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Mr. Ian Dempster
General Manager - Operations
Gas Industry Company Limited
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Dear Ian,

Please regard this letter as our submission on the Downstream Reconciliation – Options paper issued by the GIC on 16 December 2011. In this letter we will use MDL to refer to the Gas Transmission Business (GTB) of Maui Development Limited.

For the most part, MDL does not have concerns about downstream reconciliation. In fact, we would prefer it if this activity had no impact on us at all. Under the current Rules, however, we are faced with some impacts. We will limit our answers and comments below to address only the GIC questions which we believe affect us or are relevant for us. For all questions not addressed below you may assume we have no comment.

Q7: Do you agree that it is worth investigating the feasibility and cost of implementing daily allocations (D+1) at a pipeline level?

We believe this would indeed be worth investigating further. Without jumping to conclusions, we believe a D+1 allocation could offer several benefits and increased opportunities for better gas management and self-balancing. An investigation to study the implementation feasibility and cost should be justifiable.

Q8: If D+1 were to be implemented for BPP charges, would it be a concern for your organisation if transmission charges continued to be based on the existing initial allocation methodology?

MDL's transmission charges are based on approved nominations, so allocation methodologies are not relevant to us for this purpose. We do not expect this to change.

Q9: Do you agree it is worth investigating changing the initial allocation algorithm? Does your organisation have any suggested algorithm(s)?

Yes, if a D+1 approach is taken, we expect it would be worthwhile to investigate the most appropriate and practical algorithm for such a new approach. We do not expect MDL to be affected by the choice of algorithm so we do not have any preferences.

Q10: Do you agree that the purpose of the Reconciliation Rules would not be better served by having retailers who trade at direct connect gas gates subject to the global allocation methodology?

MDL does not assign UFG to gas gates so we believe MDL's direct connect gas gates should never have been subject to any downstream allocation methodology or Rules. We believe this is a historical mistake that should be rectified.

Q11: If you agree with Q10, do you also agree that the Reconciliation Rules should be amended as described above so as to obviate the need for exemptions in respect of direct connect gas gates?

As above, there is no need to make any downstream reconciliation or allocation of UFG at any of MDL's gas gates. Instead of relying on continuing exemptions we believe it would indeed be better to amend the Rules to not apply to direct connect gas gates.

We believe the reasons for granting the existing exemptions to direct connect gas gates are valid, and will remain valid in the future.

In addition, we believe that reporting requirements under the Rules should also be eliminated for MDL's direct connect gas gates. As far as we are aware, the information that we report is not used or necessary for any allocation algorithm. As a result we do not know why MDL should be required to comply with Rule 41. We also do not believe that Rule 42 should be applicable to MDL. All the information requirements between MDL and Shippers on the Maui Pipeline are set out in the Maui Pipeline Operating Code. We are not aware of any need or benefit for Downstream Reconciliation Rules to add to those requirements.

Q19: Do you agree that meter owners should have more obligations under the Rules? Do you agree that some of the obligations placed on retailers would be more appropriately placed on meter owners?

We do not have a comment on the division of obligations between retailers and meter owners, but we would like to point out that MDL also owns meters. If obligations are imposed on meter owners then care must be taken to ensure that their scope is limited to situations where metering is needed for downstream allocation or reconciliation among retailers.

Q21: Do you agree that exemptions should only be permissible where there is a reasonable substitute available that achieves the intent and purpose of the Rules or in an "exceptional circumstance"? What sort of situations do you believe would warrant an "exceptional circumstance"?

We are satisfied with the status quo and prefer to maintain option 1 described by the GIC. Because it is extremely difficult to prescribe rules that cover every possible situation at every possible point in time we believe it is useful to let GIC maintain an ability to make exemptions. By the same token, we see little advantage in attempting to prescribe "exceptional circumstances" or limiting the GIC's ability in advance.

Q22: If Gas Industry Co removes the exemption provisions, are there specific circumstances or situations that you believe warrant consideration for specific rule amendments now so as to remove the requirement for a future exemption?

We do not believe GIC should remove the exemption provisions in general. As already stated above, we believe direct connect gas gates should not be covered by the Rules in order to eliminate the need for continuing future exemptions for that specific purpose.

Q23: Given the Rules are unlikely to be reviewed again in the near future, are there other issues you would like Gas Industry Co to consider before a Statement of Proposal is released for consultation?

We expect it may be advisable to review the Rules again, particularly if a D+1 regime is implemented. In light of experiences that would be gained, such a regime could evolve over time.

Q24: Do you agree with the proposed timeframe for implementing any rule changes?

We would like to point out that the current exemptions for MDL expire on 30 September 2012. We would prefer amended Rules to be in force, with amendments that eliminate MDL's need to request continuing exemptions, by that date.

Conclusion

We have appreciated the opportunity to provide this submission. For any additional questions or clarifications please do not hesitate to contact us.

Yours sincerely,



Jelle Sjoerdsma
Regulatory Affairs and Markets Manager, Commercial Operator Maui Pipeline
for Maui Development Limited