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Genesis Energy Limited

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10 March 2014

Ian Wilson  
Gas Industry Company  
95 Customhouse Quay  
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Submitted via: Gas Industry Company website

Dear Ian

## MPOC Change Request (B2B) 14 February 2014

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Genesis Energy Limited welcomes the opportunity to provide a submission to the Gas Industry Company ("the GIC") on the Maui Pipeline Operating Code ("MPOC") change request regarding Back to Back (B2B) balancing dated 14 February 2014.

### **Comfortable with majority of changes**

The current gas balancing regime lacks the ability to accurately allocate costs to causers of imbalances. B2B balancing aims to make improvements in respect to these concerns, and will ensure that our gas market is developing in accordance with more sophisticated gas markets worldwide (in particular, the European market).

Genesis Energy understands that the 14 February 2014 change request seeks to "tidy up" the MPOC to enable these improvements from B2B balancing to occur. We therefore support the vast majority of the change request, as the proposed amendments will improve the consistency of terms used within the MPOC and allows for the development of gas trading markets, amongst other improvements.

### **Significant concerns with proposed amendments to clause 11.10**

However, we have significant concerns with the proposed amendments to clause 11.10. This clause determines that the terms and conditions for accessing balancing gas are set by Maui Development Limited (MDL) outside of

the MPOC, and are therefore undertaken without a corresponding industry/MPOC change process.

MDL is currently an entity made up of individual companies who each have access to the current balancing gas market. This presents an obvious risk that it can exercise its functions to the exclusion of some other market participants who wish to participate. We suggest that enabling MDL to set control of the terms and conditions for accessing balancing gas outside of any industry code will further remove the control of access rights to balancing markets away from industry participants. This is an effective barrier to entry for new, non-MDL participants. In our view, this creates significant competition issues for how the pipeline is operated.

Genesis Energy is one of the few non-MDL industry participants who has access to MDL's Balancing gas exchange (BGX) platform, and so we consider ourselves as an impartial voice for those parties that don't have access to the balancing market. We are concerned that MDL do not always source balancing gas at the best price possible. Frequently bid prices are higher and offer prices are lower on emTrade than on the BGX.

We are concerned that the proposed change will allow MDL to circumvent buying and selling balancing gas at the best possible prices, to the benefit of MDL owners. This is because the change enables MDL to set terms and conditions that are likely to exclude other more inclusive balancing options such as emTrade. We understand that MDL is concerned the use of other balancing options, such as emTrade, will make obtaining proof of physical delivery more difficult. We do not agree. In our view, proof of physical delivery is already difficult (and probably impossible) given that more than one party supplies gas to a delivery point in an open access regime.

#### Recommended approach going forward

Given the deficiencies with this change request, we recommend that the GIC ask MDL to resubmit this change request without the proposed amendments to clause 11.10 (and related changes). This would enable the rest of the non-controversial changes to be adopted in a timely manner.

Going forward, Genesis Energy's preference is for access to balancing gas to be codified in the MPOC and subject to existing MPOC change provisions. We also consider that MDL should trial using other more open and inclusive balancing options, such as emTrade, to see if their physical concerns are valid. We consider this would be a positive move for the industry.

If you would like to discuss any of these matters further, please contact Duncan Jared, Fuel Portfolio Manager, on 09 951 9145 or me on 04 495 6354.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K Collins', with a stylized, flowing script.

Karen Collins  
Senior Regulatory Advisor