

Draft PEA Work Plan

Introduction

1. This draft work plan has been prepared by Gas Industry Co for discussion with the Panel of Expert Advisers (PEA) at the panel's first meeting.
2. The PEA is appointed to provide expert advice to Gas Industry Co in relation to the Gas Transmission Investment Programme (GTIP).
3. Initially the PEA will be responsible for providing advice to Gas Industry Co on the scope of the projects comprising the GTIP. After providing advice on the scope, the PEA will provide advice in relation to the GTIP projects, in particular, the Market Projects.
4. This work plan assigns matters for the PEA to investigate, analyse, and advise on and proposes timeframes for those key deliverables.
5. The PEA will operate in accordance with the PEA Terms of Reference (ToR) Gas Industry Co has developed. The ToR establish the scope of advice and arrangements for the PEA's governance and operations. The ToR also describe arrangements for agreeing and undertaking the PEA's work plan.
6. Gas Industry Co will keep the PEA well informed of the progress of other GTIP projects. When the PEA's advice on specific matters related to other projects is required, this work plan will be amended in accordance with the PEA ToR to include that work.
7. Members of the PEA are appointed for a term of 18 months or until the PEA is disestablished. Gas Industry Co believes Transmission Access and Pricing Project work can be completed within 18 months, but there may be follow-up work which is best dealt with by the PEA. Also the PEA may be involved in other GTIP projects which extend beyond this term. In either case, Gas Industry Co will consider extending the PEA's term.
8. The PEA is expected to meet once a month. However; there may be instances when the PEA needs to meet more or less frequently depending on the demands of the work plan.

Schedule 1 – Scope review

Scope review – Purpose

1. The purpose of the scope review is to determine if the projects that comprise the GTIP (as defined in the paper: *Gas Transmission Investment Programme: Structure and Scope*) are necessary and sufficient to achieve the overall GTIP objective to:
 - ensure that existing and future gas transmission assets are used efficiently;
 - establish the need for gas transmission investment; and
 - develop an effective pathway for efficient gas transmission investment to take place.

Scope review – PEA functions

2. In relation to the scope review the PEA is expected to:
 - (a) Provide advice to Gas Industry Co, with supporting analysis, on any changes¹ to the scope of the projects that comprise the GTIP;
 - (b) Provide analysis and justification for the advice; and
 - (c) If Gas Industry Co seeks broader stakeholder input on the matter, review and comment on submissions received in relation to project scope.

Scope review – PEA key deliverables

Key deliverable 1: Advice on scope of projects

3. The PEA is expected to report Gas Industry Co on the scope of projects by the end of December 2011.

Scope review – Draft schedule of meetings

4. Below is a draft schedule of meetings for the first three months of PEA meetings (Oct-Dec 2011). The schedule will be reviewed and revised at each PEA meeting. The schedule will be published on Gas Industry Co's website.

¹ Note that after reviewing the scope, the PEA may advise that no changes are required.

Table 1 Draft schedule of meetings

Mtg #	When	Possible activities	Decisions required
1	Fri 7 Oct	<ul style="list-style-type: none"> • Build an understanding of the GTIP, regulatory framework, and objectives. • Build an understanding of the PEA's role. • Review draft work plan. • Review previous GIC work that may be relevant. • Initiate work required to achieve scope review (Key Deliverable 1). 	
2	Thur 10 Nov	<ul style="list-style-type: none"> • Review work done in relation to scope review. • Determine key features of analysis. 	
3	Thur 8 Dec	<ul style="list-style-type: none"> • Consider draft advice on scope review. • Finalise advice to GIC on scope (Key deliverable 1) 	Advice to GIC on GTIP scope
?	?	If GIC consults on PEA advice, review and comment on submissions.	Review and comment on scope submissions

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Schedule 2 – Transmission Access and Pricing Project work

Transmission Access and Pricing Project – Purpose

1. The purpose of the Transmission Access and Pricing project is to ensure arrangements for transmission access and pricing allocate capacity efficiently and effectively signal the need for investment in additional capacity.

Transmission Access and Pricing Project – PEA functions

2. In relation to the Transmission Access and Pricing Project the PEA is expected to:
 - (a) Provide advice to Gas Industry Co, with supporting analysis, on changes to existing gas transmission arrangements to ensure arrangements meet the Gas Act objectives and specifically that arrangements for transmission access and pricing allocate capacity efficiently and effectively signal the need for investment in additional capacity. Advice provided by the PEA should be in relation to the following:
 - (i) Service definition (includes examination of what is the most efficient carriage regime);
 - (ii) Service pricing (includes developing pricing methodologies); and
 - (iii) Implementation (in relation to the above, plans for how changes will be introduced and over what timeframe).
 - (b) Provide analysis and justification for supporting or rejecting alternative options; and
 - (c) Review and comment on submissions received on any papers related to gas transmission arrangements.

Transmission Access and Pricing Project – PEA key deliverables

Key deliverable 1: Identification and preliminary assessment of access regime options

3. The PEA should begin by identifying whether there are market failure(s) which cause it to believe that:
 - (a) The current regime requires reform, and
 - (b) Reform is unlikely to be achieved through the negotiation of contracting parties.

4. Before identifying access regime options, the PEA will need to establish the extent to which existing arrangements need to be re-designed. For example, depending on what the market failure(s) are to be addressed, the scope may include all gas transmission pipelines, all open access transmission pipelines, all Vector transmission pipelines, or all capacity constrained pipelines.
5. Before identifying access regime options, the PEA should develop a set of access and pricing principles. These will be referred to throughout the process to assess the merits of alternative options.
6. The PEA will identify the reasonably practicable access regime options and prepare an initial shortlist of preferred access regime options (including service definition and pricing methodologies). These will be assessed against a counterfactual of evolution of the existing access regime through negotiation and the code change process. The supporting analysis should contain:
 - (a) Descriptions of the options that could alter/replace the existing regime so as to enhance efficiency, including a description of how the option would allocate capacity efficiently and effectively signal the need for investment in additional capacity;
 - (b) An assessment of how well the alternative options would meet the objectives of the Gas Act, GPS and GTIP;
 - (c) Justification for the rejection of any options;
 - (d) For shortlisted options, a description of the service definition and pricing methodologies.
7. The PEA should review previous work completed by Gas Industry Co on access arrangements including the papers:
 - (a) *Review of Vector Capacity Arrangements - A Research Paper*, January 2009
 - (b) *Options for Vector Transmission Capacity*, May 2010, and submissions on that paper.
8. The PEA will submit its analysis of options to Gas Industry Co, which will compile the work into a consultation paper and seek submissions from stakeholders.

Key deliverable 2: Analysis of submissions on the Access Regime options paper

9. The second key deliverable is an analysis of submissions on the access regime options consultation paper.
10. The PEA will submit its analysis of submissions on the options paper to Gas Industry Co who will use it as the basis of a submissions analysis paper and issue it.

Key deliverable 3: Development and analysis of shortlisted option(s)

11. After having considered submissions on the Access Regime Options paper, the PEA will develop its final advice.
12. The advice should include:
 - (a) Justification for the rejection of any options;
 - (b) Detailed descriptions of the preferred option(s), including a description of how the option(s) will allocate capacity efficiently and effectively signal the need for investment in additional capacity;
 - (c) An assessment of how well the alternative options would meet the objectives of the Gas Act, GPS and GTIP;
 - (d) Overview of how the option(s) would be implemented;
 - (e) A draft timetable for implementing the preferred option(s);
 - (f) An assessment of the costs and benefits of the option(s); and
 - (g) Recommendation of a single preferred option;
13. The PEA's work will be used by Gas Industry Co as the basis of an Access Regime decision paper that will be released for consultation.

Key deliverable 4: Analysis of submissions on the Access Regime Decision paper

14. The fourth key deliverable is an analysis of submissions on the Access Regime Decision paper.
15. The PEA's work will be used by Gas Industry Co as the basis of an Access Regime Decision Submissions Analysis paper.

Key deliverable 5: Detailed implementation plan

16. If the analysis of submissions causes the PEA to reconsider its previous advice, steps 14 to 18 will be repeated.
17. The PEA will develop detailed implementation plans in consultation with industry stakeholders.
18. The PEA will give advice to Gas Industry Co on how the new access regime should be implemented.

Transmission Access and Pricing Project – Participation overview

19. This diagram illustrates the process the PEA will follow for advising Gas Industry Co in relation to the Transmission Access and Pricing Project and Gas Industry Co, Panel of Strategic Advisers, and Stakeholder participation in that process.

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Transmission Access and Pricing Project – Draft schedule of meetings

20. Below is a draft schedule of meetings for the first four months of the Transmission Access and Pricing project. The schedule will be reviewed and revised at each PEA meeting. The schedule will be published on Gas Industry Co's website.

Mtg #	When	Possible activities	Decisions required
1	Thur 19 Jan	<ul style="list-style-type: none"> • Discuss/agree first steps for beginning review. • Discuss market failures. • Discuss access and pricing principles. 	
2	Thur 16 Feb	<ul style="list-style-type: none"> • Agree market failures. • Agree access and pricing principles. • Discuss possible options. 	
3	Thur 15 Mar	<ul style="list-style-type: none"> • Assess options. • Shortlist options. • Outline advice on options paper developed. • Agree work plan for next 4 months. 	
4	Thur 12 Apr	Finalise advice to GIC on options (Key deliverable 1)	Advice to GIC on options.
5	Thur 17 May	tbc	
6	Thur 14 Jun	tbc	
7	Thur 12 Jul	tbc	
8	Thur 16 Aug	tbc	
9	Thurs 13 Sept	tbc	
10	Thur 11 Oct	tbc	
11	Thur 8 Nov	tbc	
12	Thur 6 Dec	tbc	