</u> those PRs in accordance with <i>section 3.21</i> where it has no legitimate interest in continuing to hold those PRs.</p>	A Shipper may have a legitimate interest in keeping hold of some of those PRs.
Body	3.25	<p>First Gas will notify all Shippers as soon as practicable if a Delivery Point (or more than one) is expected to experience, or experiences, Congestion during a</p>	As the timeframe in section 3.19 has been increased from 10 to 20 days, should this clause just rely on the timetable under section 3.19?

Body / Schedule	Clause	Proposed Amendment / Wording	Comment
		<p>Year that was not foreseen prior to that Year. Subject to providing all Shippers (and the affected Interconnected Party) with the information <u>and timeframes</u> referred to in <i>section 3.19(a) to (e)</i> not less than 15 Business Days prior, First Gas may hold a PR Auction for the affected Delivery Point(s). From the PR Effective Date, the Congested Delivery Point(s) will be excluded from the relevant Delivery Zone.</p>	
Body	3.26	<p>allow any Shipper to cancel any number of the PRs it holds at the relevant Delivery Point(s) with effect on any Day on or after the date specified in any notice provided under <i>section 3.26(a)</i> and in such circumstances the Shipper may cancel such PRs by giving written notice to First Gas; and</p>	<p>If a Shipper did not cancel the PRs and the Delivery Point was affected by unforeseen congestion, would those PRs still be applicable?</p>
Body	3.28(c)	<p>gas producers or End-users are in control of their injection or usage (as applicable) of Gas.</p>	<p>To correct a typographical error.</p>
Body	4.14	<p>analyse Shippers' NQs and Shippers' NQs approved by Interconnected Parties as required (including Shippers' AHPs as applicable), and via OATIS notify each Shipper of its Approved NQs (being that Shipper's DNC <u>for a Delivery Point or Delivery Zone</u>) and also whether there is, or is expected to be, Congestion at a Delivery Point.</p>	<p>Approved NQ at a Receipt Point is not DNC.</p>
Body	4.15	<p>and where it is unable to approve a Shipper's NQ (including an AHP) in full due to Congestion or where <i>section 9.1</i> applies First Gas will curtail that NQ in accordance with <i>section 10.3</i> <u>or applicable ICA</u>.</p>	<p>There are no rules for curtailment of Receipt Point NQs and AHPs as <i>section 10.3</i> involves allocation against Available Operational Capacity.</p>
Body	5.1	<p>Subject to <i>section 5.2</i>, there shall be Metering for every Receipt Point, Delivery Point and Bi-directional Point, which shall measure Gas quantities by direct measurement only and not by difference.</p>	<p>Does this work for Bi-directional Point which might be injection and off-taking at the same time?</p>

Body / Schedule	Clause	Proposed Amendment / Wording	Comment
Body	5.n	<u>Each DDR and HDR will be created in line with the Metering Requirements and specifically the standards defined in NZS 5259 for data conversion.</u>	Currently, there is no direct obligation to ensure that data conversion is carried out in line with NZS 5259.
Body	5.8	<u>First Gas, upon receiving a written request from a Shipper (acting reasonably), shall promptly demonstrate to a Shipper that it has adequate facilities, systems, procedures and monitoring to demonstrate that the Gas Composition Data published as described in this section 5.8 is accurate. Alternatively, First Gas may publish this information annually on OATIS.</u>	Retailers under the <i>Gas (Safety and Measurement) Regulations 2010</i> (the Regulations) ensure that gas supplied to consumers is accurately converted into an energy value for billing. Retailers are subject to audit under the Regulations and are required to provide evidence that the appropriate system and processes are in place.
Body	6.7	No Gas transfer or trade <u>in the Receipt Zone</u> , whether completed via a GTA, Gas Market or OATIS, will be unwound, or the quantities of Gas transferred or traded changed, due to a Wash-up or any other reason.	It needs to be clear that this only applies to gas transfer in the Receipt Zone, and gas transfers at Receipt Points could change due to metering corrections.
Body	6.10 / 6.11	Subject to <i>section 6.11</i> , at each Delivery Point where the DRR apply, each Shipper's Daily Delivery Quantity will be determined by the Allocation Agent under the DRR.	Should it be clarified under these sections that the Allocation Agent will need to provide Daily Delivery Quantity per Shipper divided between Specified Customers and non-specified customers?
Body	9.12	Each Shipper agrees that if it fails to comply with an Operational Flow Order in accordance with <i>section 9.5</i> : (a) First Gas may curtail the Shipper's take of Gas itself; and (b) for the purposes of the definition of "Reasonable and Prudent Operator", this section 9 and section 16, any such failure shall constitute a failure by the Shipper to act as a Reasonable and Prudent Operator; and (c) the Shipper shall indemnify First Gas for any Loss	Drafting inconsistency prejudices Shippers. In section 12, it is explicit that certain limitations and exclusions apply to First Gas. Where Shippers give an indemnity, this is left silent which makes it unclear whether exclusions and limitations apply.

Body / Schedule	Clause	Proposed Amendment / Wording	Comment
		<p>incurred by First Gas (except to the extent that First Gas contributed to that Loss and/or did not mitigate its Loss to the fullest extent reasonably practicable).</p> <p><u>The indemnity under this section 9.12 is subject to the limitations and exclusions set out in sections 16.2 to 16.7 (but not section 16.1).</u></p>	
Body	11.1	Each Shipper (<u>including Specified Shippers</u>) shall pay a charge for each Day on which it has DNC for a Delivery Zone and/or Individual Delivery Point (<i>Daily Nominated Capacity Charge</i>), equal to:	This is to make it clear that all gas is for End-users irrespective of which allocation groups are charged with DNC.
Body	11.1	<i>DNC</i> is the Shipper's Daily Nominated Capacity (GJ) for the applicable Delivery Zone or Individual Delivery Point (including an automated nomination made pursuant to <i>sections 4.22 and 4.23</i>).	To correct a typographical error.
Body	11.4	Subject to <i>section 11.12 and 11.17</i> , a Shipper shall pay, in respect of a Delivery Zone or Individual Delivery Point and Day:	For ease of understanding that Specified Customers are not charged under this mechanism.
Body	11.6	where the relevant OBA Party or Interconnected Party (supplied by the Peaking Party) has given validly given notice of maintenance under <i>section 9.5</i> of its ICA (or equivalent section); and	To correct a typographical error.
Body	11.7	Where <i>sections 4.22 and 4.23</i> apply, a Specified Shipper shall pay in respect of each Day <u>for a Delivery Zone</u> , in relation to automated nominations and related Gas deliveries in respect of Specified Customers, an amount calculated in accordance with the following (each, an <i>Auto-Nomination Charge</i>):	To make it clear that this charge differs for each Delivery Zone and is not done at system level.
Body	11.7	Where <i>sections 4.22 and 4.23</i> apply, a Specified Shipper shall pay in respect of each Day, in relation to automated nominations	For ease of understanding that these are the overrun and underrun charges associated with auto-nominations.

Body / Schedule	Clause	Proposed Amendment / Wording	Comment
		and related Gas deliveries in respect of Specified Customers, an amount calculated in accordance with the following (each, an <i>Auto-Nomination Overrun/Underrun Charge</i>)	
Body ₁	11.10	Subject to <i>section 11.13</i> , in addition to any Daily Overrun Charge, Hourly Overrun Charge, Peaking Charge or Over-Flow Charge that is payable, any Shipper who incurs any of those charges shall indemnify First Gas for any Loss incurred by First Gas that arises from its Daily Overrun, Over-Flow or Excess Peaking (where that Loss shall include any interconnection fees or charges, Transmission Charges and/or Non-standard Transmission Charges that First Gas may be required to waive or rebate to any other Shippers or Interconnected Parties as a result) up to the Capped Amounts . First Gas shall mitigate its Loss to the fullest extent reasonably practicable. <u>The indemnity under this section 11.10 is subject to the limitations and exclusions set out in sections 16.1 to 16.7.</u>	Drafting inconsistency prejudices Shippers. In section 12, it is explicit that certain limitations and exclusions apply to First Gas. Where Shippers give an indemnity, this is left silent which makes it unclear whether exclusions and limitations apply.
Body	13.n	<u>First Gas, upon receiving a written request from a Shipper (acting reasonably), promptly demonstrate to a Shipper that it has adequate facilities, systems, procedures and monitoring to comply with <i>section 13.2</i> and publish a summary report on OATIS. Alternatively, First Gas may publish this information annually on OATIS.</u>	Retailers under the <i>Gas (Safety and Measurement) Regulations 2010</i> ensure that gas supplied to consumers is odorised at all times. Previously, retailers have been required to provide evidence that the appropriate system and processes are in place.
Schedule 2	5.5	<u>Hourly Delivery Reports</u> <u>For Metering that First Gas monitors by telemetry (including SCADA), as soon as practicable after the Hour ends for Unvalidated data and not later than 1200 on the next Day after a Day for Validated data</u>	It appears this has been added since the last version, then deleted again. This should be included as this is the service level currently committed to under the VTC and MPOC.

Body / Schedule	Clause	Proposed Amendment / Wording	Comment
Schedule 2	<u>5.6(b)</u>	<u>Metering not monitored by telemetry or SCADA</u> <u>As soon as practicable after the Month and not later than 1200 on the 4th Business Day of the following Month</u>	The frequency of the publication of non-telemetry metering data is missing.
Schedule 2	5.8	<u>As soon as practical but not later than 1200 each Day, data for the previous Day</u>	For consistency.
Schedule 4	2.1(e)	ensure that the Allocation Agent provides the Outputs to Shippers, <u>Interconnected Party</u> and First Gas in accordance with the times published by First Gas on OATIS which shall be sufficient to use as inputs into other daily processes;	Shouldn't this information also be provided to the Interconnected Party?
Schedule 7	8.4	Each Shipper and each OBA Party will defend, hold harmless and indemnify First Gas for any Loss suffered or incurred as a direct or indirect result of a claim made by any customer-End-user of that Shipper or OBA Party (<u>Claiming Customer-End-user</u>) in connection with the D+1 Data or this Schedule Eight. If the Claiming <u>Customer-End-user</u> is an customer-End-user of more than one Shipper or OBA Party, then those Shippers and OBA Parties will jointly defend, hold harmless and indemnify First Gas in accordance with this paragraph 8.4.	For consistency.