

# Application for Gas Industry Company's Recommendation on Proposed Amendments to the Maui Pipeline Operating Code ("MPOC")

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Applicant: Maui Development Limited

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## 1. Introduction

1.1 In accordance with the standard "Recommendation Request Form" issued by Gas Industry Company Limited (GIC), this application by Maui Development Limited ("the Applicant", "MDL", "we", "us" or "our") includes the following information:

- (a) details of our proposed amendments to the Maui Pipeline Operating Code; and
- (b) the reasons for the proposed amendments.

1.2 Please also find enclosed with this application a marked up copy of the MPOC showing our proposed amendments in full.

1.3 In making this application, we have taken into account:

- (a) the MPOC Change Request, dated 5 October 2009, that added concepts for Trading Hubs and Notional Welded Points (Trading Hub Change Request);
- (b) the MPOC Change Request, dated 13 October 2011, that introduced a back-to-back balancing (B2B) regime, combined with the corrections set out in MDL's cross submission on it dated 31 January 2012 (B2B Change Request);
- (c) The MPOC Change Request of 28 March 2013 (Clean Up Change Request);
- (d) the subsequent introduction of gas trading markets; and
- (e) the accuracy and usability of various MPOC provisions in their current form.

1.4 The main issues covered in this application are set out below. The resulting changes proposed to the MPOC are relatively minor and, in our opinion, should be uncontroversial.

## 2. Multiple Trading Hubs

2.1 The Trading Hub Change Request of 2009 added the concepts of Notional Welded Points and Trading Hub Receipt and Delivery Points to the MPOC. Some provisions of the MPOC, however, refer to "the" Trading Hub Receipt or Delivery Point. By implication this may be considered as allowing for only one Trading Hub. This application proposes amendments to explicitly accommodate multiple Trading Hubs in the MPOC.

### 3. Trading Hub cash out

- 3.1 The MPOC limits opportunities and arrangements for cashing out a Notional Welded Point. Such cash outs can only take place at prices defined in the MPOC. The B2B Change Request limited cash outs further so they can only take place on a Day when a Balancing Gas Call or Put is actually made. Even then, the cash out can only be made up to the quantity of Balancing Gas Calls or Puts represented by the Notional Welded Point's pro-rata share of total AEOI.
- 3.2 During the course of discussions with operators of the recently introduced gas markets it became clear that they wish to be cashed out for all Operational Imbalances at Notional Welded Points. This is not limited to AEOI and is regardless of the quantity or occurrence of balancing actions.
- 3.3 It is also important that wholesale gas markets be cashed out at prices that eliminate arbitrage opportunities in relation to purchases or sales of balancing gas. Such prices need to be higher or lower, respectively, than the Mean Call Price or Mean Put Price.
- 3.4 The 2009 Trading Hub Change Request allowed a Notional Point Welded Party to have an ICA with special terms and conditions that override standard provisions in the MPOC. Such special terms and conditions for cash outs have already been included in the ICA with NZX Limited. The amendments proposed in the current application allow explicit reference to such special terms and conditions in the MPOC provisions that may be affected.

### 4. Notional Welded Points are not physical

- 4.1 The MPOC still contains several provisions that are not relevant or should not be applicable to Notional Welded Points. This is because notional points do not have a physical existence. One example is in the definition and requirements for Metering. The current application includes amendments to correct or qualify such provisions.

### 5. Accuracy

- 5.1 The accuracy of several MPOC provisions relating to the B2B regime can be improved. In particular, those for timings of cash outs and associated adjustments and definitions relating to balancing gas and balancing transactions. The current application includes proposals to make the following types of amendments.
- 5.2 Timing of cash outs and resulting adjustments to Running Operational Imbalance (ROI). The current ROI definition for a Day includes adjustments for cash outs made on the same Day. This causes problems, however, with Cash-Out Quantity calculations that depend on AEOI which depends on ROI. A potential solution would be to introduce separate concepts for a pre- and post-cash-out ROI and AEOI. Instead, however, the proposed solution in this application is to amend the ROI definition so that adjustments for cash-outs on a Day are made to the opening balance of the next Day.
- 5.3 The result of this amendment is that ROI and AEOI for a Day will always include the Operational Imbalances of that Day; and can be used for calculations to be made for and as at the end of that Day. This means that timing for all cash-out transactions on a Day can be deemed to be "at the end of" a Day, instead of using timings at 23:59 that were introduced in the B2B Change Request. For simplicity and convenience, the current application includes these timing amendments.

- 5.4 The B2B Change Request introduced new and amended definitions for Balancing Gas and Balancing Gas Calls and Puts. The Calls and Puts were defined as a “quantity of Gas making up” a transaction. Most MPOC provisions, however, refer to the transaction itself; instead of to the quantity. The current application includes amendments to let the Call and Put definitions apply to the transaction, and to amend provisions to specifically refer to the quantities in such transactions only where necessary.
- 5.5 The MPOC has included a definition for the Balancing Agent since its original version in 2005. However, the roles and responsibilities of the Balancing Agent vis-a-vis those of MDL were further described. The B2B Change Request did include a role description and expanded responsibilities, but this has led to some inconsistencies. The current application includes amendments to remove distinctions between MDL and the Balancing Agent where they are irrelevant, and to make them specific and/or consistent in places where they are clearly understood. Amendments have also been added to clarify that gas transactions initiated by the Balancing Agent are made for and on behalf of MDL, on terms and conditions agreed by MDL, with MDL being the legal counterparty for such transactions.
- 5.6 The price stack on the BGX currently can only display quotations submitted to MDL on the BGX itself. MDL does not plan on displaying the prices of markets that do not offer gas under the terms required for Balancing Gas, and hence seeks to clarify the intent of the price stack disclosure.
- 5.7 Mismatch Prices in the MPOC are defined by reference to prices of Gas. The application includes amendments to clarify that the relevant reference is to prices for accessing and disposing of Balancing Gas specifically.
- 5.8 Balancing Gas Calls and Puts only consist of transactions made to achieve a physical increase or reduction in Line Pack. Such transactions can be initiated by the Balancing Agent, following MDL’s instructions or standard operating procedures. Cash-out Transactions resulting from Calls and Puts are always conducted directly with MDL. The application includes amendments to clarify this where necessary.
- 5.9 All the amendments under this heading are intended to improve the accuracy or clarity of provisions for the B2B regime as per the B2B Change Request. The proposed accuracy amendments do not make any substantive changes to the B2B regime. The amendments are only made to allow clear and correct operation of the B2B regime as originally intended.

## 6. Clean up

- 6.1 The Clean Up Change Request corrected anomalous references to AEOI of a Welded Party instead of a Welded Point in the cash out provisions. However, those corrections did not yet exist in the amendments introduced by the B2B Change Request. The current application adds those corrections where necessary.
- 6.2 Adjustments to Running Operational Imbalance included trades made pursuant to section 12.15, but not for transfers pursuant to section 12.5. The current application corrects this omission and improves the wording.
- 6.3 The Clean Up Change Request also removed several legacy provisions. However, some redundant definitions were left behind. The current application removes those as well.

- 6.4 The current application includes an amendment to add the Balancing Agent to the definition of "Open Access Personnel" in schedule 4.
- 6.5 The application includes an update of Schedule 6 and the definition of the Maui Pipeline to reflect the removal of the Welded Point at the New Plymouth Power Station.
- 6.6 The current application includes some additional minor corrections to add missing words, correct grammar, typos or references, or improve consistency. It also updates Schedules 7 and 8, reorders the listing of Welded Points in the tables of Schedules 7 and 8 for consistency, and combines and reformats the tables for Daily and Running Operational Imbalance Limits in Schedule 7 for improved readability.

## 7. General

- 7.1 We consider that all of the proposed amendments comply with the Commerce Act 1986 and all other relevant laws.
- 7.2 We acknowledge that the parties to ICAs and TSAs have the right to make submissions to GIC in relation the proposed amendments. We will give consideration to the proposed amendments in light of the submissions that are received.
- 7.3 In this application:
  - (a) each capitalised term used has the meaning given to it in the MPOC; and
  - (b) each section reference refers to a section of the MPOC.

## Schedule: Summary of Proposed Amendments

#	Section	Issue	Proposed Change	Rationale for Proposed Change
1	1.1	Accuracy	Amend definitions of Balancing Gas Call and Balancing Gas Put to: <ul style="list-style-type: none"> <li>- remove phrase for "the quantity of Gas making up" any transaction, and other references to "quantity of" Gas</li> <li>- only cover purchases/sales made to increase/reduce Line Pack;</li> <li>- add reference to exclude purchases/sales for other types of cash out of Notional Welded Point</li> </ul>	Ensure that references to a Call or Put refer to the transaction itself. References that relate specifically to a quantity of Gas are amended accordingly as well.  Ensure that other types of Gas purchases/sales, e.g. for Cash-Out Transactions as well as for other cash outs of Notional Welded Points, are not counted as Balancing Gas.
2	1.1	Accuracy	Amend definitions of Balancing Gas (Delivery) Point and Balancing Gas (Receipt) Point to eliminate references to Gas purchased/sold "by the Balancing Agent to manage Line Pack on the Maui Pipeline from time to time" and replace with "in a Balancing Gas Call/Put"	Simplification, to use earlier definitions and eliminate unnecessary reference to the entity initiating Balancing Gas transactions.
3	1.1	Accuracy	Amend definition of Cash-Out Quantity to: <ul style="list-style-type: none"> <li>- add "for and as at the end of that Day" in opening sentence</li> <li>- add reference to "total quantity of Gas sold/purchased in all Balancing Gas {Calls/Puts} made for that Day"</li> </ul>	For clarity and consistency with proposed amendment in definition of Running Operational Imbalance  Because the Call/Put definitions are amended to refer to the transaction itself; not to the quantity.
4	1.1	Clean up	Delete definition for the Crown.	No longer needed. Previously used in deleted legacy provisions.
5	1.1	Multiple Trading Hubs	Amend definition of Deemed Measured Quantity to accommodate more than one Trading Hub Delivery Point.	Multiple Trading Hubs and Notional Welded Points may exist.
6	1.1	Multiple Trading Hubs	Amend definition of Excess Daily Imbalance to accommodate more than one Trading Hub Receipt Point.	Multiple Trading Hubs and Notional Welded Points may exist.
7	1.1	Clean up	Amend definition of Maui Pipeline to reflect the removal of the Welded Point at the New Plymouth Power Station and improve readability.	New Plymouth Power Station Welded Point no longer exists.
8	1.1	Clean up	Delete definition for MDL's Auditor	This definition is not referred to in any other provision.

#	Section	Issue	Proposed Change	Rationale for Proposed Change
9	1.1	Accuracy	Amend definitions of Mean Call Price and Mean Put Price to: - refer to calls "made for" instead of "completed on" a Day; - refer to "total quantity of Gas purchased/sold in all" Balancing Gas Calls/Puts, instead of to "number of GJ of". Amend definition of Mean Call Price to refer to amount "payable" by MDL instead of "paid".	For consistency with amendments to other provisions. For consistency with definition of Mean Put Price
10	1.1	Notional Welded Points are not physical	Amend definition of Metering to apply to Physical Welded Points only.	Notional Welded Points do not have metering equipment or facilities.
11	1.1	Multiple Trading Hubs	Amend definition of Notional Welded Point to accommodate more than one Trading System.	Multiple Trading Hubs and Notional Welded Points may exist.
12	1.1	Clean up	Delete definition for Offtake Point.	This definition is not referred to in any other provision.
13	1.1	Multiple Trading Hubs	Amend definition of Operational Imbalance (in respect of a Notional Welded Point) to accommodate more than one Trading Hub Receipt Point.	Multiple Trading Hubs and Notional Welded Points may exist.
14	1.1	Accuracy	Amend definition of Payback Point to remove reference to deliveries in accordance with section 3A.4(a)(ii).	Deliveries under section 3A.4(a)(ii) are made to Balancing Gas (Delivery/Receipt) Points.
15	1.1	Notional Welded Points are not physical	Amend definitions of Peaking Limit and Peaking Tolerance to apply to Physical Welded Points only.	Notional Welded Points are not subject to peaking limits.
16	1.1	Notional Welded Points are not physical	Amend definition of Pipeline Owner to apply to Physical Point Welded Parties only.	Notional Welded Points are not subject to the physical requirements imposed on Pipeline Owners.
17	1.1	Clean up	Amend definition of Positive Mismatch to change "exceed" to "exceeds".	Grammar correction.
18	1.1	Accuracy	Amend definition of Running Operational Imbalance to have it defined "for and as at" the end of a Day, and to apply adjustments for cash outs to the opening balance on the following Day.	As set out in main text.
19	1.1	Trading Hub cash out	Amend definition of Running Operational Imbalance to include adjustments resulting from alternative cash out arrangements for a Trading Hub.	ICA for a Notional Welded Point may have special terms and conditions for alternative cash out arrangements.

#	Section	Issue	Proposed Change	Rationale for Proposed Change
20	1.1	Clean up	Amend definition of Running Operational Imbalance to include adjustment for transfers of imbalances pursuant to section 12.5, and improve wording.	Operational Imbalances can be transferred pursuant to sections 12.15 and 12.5.
21	1.1	Notional Welded Points are not physical	Amend definition of Station to apply to Physical Welded Points only.	Notional Welded Points are not a Station.
22	1.1	Clean up	Delete definition for TJ	This definition is not referred to in any other provision.
23	1.1	Multiple Trading Hubs	Amend definitions of Trading Hub Delivery Point and Trading Receipt Point to accommodate more than one Trading System.	Multiple Trading Hubs and Notional Welded Points may exist.
24	2.12	Notional Welded Points are not physical	Amend last sentence to limit updates of Schedules 7 and 8 to information for Physical Welded Points only.	Notional Welded Points do not have physical limits and do not have metering or map coordinates.
25	2.12	Clean up	Amend last sentence to refer to Change Requests instead of Change Proposals	For consistency with the wording in section 29.
26	3A.2	Accuracy	Add "for and on behalf of MDL" to sub-clauses (a) and (b).	To clarify that the Balancing Agent is not buying or selling for its own account, and will not obtain title in such gas transactions.
27	3A.2	Accuracy	Delete "and entering into Cash-Out Transactions" from sub-clause (b).	Cash-Out Transactions do not involve the Balancing Agent.
28	3A.3	Accuracy	Change "by the Balancing Agent" to "by or for MDL" in sub-clause (a).	Because the Balancing Agent does not buy Fuel Gas on its own behalf.
29	3A.4	Accuracy	<ul style="list-style-type: none"> <li>- Add in accordance with "MDL's published terms and conditions and" in opening sentence of sub-clause (a).</li> <li>- Amend Balancing Gas Puts/Calls "entered into by the Balancing Agent" to "made" in sub-clauses (a)(iv)(bb) and (c)(iv).</li> <li>- Delete "by the Balancing Agent" in sub-clause (b).</li> <li>- Add "between MDL and the counterparty" after "passing of title" in sub-clause (b)(i).</li> <li>- Delete "entered into by the Balancing Agent" in sub-clause (b)(i).</li> </ul>	<p>To clarify that the Balancing Agent's purchases and sales must be made subject to MDL's terms and conditions for Balancing Gas.</p> <p>Because the entity initiating a Balancing Gas Put or Call is not relevant.</p> <p>Ditto</p> <p>To clarify that the Balancing Agent does not obtain title in Balancing Gas Calls/Puts</p> <p>Because the entity initiating a Balancing Gas Put or Call is not relevant.</p>

#	Section	Issue	Proposed Change	Rationale for Proposed Change
30	3A.4	Clean up	- Change "bids" to "quotations" in sub-clause (a)(iv)(aa)/ - Add "the" in front of Balancing Agent in sub-clause (c)(v). - Hyphenate "non-standard" in sub-clause (b)(vi).	For consistency with table in 4.4. Grammar correction. Grammar correction.
31	3A.5	Accuracy	Add new provision stating "All references in this Operating Code to Gas bought, purchased or sold by MDL shall include references to Gas transactions entered into by the Balancing Agent for and on behalf of MDL."	To ensure that the entity initiating a Gas transaction on behalf of MDL does not change the effect of any other MPOC provisions.
32	4.4	Accuracy	Amend 3 <sup>rd</sup> item in table to clarify that the price stack can only include quotations submitted to MDL or its Balancing Agent directly.	The BGX cannot monitor price stacks in other markets.
33	4.4	Accuracy	Amend 5 <sup>th</sup> item in table to Balancing Gas Puts/Calls "made" instead of "entered into by the Balancing Agent".	For consistency with amendments to other provisions, and because the entity initiating a Balancing Gas Put/Call is not relevant.
34	4.5	Accuracy	Add "or its Balancing Agent, as applicable," after MDL in the first sentence.	Because information in the table under section 4.4 is maintained by the Balancing Agent.
35	6.3	Trading Hub cash out	Add reference to allow transfer of title for Gas resulting from alternative cash out arrangements for Notional Welded Points.	ICA for a Notional Welded Point may have special terms and conditions for alternative cash out arrangements.
36	8.30	Clean up	Change "Shipper" to "Shippers" in sub-clause (b).	Grammar correction.
37	11.10	Accuracy	Amend "the Balancing Agent's costs" to "MDL's costs" in second sentence.	Because costs for Balancing Gas are incurred by MDL itself; not by its Balancing Agent.
38	11.10	Accuracy	Amend "Gas" to "Balancing Gas in accordance with the terms and conditions published pursuant to section 3A.4(b)" in second sentence.  Amend third sentence to clarify that relevant buy and sell spot prices are those "available to MDL (or its Balancing Agent)" in the market "for accessing and disposing of Balancing Gas on terms and conditions consistent with those published pursuant to section 3A.4(b)".	Mismatch prices need to reflect MDL's (potential) costs for accessing or income from disposing of Balancing Gas during a day.
39	12.10 / 12.11	Accuracy	Amend "MDL has made (no)" Puts/Calls "during that Day" to "were (not) made for that Day" in sub-clauses (a) and (b). Delete "by MDL" after Puts/Calls made in sub-clauses (b)(i)	The entity initiating the Put/Call is not relevant for the cash-out transaction and calculations.



#	Section	Issue	Proposed Change	Rationale for Proposed Change
40	12.10 / 12.11	Accuracy	Amend "sum of" to "total quantity of Gas sold/purchased in" all Puts/Calls in sub-clauses (b)(i).	Because the Call/Put definitions are amended to refer to the transaction itself; not to the quantity.
41	12.10 / 12.11	Accuracy	Eliminate cash-out adjustments to Running Operational Imbalance on the same day as the applicable cash out takes place. Change cash-out transaction timing to be deemed at "the end of" a Day, instead of at 23:59. (Improve grammar of reference to "that" Cash-Out Quantity)	As set out in main text. ROI adjustments are now made by definition to the opening balance of the next Day.
42	12.10	Accuracy	Amend so that title is deemed to pass "to MDL" instead of "to the Balancing Agent" in the closing sentence.	Cash-Out Transactions are with MDL; not with the Balancing Agent. (Note that 12.11 is already correct.)
43	12.12	Clean up	Replace Notional Point Welded Party with "Notional Welded Point" and insert "at that Notional Welded Point" after "Notional Point Welded Party". (Improve grammar of reference to "that" Cash-Out Quantity)	AEOI applies to Welded Points. These are similar changes as were already made for Physical Welded Points as a result of the Clean-Up Change Request of 28 March 2013.
44	12.12	Accuracy	Amend references to "the Balancing Agent has (not) entered into" a Put/Call to "was (not) made" in sub-clauses (a)(ii) and (b)(ii)	The entity initiating the Put/Call is not relevant for the cash-out transaction, and consistency with other provisions.
45	12.12	Trading Hub cash out	Add sub-clause (c) to codify cash out of Notional Welded Points in accordance with special terms and conditions in an ICA, and to facilitate references to such alternative arrangements in other sections of the MPOC.	The ICA for a Notional Welded Point may have special terms and conditions for alternative cash out arrangements.
46	12.12	Accuracy	Add sub-clause (d) to clarify that timing of cash-outs for a Notional Welded Point is deemed to be at "the end of" a Day.	As before.
47	12.13	Clean up	Amend "at 24:00 on" to "at the end of" that Day, for timing of transactions.	For consistency.
48	12.17	Multiple Trading Hubs	Amend provision for Deemed Flow at Notional Welded Points to accommodate more than one Trading System.	Multiple Trading Hubs and Notional Welded Points may exist.
49	13.1	Notional Welded Points are not physical	Amend provision so that Peaking Limits need to be set for Physical Welded Points only.	Notional Welded Points are not subject to peaking limits.
50	13.4	Clean up	Change references to "clause" to "section" in sub-clauses (a)(i) and (a)(ii).	For consistency with rest of MPOC.

#	Section	Issue	Proposed Change	Rationale for Proposed Change
51	13.4	Accuracy	- Move "on that Day" from start of sub-clause (b) to end of sub-clause (b)(i); and - Amend "MDL makes" a Balancing Gas Call to "is made for that Day".	Improve readability. The entity initiating a Balancing Gas Call is not relevant.
52	16.1	Notional Welded Points are not physical	Amend provision so that Metering is only needed for Physical Welded Points.	Notional Welded Points do not have Metering.
53	16.3	Notional Welded Points are not physical	Amend provision so that Metering is only needed for Physical Welded Points.	Notional Welded Points do not have Metering.
54	19.4 / 19.6	Trading Hub cash out	Add references to "any other price for any Gas that MDL buys/sells in accordance with section 12.12(c)". Restructure for improved readability and consistency.	ICA for a Notional Welded Point may have special terms and conditions for alternative cash out arrangements.
55	19.8	Notional Welded Points are not physical	Add "(other than a Deemed Measured Quantity)" after reference to measurement of quantities of Gas by Metering.	Notional Welded Points do not have Metering.
56	21.4	Clean up	Amend "sections" to "section" in sub-clause (d)(ii). Insert "at" in front of the Mean Call Price in sub-clauses (e)(v) and (e)(vi).	Correct grammar.
57	21.4	Trading Hub cash out	Add references to "any other price under section 12.12(c)" and alternative cash out arrangements for invoices to/from Notional Welded Points per sub-clauses (e)(vi) and (f)(iii). Break up into further sub-clauses for improved readability.	ICA for a Notional Welded Point may have special terms and conditions for alternative cash out arrangements.
58	22.13	Multiple Trading Hubs	Add qualifications for "affected" Trading Hub Delivery and Receipt "Point(s)" after suspension of the ICA of a Notional Point Welded Party.	Multiple Trading Hubs and Notional Welded Points may exist.
59	28.4	Clean up	Change reference to "clause" to "section".	For consistency with rest of MPOC.
60	Sched 1	Notional Welded Points are not physical	Amend title of Schedule 1 to only apply to "Physical" Welded Points. Add statement that "A reference in this schedule to a Welded Point is to a Physical Welded Point and a reference in this schedule to a Welded Party is to a Physical Point Welded Party" at the beginning of Schedule 1 and remove all references to "Physical" Welded Points in Schedule 1.	Notional Welded Points do not have technical requirements.

#	Section	Issue	Proposed Change	Rationale for Proposed Change
61	Sched 1	Clean up	Change "ie" to "i.e." in clause 2.15 and "eg" to "e.g." in clause 4.12.	Improved typography.
62	Sched 4	Clean up	Add "Balancing Agent" to definition of "Open Access Personnel" in clause 2.1 of the schedule.	Correct accidental omission.
63	Sched 6	Clean up	Update description for New Plymouth Power Station Lateral.	New Plymouth Power Station Delivery Point no longer exists.
64	Sched 7	Clean up	List Welded Points in order of distance from Oaonui. Combine tables for Daily Operational Imbalance Limits and Running Operational Imbalance Limits into a single table. Update Welded Points and limits.	Completeness and improved readability.
65	Sched 7 Sched 8	Clean up	Remove New Plymouth Power Station from the lists of Welded Points.	There no longer is any "connection between the Maui Pipeline and the infrastructure of a Welded Party" in New Plymouth.
66	Sched 8	Notional Welded Points are not physical	Change title of Schedule 8 to "Physical Welded Points".	Notional Welded Points do not need to be included in Schedule 8.
67	Sched 8	Clean up	List Welded Points in order of distance from Oaonui. Update Welded Points and associated information.	Update of schedule.