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|  | **QUESTION** | **COMMENT** |
| Q1: | Do you think our approach to the analysis is reasonable. If not, what further analysis do you think is necessary? | We think the approach is reasonable but we are less certain what conclusions about MBB can be drawn from the paper.  There are three separate effects considered in the paper; mismatch (Operational Imbalance), secondary balancing, and pricing spread of balancing gas puts and calls.  Mismatch improvements could be attributed to better information (D+1), and pricing spread appears to be more of a function of where balancing gas is being traded (illiquid BGX vs more liquid emsTradepoint).  The only area where there seems to be no improvement is in secondary balancing, an issue MBB was designed to address. For example, if figure 8 (secondary balancing by TSO) is adjusted to give a symmetric time period – i.e. 9 months forward and back (vs 13 months back and 9 months forward), there has been a slight reduction in the volume of calls. The other measures show no improvement, or in the case of puts actually a higher number post MBB. As further pointed out in the paper if cash outs are considered a default secondary balancing action then the number of secondary balancing actions taken has *increased* post MBB. A reasonable conclusion from the experiment therefore is that MBB failed in its aim to reduce the need for secondary balancing by the TSO.  The question the paper raises therefore is whether MBB is actually required. It seems to be more a matter of faith than evidence that MBB is what incentivises shippers to improve their nominations vs say better information. MBB had no effect on mismatches where shippers had good access to ToU data, such as at receipt points. When D+1 was introduced in December 2015 mismatches improved for shippers with a predominance of monthly metered information by giving them a new tool to better predict daily demand[[1]](#footnote-1).  Despite our scepticism that MBB has made any difference on behaviour we think that there are strong theoretical reasons as to why it should make a difference. This is also backed anecdotally by some of our members who report that they are more diligent about nominating accurately than they were before the introduction of MBB in order to avoid balancing charges to their site.  MBB itself is confounded by other changes during the post MBB period including; single ownership of transmission system (June 2016), multiple adjustments to the mechanics of MBB itself (default rule changes, ROIL factor changes (from 1 October 2016), and adjustment factor changes (Jan 2016).  To remove the effect of different changes within a review period it would be better to divide the post MBB period into separate periods that have some stability and to compare these with pre MBB i.e.   1. 9 March 2016 – 31 September 2016 2. 1 October 2016 – 30 March 2017 3. Post 31 March 2017 (ROIL = 1.5)   Period 1 settings are:  D+1 = yes  ROIL = 2  Adjustment factor = 3%  Default rule = version 3  Period 2  ROIL = 1.5  Period 3  ROIL = 1.0 |
| Q2: | Do you consider that there is merit in extending the analysis so that a full year pre- and post-MBB-implementation analysis can be done? | We think that the post analysis should be of interest to First Gas for developing the balancing rules in the new code.  As per Q1 we would encourage that the analysis is done on different periods where there are no changes being made to avoid confounding difficulties in the analysis |
| Q3: | Do you consider that there is merit in asking pipeline users to re-assess the costs of changing their systems and business practices to accommodate MBB (given that some stakeholders believe the original cost estimates used in the CBA were too low)? | MGUG members have not seen any material increase in internal costs related to MBB. Nominations were already a requirement on users prior to MBB. |

1. North pipeline lower shipped quantities are inferred to be Trustpower and Mercury from gas reconciliation data. These two retailers, unlike others (Ongas, Genesis, Greymouth, Nova) do not service the ToU industrial market but are predominantly reliant on monthly metred mass market hence would see greatest improvement in reconciliation via D+1 pilot. [↑](#footnote-ref-1)