

First Gas Limited

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Gas Industry Company
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Dear Sir/Madam

Review of Market-Based Balancing

First Gas purchased the Maui pipeline in June 2016. At this time, First Gas became the transmission service provider under the Maui Pipeline Operating Code (MPOC) and assumed responsibility for administering Market Based Balancing (MBB).

We consider that the review of MBB provides valuable information for the gas industry. Given that there was not widespread industry support for MBB when it was introduced in October 2015, it is useful to now have an objective assessment of the impacts resulting from MBB.

The findings of the GIC's review align with our experience administering MBB. Primary balancing has improved since October 2015, while the need for secondary balancing has remained.

We are open to considering the areas for further improvement identified in the review (the default rule and the amount of secondary balancing taking place). However, we are also currently in the process of drafting a single gas transmission access code, which will require considerable industry resources throughout 2017. We are therefore keen to understand whether further improvements to MBB are a priority at this time, or whether our customers and stakeholders would prefer to focus resources on ensuring that any lessons from MBB are appropriately reflected in the new code.

We will review other parties' submissions on the review of MBB, and will engage with the GIC and our customers on any next steps.

Yours sincerely



Ben Gerritsen

General Manager Commercial and Regulation

Questions

Gas Industry Co

Review of Market-Based Balancing

Submission prepared by: First Gas Limited Ben Gerritsen

QUESTION		COMMENT
1.	Do you think our approach to the analysis is reasonable. If not, what further analysis do you think is necessary?	Yes. We do not consider further analysis necessary.
2.	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?	No. We do not expect that analysis for an additional 3 months will provide additional insights.
3.	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)?	No. The costs of changes to systems and business practices have now been incurred, and we therefore do not see how this information would be valuable for future decisions on MBB.