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Sent: Tuesday, 16 February 2010 2:36 p.m.
To: Ian Wilson; Melanie Strokes
Cc: PARRY, Ross (WLG)
Subject: Comments on Gas Balancing Rules

Ignoring the need for the rules in the first place the following are some high level comments on the draft rules:

1. to remove uncertainty and ambiguity the rules should reflect the reality that the gas industry operates with daily allocations and will not be going to any shorter time frame in the medium term. Therefore the rules should be clear that balancing actions taken on a day are aggregated and allocated using end of the day imbalance positions.
2. the definition of User captures receipt point welded parties on the Vector system and places obligations on them to balance and potentially be allocated balancing costs. This does not reflect the differences between the MPOC and the VTC. Under the VTC shippers (and the TSO) are responsible for all imbalance and the receipt point welded parties are not involved.
3. the need for the term "reference location" is unclear and under current BGX arrangements is only relevant for having a delivery point for nomination purposes as it does not matter where on the Maui pipeline call gas is injected or not taken.
4. the definitions of balance and imbalance in 5.2 need to reflect daily positions and remove uncertainty raised by the use of "allocated". For example 5.2(a) could simply say "a shipper to ensure its receipts and deliveries of gas on a day match". It would be even better to define residual imbalance and have rules start at that level. This may remove one of the major issues in the rules (e.g. applies in the definition of user) which is the confusion between user and especially the TSO obligation to balance with what the Balancing Agent is required to do.
5. Rules 6 – 8 seem to repeat obligations that are included in the two codes so why include them in the rules which has the potential to create inconsistencies.
6. it is unclear as to the meaning and purpose of rule 6.6
7. the double meaning of allocation in the rules makes rules like 11.1.3 and 13.1.4 (amongst others) very confusing.
8. the language used to describe the balancing plan is very convoluted. We have draft, final, new draft, proposed, approved, new, amended, and I expect other balancing plans. There are also references to the "plan" i.e. balancing is missing.
9. given Vector's comments on their view of what "consult" requires rule 31 needs to be amended to ensure users (as well as persons TSO consider representative) have a real opportunity to be involved in developing the balancing plan with the TSOs.
10. Rule 20.1.1 seems to be in conflict with rule 19.1 - are the allocation arrangements to be determined under the BP or under the Codes (transmission system arrangements)?
11. given the lack of and progress being made by the TSOs on reaching any agreement on balancing and Vector's repeated threats of withdrawing from OBA arrangements it is very likely that rules 42 - 45 will apply so the time frames need to be realistic and provide for user input to the appointment of the BA and the development of the BP.
12. under rule 22 there appears to be belt and braces for the situation where a buyer of put gas from the BA via the BGX does not pay for that gas (to which it gets title) whereas the situation where a party sells gas to the BA via the BGX appears to be covered by rule 16.4.3 where the BA is required to pay the clearing price which in itself seems to be potentially in conflict with rule 18.1.3. Presumably the BA will be required to meet the prudential requirements of the BGX.
13. I expect (given history) the main risk the BA will face is that users with negative imbalances who are allocated call gas to not pay for that gas leaving the BA out of pocket. There is nothing in rule 21 that deals with non payment.
14. If rule 18.1.3 is retained as is and the BP includes such a condition then Genesis Energy is unlikely to participate in the balancing market for call gas. If there is a likelihood of not being paid why would you take the risk? The other outcome would be a risk premium being added to the price raising the cost of balancing gas. This clause if retained therefore has repercussions for the cost benefit analysis. Furthermore how is any underpayment allocated to the suppliers of call gas?
15. the maximum price for balancing gas is set at a pre-estimate of the CC price but no guidelines are provided as to how this would be done given there is no history of such values.

16. under rule 34.2 Users should also be allowed to propose changes to the BP

Cheers
Roger Johnston