

10 March 2014

Ian Wilson
Senior Advisor
Gas Industry Company Ltd
PO Box 10-646
WELLINGTON 6143

Dear Ian

Re: MPOC Change Request (B2B) 14 February 2014

1. This following submission is being made on behalf of the Major Gas Users Group (MGUG):
 - a. Ballance Agri-Nutrients Ltd
 - b. Carter Holt Harvey Ltd
 - c. Fonterra Co-operative Group Ltd
 - d. New Zealand Steel Ltd
 - e. New Zealand Sugar Ltd
 - f. Refining NZ
2. The MGUG made submissions in support of B2B being introduced (MPOC CR 13 Oct 2011 B2B). The MGUG recognised that balancing charges are ultimately reflected in higher transmission charges to end users. The MGUG was therefore supportive of MDL's attempt to reduce these costs through their B2B proposal.
3. We agree with MDL's position that the changes proposed in their change request are minimal technical changes capturing what is already occurring or agreed way forward from previously approved change requests including MPOC CR13.
4. In researching our submission we note the strawman being promoted by Vector, Contact, and Genesis proposing alternative arrangements around back to back balancing market arrangements including:
 - (a) more reliably align cash-out prices to an open, transparent and competitive market (or markets); and
 - (b) correct some timing issues with the B2B MPOC drafting that, in their view, will perpetuate systemic inefficiencies in line pack management.
5. We recognise the intent of the counterproposal and the underlying concerns driving the solution, but are less convinced that the changes can be successfully implemented without some further change occurring first.

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6. In particular we see a number of prerequisites before the counterproposal might be successfully considered and implemented:
 - a. The implementation of D+1 downstream reconciliation (phase 2 of the GIC downstream reconciliation currently progressing to a resolution as a separate GIC workstream)
 - b. Improvement in alternative secondary trading markets such as emTrade to provide better guarantees on physical delivery of gas product to give operational effect to the balancing actions of the Commercial Operator of the Maui pipeline.
7. We acknowledge and support the ongoing constructive dialogue between MDL and sponsors of the alternative proposal. We do not believe that implementing the MPOC CR as drafted by MDL precludes the counterproposals being implemented as a further evolutionary improvement to efficient gas markets as a next step.
8. We do hope that further development of MPOC in relation to gas balancing can include other industry players such as MGUG members who have further ideas to contribute, including moving the Intra Day Cycle times (a concept discussed back in 2009 and included as an Appendix in our 14 November 2011 submission to the GIC)

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. Hale', with a stylized, cursive script.

Hale & Twomey Ltd/Arete Consulting Ltd
For the Major Gas Users Group