

9 October 2017

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 Revised Draft GTAC

Introduction

1. This is Vector Limited's (Vector) submission on the Revised Draft Gas Transmission Access Code (Revised Draft GTAC), issued by First Gas for submissions and mark-ups on 11 September 2017.
2. We appreciate this additional opportunity to provide comments on the Revised Draft GTAC following the industry workshops and focus sessions facilitated by First Gas over the month of September 2017.
3. We outline our key issues below and attach our proposed mark-ups to the Revised Draft GTAC.
4. No part of this submission is confidential. Vector's contact person for this submission is:

Anna Carrick
Manager Natural Gas Trading
Anna.Carrick@vector.co.nz
04 803 9044

Priority Rights

5. Vector is concerned that some fundamental components of the Revised Draft GTAC are still in design stage. These include the sections on:
 - whether priority rights (PRs) apply until the day before gas flow or whether these rights continue to apply during the day of gas flow (we support the latter);
 - whether to release all Available Operational Capacity as PRs at a Congested Delivery Point/Zone; and
 - auction terms and conditions.

6. We believe further work on the above sections is required. We suggest that First Gas consider removing these sections from the Revised Draft GTAC to ensure that the delivery of the Final GTAC will not be unduly delayed. Once fully developed, PRs can be adopted into the GTAC through the code change process. If required, Vector would also support a commitment from Shippers to a timeframe that would enable this to occur.
7. While we believe that the above sections should be removed, we nevertheless provide marked-up comments on these sections to illustrate our view.

Throughput Charges

8. First Gas intends to introduce "Throughput Charges" in the GTAC with a starting fee of zero.
9. We believe that any new charges need to go through a code change process.
10. We note that under the Vector Transmission Code (VTC), Reserved Capacity charges and Throughput charges deal with different aspects of the delivery of Shippers' gas.
11. Daily nominated capacity (DNC) is a core product under the GTAC. DNC can be currently changed up to 4 times a day, which should provide First Gas with information on the likely throughput of its Delivery Points. It does not seem to make sense that another charge is proposed to be added for actual throughput.
12. We do not believe there was sufficient time to enable First Gas and Shippers to review the implications of having a Throughput Fee in the GTAC.
13. We have removed the section on Throughput Charges in our marked-up version for the above reasons.

Hourly Ovrerrun Charges

14. We appreciate the significant changes First Gas has made to the Hourly Ovrerrun Charges.
15. Without details on the Specific HQ/DQ, we cannot assess which of our customers will be impacted by the Hourly Ovrerrun Charges.
16. First Gas has indicated that very few breaches of the hourly quantity based on the Specific HQ/DQ are likely to occur. This being the case, we believe this charge should be removed.
17. We support the addition of the Over Flow Charge but believe that First Gas should have stronger incentives to have Interconnection Agreements in place with parties directly connected to its transmission pipeline.
18. While we believe that the sections on the above charges should be removed from the Revised Draft GTAC, we provide marked-up comments on the relevant sections to illustrate our view.

Transmission Pricing Methodology

19. We recognise that issues relating to transmission pricing methodology are not within the scope of the GTAC (the code itself). Nevertheless, we propose that Recoverable Costs associated with Balancing Gas, ERM Charges, Emergency Park and Loan, and Park and Loan should be returned to the parties who would be paying these charges. We believe this to be an efficient and fair approach.

Information on Daily Balancing

20. The GIC has indicated that it would maintain the D+1 pilot arrangements, and First Gas has indicated that it would support moving the current Daily BPP pilot arrangements to refer to the GTAC. However, we do not see these arrangements in the Revised Draft GTAC, with a number of references to monthly timeframes.
21. The provision of calculations for shippers' balancing positions each day (not just business day) is critical to the efficient management of a shipper's own balancing position and, going forward, probably on its DNC nominations. Rather than marking up the Revised Draft GTAC with provisions from the VTC, we would like to see this information requirement included in the next draft of the GTAC that First Gas will issue.

Next Step

22. We believe that a discussion between First Gas, the GIC, and other industry participants on the submissions on the Revised Draft GTAC would be beneficial for all parties and further progress the development of the GTAC.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Anna Carrick".

Anna Carrick
Manager Natural Gas Trading