

7 October 2016

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Dear Ian

Submission on the Gas Transmission Access Single Code Options Paper – Part 1

Introduction

1. This is Vector Limited's (Vector) submission on the Gas Industry Company's (GIC) *Gas Transmission Access Single Code Options Paper – Part 1* (First Options Paper), issued on 13 September 2016.
2. Vector's contact person for this submission is:

Luz Rose
Senior Regulatory Specialist
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3. No part of this submission is confidential and we are happy for it to be made publicly available.

Responses to consultation questions

Q1: Do you agree with the proposed regulatory objective? If not, how would you propose describing the objective?

4. We generally agree with the regulatory objective set out in the First Options Paper.
5. There should also be an objective to keep the new code as simple as possible so industry participants and their customers can promote the use of natural gas more easily. Making the transport of natural gas difficult or complex would not improve its attractiveness as a fuel of choice for existing and potential gas consumers.

Q2: 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?

6. We agree that it is not necessary to specify elements of the access regime at this stage of the code development process.
7. It is important that the GIC and First Gas (the co-leaders of this process) and stakeholders keep an open mind and not rule out any potential options, for now. Market participants can have hugely differing needs for transmission services, e.g. some parties would need longer-term certainty than others. Various parties' needs may also have evolved since the Panel of Expert Advisers (PEA) considered the need for a new transmission code.
8. We suggest that the Second Options Paper provide some indication where various elements are likely to or should sit, i.e. whether they should be in the code, in operating procedures, in supporting documents, in regulations, or out of scope of the new code. In our view, there are operating procedures that should be contained within the code as they fundamentally impact transmission costs, such as default rules used in pipeline balancing.

Q3: Do you agree with the suggested initial synthesis of the PEA's guiding principles?

9. We generally agree with the suggested initial synthesis of the guiding principles developed by the PEA.
10. Currently the PEA's guiding principles do not align with the regulatory objective in the First Options Paper as there is no reference to the facilitation of competition in the upstream and downstream markets in the former.
11. We prefer that these guiding principles be kept at a high level, i.e. not be made more prescriptive. This is consistent with our view that other options should not be ruled out at this stage, to provide the flexibility for other options (or variants of existing and other options) to be considered during the options development stage.

Q4: Do you agree with the suggested scope of the options?

12. We generally agree with the proposed scope of the options. However, as stated in our response to Question 2, we encourage the GIC and First Gas to remain open to other options at this stage.
13. We also believe the options identified, so far, could potentially co-exist in varying degrees.
14. We suggest that the Second Options Paper include the following:
 - A programme of work required to deliver the new transmission code. We envisage this to include the code itself and associated IT solution, elements to be developed outside the code, required changes to rules and regulations (e.g. changes to the *Gas Downstream Reconciliation Rules*), and changes required to user systems and processes. These elements should be managed in an integrated manner to ensure

the efficient and effective development of the code, its timely approval, and a smooth transition to the new code.

- Definition of services. It is reasonable to expect that proposed services/products will be well-defined in the Second Options Paper.
- Transmission pipeline balancing options/services. While industry participants have been discussing pipeline balancing over the past 10 years, it remains a contentious issue. The GIC should not take its eye off this issue at this time, given that the transmission access regime would significantly define the type of balancing regime that would be appropriate.
- Consideration of the work undertaken by the Gas Industry Transmission Access Working Group (GITAWG). In addition to the PEA's work, we suggest that the GIC and First Gas look into the work undertaken by the GITAWG to inform any proposed options. The GITAWG considered issues around information transparency, the code change process, and capacity allocation and congestion management.

Taking into account what has been covered by the industry, so far, could inform the identification of appropriate solutions for particular problems. For example, it would be undesirable to develop a commercial solution to a physical problem and vice versa.

Q5: *Do you consider that the process outlined above is appropriate?*

15. We consider the process outlined to be appropriate and sensible.
16. We support efforts by the GIC and First Gas to minimise work duplication and gaps, and avoid unnecessary costs for participants of this process.

Yours sincerely
For and on behalf of Vector Limited

A handwritten signature in black ink, appearing to read "Luz Rose", with a long, sweeping underline.

Luz Rose
Senior Regulatory Specialist