Appendix A: Recommended Format for Submissions

To assist the Gas Industry Co in the orderly and efficient consideration of stakeholders' responses, a suggested format for submissions has been prepared. This is drawn from the questions posed throughout the body of this consultation document.

Respondents are also free to include other material in their responses.

Submission from: **(MultigasNZ Limited – Syd Hunt)**

Questions	Comments
Q1: Do you agree with regulatory objective for the component of the Wholesale Market work stream? If not, what objective should the Gas Industry Co be considering?	Yes
Q2: Do you agree with the general approach to assessing the different options using both quantitative and qualitative criteria? If not, what alternative approach, that also complies with the Gas Act, would you suggest?	Both options satisfactorily cover industry requirements and with the benefit of experience it may be necessary to incorporate some refinements and that being the case should there be a mandatory review period?
Q3: Are there other time horizons that should be considered for the trading of gas? If so, what are those time horizons?	The time horizons offered appear to be suitable at this stage.
Q4: Are there any other reasonably practicable alternatives for longer term trading of gas that should be considered and if so, what are they?	As the industry gains better experiences with the MPOC, Oatis and other incorporated co-regulated models other options may surface, so the models applied today should have flexible policies. As per our answer to Q2.
Q5: Are you satisfied with this evaluation of options for longer term trading of gas, and if not, what aspects would you alter and why?	Generally speaking we are in agreement with the evaluation provided.

Questions	Comments
Q6: Do you agree that there is no case for formalising arrangements for longer term trading of gas to improve transactional efficiency? If not, what alternative do you prefer and why?	Agreed.
Q7: Are there any other options that should be considered for short term gas trading, and if so, what are the options?	Spot trading still requires fine tuning and again only through experiences will we then understand whether tighter or broader policies need to be developed and the opportunity for a review process.
Q8: Are you satisfied with the qualitative assessment of short term trading options? If not, what aspects would you change and why?	Yes
Q9: Do you agree that the standard contract should allow for both types of approaches? If not, what would you prefer and why?	Yes
Q10: Do you agree that the standard contract should not provide for price adjustments for taxes and government charges? If not, what changes would you prefer and why?	Yes - We believe that any aspect of a supply arrangement that may have a material effect on the content structure and delivery outcome of the product or services needs to be at least outlined or referred to in any contract.
Q11: Are you satisfied with the proposed approach for addressing s.41 of the Crown Minerals Act in the standard contract? If not, what alternative would you prefer and why?	Yes

Questions	Comments
Q12: Do you agree that the standard contract should not provide for any conditions precedent? If not, what alternative would you prefer and why?	Broadly agree with the question.
Q13: Do you agree that the standard contract should not make seller liable for gas specification? If not, what alternative would you prefer and why?	Yes if the Seller in whatever context also has a reference or requirement for gas specifications in its contracts.
Q14: Do you agree that the standard contract should not provide for any priority rights? If not, what alternative would you prefer and why?	Unless there is a requirement from the Sellers contract requiring such priority to be called on and under what conditions these priorities take precedence then again an option for terms of reference.
Q15: Do you agree that the standard contract should set out a broad description of the transport obligations/rights on buyer and seller? If not, what alternative would you prefer and why?	Yes - We believe that any aspect of a supply arrangement that may have a material effect on the content structure and delivery outcome of the product or services needs to be defined or referred to in any contract.
Q16: Do you agree that the standard contract should have liability provisions that exclude indirect losses, and that direct losses (in equivalent $/GJ terms) would be capped at the pipeline mismatch/imbalance price? If not, what alternative would you prefer and why?	Yes to indirect losses because this would be too difficult to pin down under terms of reference and opens up counterfactual claims. Direct Losses – clear definitions are required because capping at the mis-match price may not be satisfactory compensation for losses incurred. The concept of mis-match gas needs to be controlled in order that excessive margins do not eventuate resulting in increased flow on charges to the end consumer.

Questions	Comments
Q17: Do you agree that the standard contract should have FM provisions based on the principle that for very short term trades FM cannot be invoked unless balancing has been suspended – i.e. curtailment is occurring? If not, what alternative would you prefer and why?	Yes – agreed to this.
Q18: Do you agree with the proposed dispute resolution provisions for the standard contract? If not, what alternative would you prefer and why?	Consideration for clause 11.5 - The buyer should pay what is **NOT** in dispute. If however, at the conclusion of the DR process the buyer is liable for the balance then that difference as well as interest should be paid at bank overdraft rates to the Seller.
Q19: Do you agree that the standard contract should provide a standard assignment provision? If not, what alternative would you prefer and why?	Yes – Assignment should not be unreasonably withheld if that assignment has no material effect on the other party.
Q20: Do you agree that the Gas Industry Co should make the standard contract available for use (once the feedback from this discussion paper has been considered and incorporated)? If not, what alternative path forward would you prefer and why?	Yes – As it would provide a good starting point from which parties negotiate terms for a final contract allowing the incorporation of flexible parameters under the bi-lateral platform philosophy that has been unanimously agreed by the industry participants.
Q21: Do you agree that a platform should extend the compliance regime being developed by the Gas Industry Co in order to keep costs to a minimum? If not, what alternative would you prefer and why?	Possibly.

Questions	Comments
Q22: Do you agree that the preferred approach to prudential management is the white-list? If not, what alternative would you prefer and why?	We are not entirely convinced that this "White List" option should be the base method from which the prudential criteria is based upon. Prudential qualification based on "face value preference" does not necessarily mean that a party will meet its commitments or obligations. A combination of the White Lines and the Minimum prudential standards may represent a fairer landscape for development on this issue. Either way Prudential needs to be applied responsibly and conscious of any restriction it may have governing entry to participate in the gas market. It is important to recognise that in any trading situation parties have to be prepared to accept the risk of doing business and not transfer this risk by way of prudential requirements to trading partners. There needs to be a responsible attitude applied to the amount of prudential support required in each situation.
Q23: Do you agree that the platform should allow participants to nominate their preferred location for making offers or bids (provided this does not add undue cost to a platform development)? If not, what alternative would you prefer and why?	We broadly agree with this method. The logistics obviously would need to be carefully managed.
Q24: Do you consider the indicative cost ranges for the matching platform to be reasonable? If not, what amendments would you propose and why?	Yes

Questions	Comments
Q25: Do you consider the indicative benefit ranges for the matching platform to be reasonable? If not, what amendments would you propose and why?	They are reasonable but need to be measured against comparable other options that offer the same or better outcomes.
Q26: Do you support the conclusion that it would be reasonable to proceed with development of a matching platform, provided it can be progressed at modest cost? If not, what path forward would you propose and why?	If there is a general consensus from industry participants that this is the way forward then it is worth considering. However, the parameters and definitive outcomes need to established and agreed by the participants before investment is undertaken.
Q27: Do you consider the indicative cost ranges for the trading platform to be reasonable? If not, what amendments would you propose and why?	Yes
Q28: Do you consider the indicative benefit ranges for the trading platform to be reasonable? If not, what amendments would you propose and why?	Yes
Q29: Do you support the conclusion that it would be risky to proceed with development of a trading platform due to uncertainty over net benefits, but that it would be worthwhile to seek to narrow the uncertainties, and in particular to examine the costs and benefits of making the pipeline imbalance pricing mechanisms more responsive and dynamic? If not, what conclusion would you draw and why?	We agree with the concept but require more information before giving a definitive answer.

Questions	Comments
Q30: Do you consider the quantitative assessment methodology to be reasonable? If not, what amendments would you propose and why?	It seems the Quantitative assessment methodology is too rigid. We believe it possibly contains the process and lessens flexibility. For this reason we don't believe it's reasonable in its current format. We refer to our answer to Q2.