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**14 FEBRUARY 2014 MPOC CHANGE REQUEST
SUBMISSION BY METHANEX NEW ZEALAND LIMITED**

Dear Ian

Methanex has prepared this submission in respect to the 14 February 2014 MPOC Change Request submitted by Maui Development Limited (“MDL”) for consideration by Gas Industry Company (“**Current Change Request**”).

Methanex notes that the Current Change Request includes previous change requests that have not been put into effect but have been previously supported by Gas Industry Company (“GIC”). We don’t intend to further critique those change requests except to make the observation that it has now been well over two years since the B2B Change Request was proposed in October 2011 and we consider that with the passage of so much time together with the recent the introduction of gas markets it would be worthwhile for all stakeholders to consider whether the original B2B Change Request is fit for purpose, notwithstanding the further changes proposed by MDL in its Current Change Request.

Methanex considers that there would be value in MDL and other stakeholders discussing the implications of gas markets on the MPOC in an open forum to attempt to find a consensus path forward before proposing any further change requests to the GIC. We note that certain industry participants have proposed their own amendments to the MPOC in respect to Balancing Gas. Methanex considers it would be advisable for all stakeholders to consider where there is common ground and if a single well-supported change request can be developed to more comprehensively address the outstanding issues in respect to Balancing Gas on the Maui Pipeline under a Back-to-Back Balancing regime.

FURTHER CHANGES

Methanex has given consideration to the further changes proposed by MDL in its Current Change Request and our comments are divided into the following:

1. Genuine “fix-up” changes which Methanex accepts at face value as being relatively minor.
2. Amendments which we believe to be material changes that warrant further consultation and consideration before a recommendation is given by GIC.
 - (i) Amendments to Balancing Principles (Section 3A in associated sections)
 - (ii) Special terms and conditions for Trading Hubs (Section 12.12(c) and associated sections)
 - (iii) Proposed Daily Operational Imbalance Limit settings (Schedule 7)

BALANCING PRINCIPLES

With the move towards Back-to-Back Balancing Methanex considers it essential that MDL operates the Maui Pipeline in a manner that maximises the opportunities for pipeline users to self-balance and enable efficient and cost-effective means of trading imbalances. Gas imbalances are best resolved between and among pipeline users, not by MDL or the Balancing Agent. Where it becomes necessary for the Balancing Agent to intervene it should be under clear rules and obligations and at arms-length (or independent) from MDL. Methanex does not consider that the Balancing Principles are clear and unambiguous as originally drafted. Our additional concerns in respect to the proposed changes are:

- (i) The change to the Balancing Agent role with respect to MDL and in particular the reference to Balancing Gas as being “for and on behalf of MDL” in Section 3A.2 and elsewhere. We are unclear why this amendment is necessary and the implications it has on the prospects for arms-length balancing gas transactions.
- (ii) Reference to MDL “terms and conditions” in Section 3A.4 (and Section 11.10). We consider it to be contrary to the objective of increasing transparency to introduce terms and conditions that sit outside the MPOC.
- (iii) We also have concerns regarding the implications of the review of Balancing SOP’s and Balancing Contract Terms and Conditions advised by the Commercial Operator by e-mail on 21 February 2014, subsequent to lodging the Current Change Request. We consider that changes to those documents, which stakeholders have not yet reviewed, may have further implications in respect to the proposed changes to the Balancing Principles. For that reason we consider it important that those documents are made available to stakeholders and then sufficient time is given to assess and consult, before GIC makes a recommendation in respect to the Current Change request. As far as possible, balancing rules should be contained in the MPOC and not as SOP’s or terms and conditions outside of the code.

Recommendation: That GIC not support the changes proposed to Section 3A (and associated changes including Section 11.10). We also recommend a fuller review of the Balancing Principles together with the role, responsibilities and independence of the Balancing Agent. To that end we request that the GIC provides a forum for MDL, GIC and stakeholders to discuss the best path forward in respect to Balancing, taking into account the Current Change Request and the recently circulated industry-led proposals regarding Balancing.

SPECIAL TERMS AND CONDITIONS FOR TRADING HUBS

Methanex considers it be contrary to the objectives of enabling gas markets to develop for MDL to require special terms and conditions for Notional Welded Points. Any terms and conditions associated with the operation of Notional Welded Points should be standardised and included within the MPOC. We are particularly concerned with the changes proposed in Section 19.4 and 19.6 which are unbounded in terms of the price that MDL can set.

Recommendation: That GIC not support the changes proposed in Section 12.12(c), and associated changes, including Sections 19.4 and 19.6.

PROPOSED REVISION TO DAILY OPERATIONAL IMBALANCE LIMITS

This issue is specific to Methanex and relates to the setting of Daily Operational Limits (“DOIL”) at Bertrand Road (Waitara Valley) and Faull Road Welded Points as set out in Schedule 7. Methanex does not consider it to be reasonable or justified for the DOIL at these two Welded Points to be reduced to just half the level applied to other Welded Points.

Faull Road Welded Point is a pre-existing Welded Point which has been renamed due to the creation of a new Bertrand Road Welded Point set up as a consequence of Methanex re-starting the Waitara Valley methanol plant. There has been no change in the gas load characteristics associated with the Faull Road Welded Point so we do not consider that there is justification for any reduction in its DOIL.

The Bertrand Road (Waitara Valley) Welded Point is a new Welded Point which Methanex considers should be given a DOIL which is consistent with any other new Welded Point that MDL approves, taking into account the amount of incremental gas flow associated with that new Welded Point. In the case of the Bertrand Road (Waitara Valley) Welded Point, it was established specifically and exclusively to feed the re-started Waitara Valley plant which has added an incremental ~50-55TJ/day of gas flow through the Maui Pipeline.

Recommendation: That GIC recommends MDL review the Daily Operational Imbalance Limits set for Faull Road and Bertrand Road Welded Points to ensure they are equitable and consistent.

Yours Sincerely



Matthew Gardner
Commercial Advisor
Methanex New Zealand Limited