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5 February 2010

Ian Wilson
Gas Industry Company Ltd
Level 8, Todd Building
95 Customhouse Quay
WELLINGTON

By email: submissions@gasindustry.co.nz

Dear Ian

MPOC Change Request – 17 December 2009

Genesis Power Limited, trading as Genesis Energy, welcomes the opportunity to provide a submission to the Gas Industry Company on the request lodged by Maui Development Limited (MDL) on 17 December 2009 for changes to the Maui Pipeline Operating Code (MPOC). This submission does not contain confidential or commercially sensitive information.

Genesis Energy commends MDL for developing its proposed amendments and supports the scope and purpose of the requested changes. Genesis Energy welcomes ongoing improvements to MPOC via the change request process.

Notwithstanding the above, the change request requires some further development before Genesis Energy can support its full implementation. We expect that this need for further development is largely a result of the pressure that MDL faced to develop this change request in advance of the Gas Industry Company finalising its recommendation to the Minister on balancing regulations.

Genesis Energy plans to engage directly with MDL and other major shippers on further development of the proposed amendments, but also awaits the Gas Industry Company's draft recommendation with interest.

Genesis Energy's initial list of matters for further development of the change request is in Appendix A.

If you would like to discuss any of these matters further, please contact me on 04 495 3348.

Yours sincerely

A handwritten signature in black ink that reads "R Parry". The signature is written in a cursive, flowing style.

Ross Parry

Regulatory Affairs Manager

Appendix A: Matters for Further Development

1. The amended code provides for a DOIL of 3% of SQ. However, the amended code omits the AEOI concept and uses ROI to determine the cash out quantity instead. This means that the operational flexibility provided by the DOIL has no effect. Genesis Energy submits that the code should retain the AEOI concept and that this should form the basis of the cash out quantity calculation.
2. It is unclear where any ROI pertaining to the balancing operator (BO) or MDL is determined and included in the allocation of cash out quantities.
3. Under section 14 there are still provisions allowing the BO to make claims on the incentives pool. This should be removed and replaced by the concept that was discussed in the ICD forum whereby any balancing gas that is not allocated via a cash-out transaction is allocated on the basis of, and to the extent of, any incentive pool debits (with title transfer). In the absence of any residual balancing gas on a day (or any claim by a welded party), incentive pool debits should have no effect.
4. It is unclear what the limit or basis of the pro rata allocation under 14.2(b) is.
5. It is unclear as to why tolerances should be reduced to zero for all welded points when an OFO is issued. In any event, it should be 100% of the HSQ rather than 0%.
6. The purpose of tariff three is unclear given that it is allocated on the same basis as tariff two. If tariff three is retained, then there seems to be a conflict between clause 19.9 that specifies one change per year and Schedule 10 where it appears that tariff three will vary from month to month.
7. Timing of notifications under sections three and four should be reviewed. For example, advice of cash-out quantities by 6 PM on the following day is unacceptable.
8. Shipper mismatch under section 11 should be treated in the same way as ROI (AEOI) cash out. That is, mismatch should not be cashed out automatically.
9. The amended Code does not seem to fully and clearly delineate MDL's functions versus the BO's functions as an agent.