

# Draft Recommendation on the 14 February 2014 MPOC Change Request

**Date issued: 21 March 2014**  
**Submissions close: 11 April 2014**







## **About Gas Industry Co.**

Gas Industry Co is the gas industry body and co-regulator under the Gas Act. Its role is to:

- develop arrangements, including regulations where appropriate, which improve:
  - the operation of gas markets;
  - access to infrastructure; and
  - consumer outcomes;
- develop these arrangements with the principal objective to ensure that gas is delivered to existing and new customers in a safe, efficient, reliable, fair and environmentally sustainable manner; and
- oversee compliance with, and review such arrangements.

Gas Industry Co is required to have regard to the Government's policy objectives for the gas sector, and to report on the achievement of those objectives and on the state of the New Zealand gas industry.

Gas Industry Co's corporate strategy is to 'optimise the contribution of gas to New Zealand'.

**Submissions close:** 11 April 2014

**Submit to:** [www.gasindustry.co.nz](http://www.gasindustry.co.nz)

**Enquiries:** Ian Wilson  
[ian.wilson@gasindustry.co.nz](mailto:ian.wilson@gasindustry.co.nz)  
04 472 1800

# Executive summary

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Maui Development Limited (MDL) submitted a proposed change to the Maui Pipeline Operating Code (MPOC) to Gas Industry Co on 14 February 2014 (Change Request). This mostly relates to arrangements for MDL buying and selling gas to manage the inventory of gas in the pipeline (linepack). Information on the Code Change and the process for assessing it can be found on Gas Industry Co's website at [www.gasindustry.co.nz](http://www.gasindustry.co.nz).

Gas Industry Co has a contractual role under the MPOC to consult on each MPOC change request with stakeholders and determine whether or not to support it. A change request proceeds only where required by law or where Gas Industry Co makes a recommendation that supports it.

Gas Industry Co has published the Change Request, and has received nine submissions from stakeholders.

In this Draft Recommendation, we consider the Change Request, and matters raised in submissions. Our conclusion is that the MPOC will better meet the objectives of the Gas Act if the proposed change is adopted. Our Draft Recommendation is therefore to support the Change Request.

However, we encourage submitters on this Draft Recommendation to critique our analysis. Also, some submitters are particularly concerned about proposed edits to the Balancing Principles section of the MPOC (section 3A). We wish to explore the basis of those concerns in more detail, and encourage further submissions on the matter.

Gas Industry Co now invites submissions on this Draft Recommendation, by **5pm, Friday 11 April 2014**. Please note submissions received after this date may not be considered. Once we have considered submissions we expect to make a Final Recommendation by Thursday 24 April 2014.

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# 1

## Introduction

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### 1.1 Purpose

This Draft Recommendation considers the Maui Pipeline Operating Code (MPOC) Change Request submitted by Maui Development Limited (MDL) on 14 February 2014 and makes a recommendation on it as provided for in section 29 of the MPOC.

### 1.2 Background

#### Gas Industry Co's role under the MPOC

Section 29 of the MPOC assigns Gas Industry Co a role in respect of any proposed amendment to the MPOC (a change request). Gas Industry Co's role is to consult on the change request with the gas industry and determine whether or not to support it. A change request proceeds only where required by law or where Gas Industry Co makes a written recommendation to MDL supporting the change request. MDL has sole discretion to reject a recommendation if it considers the change would materially adversely affect its business, or require MDL to incur a capital expenditure (that may not be recoverable).

Gas Industry Co has agreed a Memorandum of Understanding (MoU) with MDL describing how its role will be performed. The MoU sets out a process under which Gas Industry Co receives a change request, calls for submissions, issues a draft recommendation, considers further submissions, and finally makes a recommendation to MDL. Further information on the Code Change and the process for assessing it (including a copy of the MoU) can be found on Gas Industry Co's website at [www.gasindustry.co.nz](http://www.gasindustry.co.nz).

Capitalised terms used in this Draft Recommendation have the same meaning given to those terms in the MPOC, unless stated otherwise.

#### Current change request and process to date

The Change Request mostly develops/clarifies previous change requests, in particular:

- the 5 October 2009 Change Request concerning trading hubs and notional welded points, that Gas Industry Co supported and that is now adopted into the MPOC;

- the 13 October 2011 Change Request proposing the introduction of back-to-back (B2B) balancing<sup>1</sup>, that Gas Industry Co supported but is yet to be adopted into the MPOC; and
- the 28 March 2013 Change Request, tidying up various provisions, that Gas Industry Co supported and that is now adopted into the MPOC.

On 17 February 2014, Gas Industry Co notified industry participants of the Change Request and invited submissions to be made. Nine submissions on the Change Request were received. These submissions are summarised in Chapter 6 of this Draft Recommendation.

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<sup>1</sup> Back-to-back balancing refers to arrangements that allocate balancing gas transactions among Welded Parties with imbalance positions outside tolerance.



# 2 Approach to analysis

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## 2.1 General approach to analysis

As set out in section 2.4 of the MoU, Gas Industry Co is to prepare an analysis of the issues under consideration, including a cost-benefit analysis, unless Gas Industry Co is satisfied that the issues are minor and will not adversely affect the interests of an industry participant in a substantial way. This analysis will have regard to the objectives of section 43ZN of the Gas Act (as noted in section 2.3 of the MoU).

As noted in the April 2008 Government Policy Statement on Gas Governance:

The Gas Act 1992 sets out the principal policy objective for Gas Industry Co., when recommending rules or regulations for wholesale market, processing facilities, transmission, and distribution of gas, as follows:

“To ensure that gas is delivered to existing and new customers in a safe, efficient, and reliable manner.”

We measure the effect of change requests against this standard, and any subsidiary objectives that relate more specifically to the arrangements under consideration.

Interested parties who wish to make a submission on this Draft Recommendation should be aware that our analysis is limited to considering only the Change Request, and only as a single package. Gas Industry Co will support a change that brings an overall improvement against the status-quo. We cannot reject a change request because there may be a better alternative, or support some parts of the change but not others, or make our support conditional. These constraints are discussed below.

### **Changes are assessed relative to the MPOC without the changes**

Gas Industry Co’s contractual role under the MPOC requires us to evaluate whether proposed changes will provide a net benefit. We cannot reject a change request because we believe there may be a better alternative that has not yet been presented.

### **A change request cannot be partially approved**

Change requests often include many adjustments to the MPOC. Gas Industry Co has previously considered whether we can support some of those proposed edits but reject others. Our conclusion is that this is not possible. A change request is submitted as a package and must be approved or not

approved in its entirety. For this reason, Gas Industry Co encourages anyone proposing a change to limit the scope of their change request. This allows for easier analysis and lowers the possibility that one unacceptable aspect of the request can cause a whole change request to be rejected.

### **Approval of a change request must be substantially unconditional**

Although a change request cannot be partially approved, it can be approved subject to some small changes being made. This avoids the situation where a minor or technical error in a change request requires the change request to be resubmitted.

## **2.2 Approach to analysing this Change Request**

Our analysis of this Change Request is generally as described above. The baseline for our analysis assumes that all changes previously supported by Gas Industry Co are (or will be) in place. In particular, we assume the 13 October 2011 Change Request, proposing the introduction of back-to-back balancing, that Gas Industry Co supported, is in place. This is also the basis of the marked-up MPOC provided by MDL.

Section 43ZN of the Gas Act provides that:

...the principal objective is to ensure that gas is delivered to existing and new customers in a safe, efficient, and reliable manner...

It also sets other, more specific, objectives. Those which we believe are most relevant to the consideration of the change request are:

- the facilitation and promotion of the ongoing supply of gas to meet New Zealand's energy needs, by providing access to essential infrastructure and competitive market arrangements:
- barriers to competition in the gas industry are minimised:
- delivered gas costs and prices are subject to sustained downward pressure: and
- risks relating to security of supply, including transport arrangements, are properly and efficiently managed by all parties.

Given the relatively limited scope of the proposed edits, we have not carried out a quantified cost-benefit analysis. However we have carefully considered whether costs or benefits arise from each of the proposed edits, and come to a view on the whether or not the overall package delivers a net improvement over arrangements without the proposed edits, when measured against the above objectives.

Chapter 4 presents our analysis of the Change Request;

Chapter 5 contains a summary of submissions on the Change Request;

Chapter 6 considers the matters raised in submissions; and

Chapter 7 makes a draft recommendation on the Change Request.

# 3

## Proposed edits

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### 3.1 Overview of proposed edits

The Change Request categorises the proposed MPOC edits under the headings:

- **Multiple trading hubs**  
allowing for there being more than one Trading Hub on the pipeline;
- **Trading hub cash-out**  
including references to MDL's ability to agree with a Notional Point Welded Party special terms for dealing with Operational Imbalance (OI) at Notional Welded Points;
- **Notional Welded Points**  
correcting some provisions that currently apply to Notional Welded Points, but which should only apply to physical Welded Points;
- **Accuracy**  
comprising:
  - edits to the Running Operational Imbalance (ROI) definition to include the previous day's cash-outs, rather than current day's cash-outs;
  - edits to the wording of various provisions to improve consistency;
  - clarification that balancing gas is bought and sold by the Balancing Agent on behalf of MDL, and that it is MDL who is the counterparty to cash-outs;
  - clarification that price stack disclosure applies to the BGX and not another market; and
  - edits to relate Mismatch prices to Balancing Gas prices.
- **Clean-up**  
deleting some legacy provisions and tidying-up others.

The schedule to the Change Request application includes a comprehensive table that categorises each proposed edit under the above headings. That table is copied here as Appendix A, with the addition of our assessment of whether the edit is straightforward or not (and hence requiring analysis).

# 4 Analysis

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Most of the proposed edits are straightforward. These have been marked with a **B** in the first column of the table in Appendix A. In our view these are as explained by MDL, and either improve consistency, clarify, correct or support other changes. However, we believe the edits marked **A** are less straightforward and justify more critical analysis. We consider these here.

## 4.1 'Physical', 'Notional' points and 'virtual' points

**Edit #15:** Proposes to amend the section 1.1 definitions of Peaking Limit and Peaking Tolerance to apply to Physical Welded Points only.

The rationale provided by MDL for this proposed edit is that 'Notional Welded Points are not subject to peaking limits'. It appears to us that this deserves some investigation.

The pipeline is a system whose linepack is only affected by physical flows of gas in and out. Since gas can only flow physically through Physical Welded Points, these are the only flows that are relevant to linepack management.<sup>2</sup> In addition, it is only at Physical Welded Points where peak flows can be measured (by a meter). We therefore agree that it is only meaningful to apply Peaking Limits and Peaking Tolerances to Physical Welded Points.

We note for completeness that the MPOC distinguishes between three types of Welded Point:

- Physical Welded Points, where other infrastructure connects to the pipeline;
- Notional Welded Points, that are Trading Hub Receipt Points or Trading Hub Delivery Points; and
- Virtual Welded Points, that are not defined, but are referred to in the definitions of four other defined terms (as amended by the Change Request):

"Balancing Gas (Delivery) Point" means a virtual Delivery Point to which a Shipper may nominate Gas purchased in a Balancing Gas Call.

"Balancing Gas (Receipt) Point" means a virtual Receipt Point from which a Shipper may nominate Gas sold in a Balancing Gas Put.

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<sup>2</sup> There may be sub-systems within the pipeline, such as the zones north and south of the Mokau Compressor Station, in which case the physical flows at that point are also relevant.

“Payback Point” means a virtual Receipt Point or Delivery Point (which, for the purposes of calculating any Throughput Charges, shall be deemed to be the Bertrand Road Welded Point) to which a Shipper requests Payback Quantities be delivered or from which a Shipper requests Payback Quantities be received in accordance with section 11.7.

“Pooling Point” means a virtual point on the Maui Pipeline, being a Delivery Point or Receipt Point as appropriate, which shall be treated for any invoicing purposes as being located at the Bertrand Road Welded Point.

There are no other references to ‘virtual’ points in the MPOC. However, we can infer that a ‘virtual’ point is not a ‘Physical Welded Point’ or a ‘Notional Welded Point’. Perhaps this could be clarified in a future change request.

## 4.2 New way of calculating OI

**Edit #18:** Proposes to amend the section 1.1 definition of ROI 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.

In section 5.2 of its Change Request application, MDL explains that

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.

Before the proposed change, ROI is defined as follows:

“Running Operational Imbalance” means the cumulative balance of Operational Imbalance for each Welded Point calculated immediately after the end of each Day<sub>n</sub> being the sum of:

(a) either:

(i) if Day<sub>n</sub> is the Commencement Date, zero; or

(ii) for all subsequent Days, the Running Operational Imbalance for that Welded Point at the end of Day<sub>n-1</sub>;

(b) the Operational Imbalance at that Welded Point during Day<sub>n</sub>; and

(c) any Operational Imbalance traded with another Welded Point during Day<sub>n</sub> pursuant to section 12.8; and

(d) any quantity of Gas purchased from, MDL by the Welded Party in relation to that Welded Point on Day<sub>n</sub> under section 12.11(b)(iv) or section 12.12(b)(ii),

less

(e) any quantity of Gas sold to MDL by the Welded Party in relation to that Welded Point on Day<sub>n</sub> under section 12.10(b)(iv) or section 12.12(a)(ii).

Using the shorthand d=current day and d-1=previous day, the existing ROI definition can be paraphrased as:

- $ROI(\text{for } d) = ROI(\text{for } d-1) + OI(\text{for } d) \pm OI \text{ trades}(\text{for } d) \pm \text{Balancing Gas Cash-Outs}(\text{for } d)$ .

The problem MDL identify with this is that Cash-Out quantities are factors in determining ROI, but ROI is a factor in determining Cash-Out quantities, thus creating an apparent circularity. After the proposed change, ROI is defined as follows:

“Running Operational Imbalance” means the cumulative balance of Operational Imbalance for each Welded Point calculated for and as at the end of each Day<sub>n</sub> being the sum of:

(a) either:

(i) if Day<sub>n</sub> is the Commencement Date, zero; or

(ii) for all subsequent Days:

(aa) the Running Operational Imbalance for that Welded Point at the end of Day<sub>n-1</sub>, plus

(bb) any quantity of Gas purchased from MDL by the Welded Party in relation to that Welded Point on Day<sub>n-1</sub> under section 12.11(b)(iv) or section 12.12(b)(ii) or section 12.12(c), minus

(cc) any quantity of Gas sold to MDL by the Welded Party in relation to that Welded Point on Day<sub>n-1</sub> under section 12.10(b)(iv) or section 12.12(a)(ii) or section 12.12(c);

(b) the Operational Imbalance at that Welded Point during Day<sub>n</sub>; and

(c) the adjustment for any Operational Imbalance transferred or traded to or from another Welded Point during Day<sub>n</sub> pursuant to section 12.5 or section 12.15.

This can be paraphrased as:

- $ROI(\text{for } d) = ROI(\text{for } d-1) + OI(\text{for } d) \pm OI \text{ trades}(\text{for } d) \pm \text{Balancing Gas Cash-Outs}(\text{for } d-1)$ .

This is basically the same as the previous formulation except that it is now the previous day's Balancing Gas Cash-Outs that are used in the calculation. In this way the circularity is removed. We therefore support edit #18.

A related change is edit #41:

**Edit #41:** Proposes to eliminate, from section 12.10 and section 12.11, cash-out adjustments to Running Operational Imbalance on the same day as the applicable cash-out takes place.

The rationale provided by MDL for this proposed edit is that the ROI adjustments are now made by definition to the opening balance of the next Day. We agree that ROI is fully defined in section 1.1 and that it is unnecessary, and confusing, for other clauses to restate or alter that definition. We therefore support edit #41.

### **4.3 Daily cash-out of OI at Trading Hubs (Notional Welded Points)**

**Edit #45:** Proposes to add a sub-clause (c) to section 12.12 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 rationale provided by MDL for this proposed edit is that the ICA for a Notional Welded Point may have special terms and conditions for alternative cash-out arrangements.

A related change is edit #19:

**Edit #19:** Proposes to amend the section 1.1 definition of Running Operational Imbalance to include adjustments resulting from alternative cash-out arrangements for a Trading Hub.

The rationale provided by MDL for this proposed edit is that the 'ICA for a Notional Welded Point may have special terms and conditions for alternative cash-out arrangements.'

Section 3 of the Change Request application explains why trading hubs (gas markets) should have a different cash-out mechanism. MDL notes that:

- Changes arising from the 13 October 2011 change request limit cash-outs to days when a Balancing Gas Put or Call is actually made, and only up to the amount of a Welded Party's share of that put or call amount.
- However, gas market operators wish to be cashed-out for all Operational Imbalance on a day, regardless of the quantity or occurrence of balancing actions.

So the Change Request proposes that the MPOC should acknowledge that special terms will apply to cash-outs in a gas market ICA. MDL notes that the 2009 Trading Hub change request already allows a Notional Point Welded Party to have an ICA with special terms and conditions that override standard provisions in the MPOC. In particular, we note that the words '...(iii) a Notional Welded Party...' were added to section 2.1(a) of the MPOC, and 'or a Notional Point Welded Party' to section 2.1(b) of the MPOC, by that earlier change request. So section 2.1 now reads:



2.1 MDL will deal with all users of the Maui Pipeline on an arm's length basis and in a manner consistent with this Operating Code. MDL undertakes that:

(a) every ICA with a Welded Party (excluding (i) a TP Welded Party, (ii) Methanex in relation to the Bertrand Road Welded Point, (iii) a Notional Point Welded Party) and every TSA with a Shipper shall include only the terms and conditions of this Operating Code and necessary individual information such as Delivery Point, AQ Volume, AQ discount and the relevant Welded Party's or Shipper's address; and

(b) any special terms and conditions contained in its TSA or ICA with a TP Welded Party, Methanex or a Notional Point Welded Party shall be disclosed to all Shippers and Welded Parties in accordance with section 4.1.

There is nothing in the Change Request to indicate whether the special terms in a Notional Welded Party ICA should be more or less lenient than those applying to other users. However, to date MDL has only entered into one such ICA, with New Zealand Exchange (NZX Limited)<sup>3</sup>, and it allows for cash-out the full amount of any Operational Imbalance at the Trading Hub by MDL buying it at the lower of:

(i) the Positive Mismatch Price for that Transmission Day; and

(ii) 95% of the lowest price (on a per GJ basis) at which any Gas product was traded on the Trading System during the 7 Trading Days prior to (and inclusive of) that Transmission Day; and

(iii) 95% of the lowest price (on a per GJ basis) at which any Participant had a contract through the Trading System to transact Gas for that Transmission Day.

Or selling it at the higher of:

(i) the Negative Mismatch Price for that Transmission Day; and

(ii) 105% of the highest price (on a per GJ basis) at which any Gas product was traded on the Trading System during the 7 Trading Days prior to (and inclusive of) that Transmission Day; and

(iii) 105% of the highest price (on a per GJ basis) at which any Participant had a contract through the Trading System to transact Gas for that Transmission Day.

So in this case at least, the terms applying to the Notional Point Welded Party are more severe than apply to other users: all OI is cashed out, and it is cashed out at a premium/discount of 5%.

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<sup>3</sup> During 2013, NZX Limited and Energy Market Services (EMS, a commercial business group within Transpower NZ) both discussed interconnection arrangements with MDL to enable their gas trading markets. EMS finally decided to establish its market on the Vector pipeline, while NZX concluded an ICA with MDL. Although the NZX market is operational, we understand that there has not been any active trading to date.

Given that these special terms are already provided for and in place, it seems sensible that the MPOC should be able to accommodate them, and any other special terms that apply in gas market ICAs. On that basis the proposed edits are regarded as an improvement.

**Edit #54:** Proposes to amend section 19.4 to establish the sell price of gas sold, and section 19.6 to establish the buy price of gas bought, to reduce the OI of a Notional Point Welded Party in accordance with section 12.12(c) (introduced by edit #45). Essentially this recognises that MDL and Notional Welded Parties can negotiate the basis of the cash-out price.

The rationale provided by MDL for this proposed edit is that the 'ICA for a Notional Welded Point may have special terms and conditions for alternative cash out arrangements.' We agree that it is prudent to acknowledge that such special terms can (and do) exist. This does not mean that Gas Industry Co agrees that different prices should apply to different categories of cash-out. That is a broader question that deserves wider debate. However, absent the proposed edits such special terms and conditions can be negotiated (subject to the section 3A4 principles, and MDL acting as a Reasonable and Prudent Operator), so the effect of the proposed edit is only to recognise this possibility. In our view this improves transparency.

Summing up, we agree that the proposed edits (#45, #19 and #54) recognise that special terms and conditions relating to the cash-out of OI can apply in a Notional Point Welded Party ICA, and that this must improve the transparency of the MPOC. The broader question of whether it is efficient for special conditions to allow some users to be cashed out on a different basis to others is not relevant to the proposed edits, but should be considered in future industry discussions on balancing.

At present there is only one Notional Point Welded Party ICA in place (with NZX) with special cash-out provisions. In practice, we would expect that system users will nominate correctly, and for curtailment to be uncommon, in which case OI at that Notional Welded Point will be rare. Nonetheless, if changes are ever to be proposed to the MPOC to introduce daily cash-out more broadly, careful thought would need to be given to how those cash-outs are priced, and whether the MPOC should provide guidance on what special terms are allowed.

We therefore support edits #45, #19 and #54.

## 4.4 Shipper Mismatch cash-out price

**Edit #38:** Proposes, in the second sentence of section 11.10, to change 'Gas' to 'Balancing Gas in accordance with the terms and conditions published pursuant to section 3A.4(b)'. Also to amend the third sentence of that section 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)'.

The rationale provided by MDL for this proposed edit is that 'Mismatch prices need to reflect MDL's (potential) costs for accessing or income from disposing of Balancing Gas during a day'.

Section 11 of the MPOC relates to Shipper Mismatch. It should be borne in mind that Shipper Mismatch on the Maui Pipeline is a very rare thing. This is because Shippers are required to make balanced nominations, so mismatch between a shipper's nominated receipts and nominated deliveries will only occur if its receipt or delivery nominations are curtailed ie only when interruptions happen, as described in sections 15.1 and 15.2 of the MPOC. These are situations such as Force Majeure and Contingency.

In the situation where an interruption does occur, and Shipper Mismatch arises, the following day MDL will give the Shipper a Mismatch Notice (according to section 11.5) allowing the Shipper from one to seven days to remove the Mismatch. Where a Shipper still has Mismatch at the end of the Mismatch Period, MDL will cash it out.

Clause 11.10, to which edit #38 relates, specifies what cash-out prices will apply to Shipper Mismatch if the Shipper chooses not to deal with it. Since the effect of Shipper Mismatch is the same as Welded Party Imbalance, it seems appropriate that similar prices should apply to cash-out. This is what the re-wording of section 11.10 aims to achieve.

In contrast to contributing AEOL, which is only cashed-out when a balancing action is taken (and only to the extent of the balancing action), Shipper Mismatch is cashed-out in full on the expiry of the Mismatch Period. As with the cash-out of OI at Notional Welded Points, the link to the cost of balancing actions may be indirect (because no Balancing Gas may have been bought or sold on the day of the mismatch), but that situation exists with or without the proposed edit. In any case, we expect the incidence of Shipper Mismatch cash-out to be very low. For these reasons, we support edit #38.

However, while we believe that the cash out price for Shipper Mismatch should reflect the cost of Balancing Gas, as the proposed edits to section 11.10 make clear, we do consider that the wording of the section is now a little odd. In particular, the sentence beginning 'If a liquid Gas market develops, ...', seems to be redundant.

# 5

## Submissions on Change Request

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Nine submissions on the Change Request were received from:

- Contact Energy Limited (Contact);
- Genesis Energy Limited (Genesis);
- Greymouth Gas New Zealand Limited (Greymouth);
- Major Gas Users Group (MGUG);
- Methanex New Zealand Limited (Methanex);
- Mighty River Power (MRP);
- Nova Energy (Nova);
- Trustpower (Trustpower); and
- Vector Limited (Vector).

Copies of all submissions are available from Gas Industry Co's website at:

<http://gasindustry.co.nz/work-programme/mpoc-change-request-b2b-14-february-2014?tab=2905>

Many of the issues raised and suggestions made in submissions do not relate directly to the analysis Gas Industry Co is required to make when considering a change request, as set out in Chapter 2. In summarising the submissions below, we separated matters into those which are directly relevant to our consideration of the Change Request, and more general matters.

### 5.1 Contact

#### Directly relevant to consideration of Change Request

GIC should not support the Change Request **x**

- Contact notes that MDL declined its request for pre-consultation on the Change Request.


- The Change Request goes beyond a tidy-up and proposes further changes to balancing arrangements.
- Proposed edits to the Balancing Principles (section 3A) allow contract arrangements outside the code to dictate balancing arrangements that could affect Shippers. All balancing arrangements should comply with the MPOC. Where terms and conditions sit outside the MPOC they can be set without consultation or consideration of the impact on Shippers.
- Balancing gas should be treated no differently to any other gas flowed on the pipeline, and Contact is indifferent to where balancing gas is sourced.
- Balancing gas should be sourced at the best price from a person meeting MPOC requirements, and be transported in accordance with the MPOC.

### **General**

- Another balancing related change request is being prepared by industry participants.
- Industry should work towards transparent arrangements with no barriers to entry.

## **5.2 Genesis**

### **Directly relevant to consideration of Change Request**

GIC should not support the Change Request 


- Genesis supports most of Change Request but is concerned about the proposed edits to section 11.10 that allow some balancing gas terms and conditions to be set outside of the MPOC. Genesis believes this could be used as a barrier to non-MDL participants entering the balancing market.
- Genesis does have access to the BGX, but is concerned that others do not, given that BGX prices are more extreme than emTrade prices.

### **General**

- Balancing gas arrangements should be in the MPOC.
- MDL should consider a trial of using a market other than the BGX to source Balancing Gas.
- Another balancing related change request is being prepared by industry participants.

## **5.3 Greymouth**

### **Directly relevant to consideration of Change Request**

GIC should not support the Change Request 

- Section 12.10 edits (applying cash-outs to Shipper ROI at the end of the day) seems to conflict with the ROI definition (applying cash-outs to Shipper ROI the next day).
- Section 12.12 edits allows for different cash-out prices for physical and notional welded points. These should be the same.
- Section 3A.4 edits allows MDL to issue terms and conditions for balancing gas sales and purchases that are not in the MPOC, and have not been consulted on.
- Section 4.4 edits suggest that MDL intends to ignore markets other than the BGX.

## General

- Greymouth is disappointed that MDL did not adequately consult on the Change Request.
- Greymouth is concerned about:
  - MDL's requirement that Balancing Gas impact linepack in a certain direction (since in some situations it may not);
  - no carve-out of critical contingency volumes; and
  - MDL's treatment of UFG and fuel gas.

MDL should

- publish its legal advice confirming that the proposed changes would not breach the Commerce Act; and
- explain why the 13 October 2011 change request has not yet been put into effect.
- GIC should:
  - commission an independent paper on whether MDL needs to see the physical impact of its balancing gas transactions; and
  - consider its regulatory, governance and legal risk; and
  - reconsider whether it should be the party that processes the Change Request.

## 5.4 MGUG

### Directly relevant to consideration of Change Request

GIC should support the Change Request ✓


- MGUG considers that the proposed edits are minimal technical changes capturing what is already occurring or in line with previously approved change requests.

## General

- MGUG notes that another balancing related change request is being promoted by other industry participants, including:
  - Better alignment of cash-out prices to an open, transparent and competitive market (or markets); and
  - Improving linepack management by correcting some timing issues.
- However, MGUG thinks this further change would require some prerequisites:
  - implementation of D+1 downstream reconciliation; and
  - 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.
- MGUG notes ongoing constructive dialogue between MDL and sponsors of further changes and does not believe that implementing the Change Request precludes such developments.
- MGUG has other ideas to contribute, including moving the Intra Day Cycle times, and hopes that it will be included in further discussions about MPOC improvements.

## 5.5 Methanex

### Directly relevant to consideration of Change Request

GIC should not support the Change Request 

- Proposed edits make balancing principles (section A3) less clear, in particular:
  - it is not clear why the use of the words 'for and on behalf of MDL' is necessary; and
  - all the terms of balancing gas trading should be in the MPOC and not also in 'MDL's published terms and conditions' or Standard Operating Procedures.
- The section 12.12 (c) and associated edits in sections 19.4 and 19.6 will not enable gas markets. The terms and conditions of Notional Welded Points should be standard and included in the MPOC.

### General

- Stakeholders should:
  - consider whether the 13 October 2011 change request is still fit for purpose, given that a lot of time has passed; and

- discuss the implications of the gas markets and identify 'common ground' before any more change requests are put forward.
- GIC should:
  - conduct a full review of balancing principles and the role, responsibilities and independence of the Balancing Agent; and
  - arrange a stakeholder forum to consider the best way forward on balancing.
- MDL should:
  - make all related documents (Standard Operating Procedures, balancing gas terms and conditions etc) available for stakeholders to consider before a recommendation on the Change Request is made; and
  - Review the Daily Operational Imbalance Limits set for Faull Road Welded Points to ensure equity.

## 5.6 MRP

### Directly relevant to consideration of Change Request

GIC should support the Change Request ✓

#### General

- In relation to B2B, MRP is concerned that:
  - most industry participants can't participate in the BGX, and the arrangements could be more efficient and transparent; and
  - mass market retailers don't know their balance positions (in the absence of D+1 allocations), and it is disappointing that in the 2 years since the B2B changes were supported, no significant progress has been made.

## 5.7 Nova

### Directly relevant to consideration of Change Request

GIC should support the Change Request ✓

- Although section 11.10 edits will require changes to the Balancing Agent Standard Operating Procedures and Balancing Contract Terms and Conditions, Nova does not see this as an obstacle, and notes that MDL is consulting with key stakeholders on the matter.



## 5.8 Trustpower

### Directly relevant to consideration of Change Request

GIC should support the Change Request ✓

#### General

- Trustpower believes that the merits of a Balancing Gas price cap should be investigated as this would provide certainty and help new participants quantify the risk.
- Further improvements can be made to ensure pipeline users have appropriate incentives to maintain balanced positions.

## 5.9 Vector

### Directly relevant to consideration of Change Request

GIC should not support the Change Request ✗

- Vector considers that the Change Request:
  - Is not fair or efficient;
  - Does not minimise the barriers to competition in the gas industry; and
  - Does not exercise sustained downward pressure on delivered gas costs and prices.
- The Change Request allows MDL to agree the Trading Hub cash-out provisions in a Trading Hub Interconnection Agreement.
- It is not clear where Trading Hub cash-out gas is coming from or going to, or how the costs and revenues will be dealt with.
- The proposed amended definition of Balancing Gas Call and Balancing Gas Put appear to create a distinction between Balancing Gas and other Gas. This may create inconsistency with the provisions relating to nominations and the transfer of title.
- The proposed edits to section 3A and 11.10 that reference MDL's 'published terms and conditions' would have the effect of incorporating those terms and conditions into the MPOC. Combined with MDL's ability to change Standard Operating Procedures associated with Balancing Gas, allows MDL to change the Balancing Gas service at any time, and for any reason, without consultation or oversight.

## **General**

- Vector is disappointed that MDL did not consult other parties to the MPOC before submitting the Change Request.
- Vector's concerns about Trading Hub cash-outs could be addressed by allowing the BGX to operate as an open Trading Hub in the same manner as emTrade.
- GIC should invite MDL to submit another change request after consulting with parties to the MPOC.

# 6

## Consideration of submission

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### 6.1 Scope of Change Request

Gas Industry Co agrees with the submitters who note that the Change Request goes beyond a tidy-up. However, we consider that the proposed edits all relate to pipeline balancing and are well described in MDL's Change Request application. We also consider that they improve clarity without significantly changing the rights and obligations of the parties. This is explained in more detail in the sections below.

### 6.2 Contracts for Balancing Gas

It has been suggested that the proposed edits to the Balancing Principles (section 3A):

- are ambiguous;
- may allow contract arrangements outside the MPOC to dictate balancing arrangements that could affect Shippers;
- create a distinction between Balancing Gas and other Gas; and
- create inconsistency with provisions relating to nominations and title transfer.

Also, there is concern that section 11.10 edits may create a barrier to non-MDL participation in the balancing market.

Our assessment of the proposed edits to section 3A rated all of the proposed edits to section 3A as **B** ie straightforward and appearing to have no significant consequences. We have reviewed that assessment in light of the submissions.

We do not find the addition of the wording '[... for and on behalf of MDL](#)' ambiguous, as some submitters suggest. Section 5.5 of MDL Change Request application clearly explains the purpose of these edits:

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.

We find the proposed edits are in line with that explanation. Importantly, they make it clear that MDL is the counterparty for all Balancing Gas transactions.

Some submitters are also concerned that another proposed edit to section 3A could open a window to agreements outside of the MPOC code dictating balancing arrangements in way that could adversely affect Shippers. The proposed addition is highlighted in the following extract:

3A.4 MDL will:

- (a) instruct the Balancing Agent to use all reasonable endeavours to buy and sell Balancing Gas in accordance with [MDL's published terms and conditions and](#) the following principles: ...

Our view is that the proposed edit makes it plain that the terms and conditions of balancing gas transactions are public, but should not have any practical effect on arrangements. There needs to be a contract for buying and selling balancing gas and it needs to accord with the principles in the MPOC. That is the situation both with and without the edit.

However, we acknowledge that the proposed edit is seen by some submitters as having much more fundamental consequences and we would like to explore why. It would be particularly helpful if submitters on this Draft Recommendation could consider and submit on the following questions:

If the Request is approved, the terms and conditions will become a part of the MPOC by incorporation. Do you consider that this will:

- change the status of the terms and conditions or the principles; and/or
- change the relationship between the terms and conditions and the principles?

It will help our analysis if you are able give practical examples of the kind of situations you think adopting the edit would give rise to (that could not arise in the absence of the proposed edit).

We agree that the edits generally make it clear that Balancing Gas can be treated as being different to other gas, such as the gas nominated by pipeline users and traded on the emTrade and NZX markets. But we do not agree that the proposed edits have created that distinction. The distinction is already present and we understand that MDL has discussed it with stakeholders.

Our understanding is that MDL believes that, as a Reasonable and Prudent Operator, it should only take a balancing action when it is confident that there will be a physical change to linepack as a result. MDL therefore considers that the terms and conditions for trading Balancing Gas may need to be more stringent than those that apply to gas traded on the emTrade and NZX markets. However, we believe that the MPOC already allows for Balancing Gas to be a different product, and we do not believe that the proposed edits change that position.

Submitters also point to proposed edits to section 11.10 as allowing balancing gas terms and conditions to be set outside of the MPOC, and believe this could be used as a barrier to non-MDL participants entering the balancing market. The proposed edits are:

11.10 The Negative Mismatch Price and the Positive Mismatch Price shall be published on the MDL IX in accordance with section 4. These prices will reflect MDL's ~~the Balancing Agent's~~ costs in accessing and disposing of Balancing Gas in accordance with the terms and conditions published pursuant to section 3A.4(b). If a liquid Gas market develops, these prices will reflect the buy and sell spot prices available to MDL (or its Balancing Agent) in that market for accessing and disposing of Balancing Gas on terms and conditions consistent with those published pursuant to section 3A.4(b). MDL undertakes that, as the operator of the Maui Pipeline, it shall not seek to make a profit or loss from its activities in relation to the sale and/or purchase of Gas used to balance the Maui Pipeline, or settle Mismatches and Running Operational Imbalances.

We assessed Edit #38 as **A**, ie difficult to understand, and therefore requiring some scrutiny. However, in section 4.4 above we explain why we support the proposed edit. We consider that the addition of the words '... in accordance with the terms and conditions published pursuant to section 3A.4(b)' clarify where the terms of buying and selling Balancing Gas are set out, but we do not consider that they are responsible for allowing these terms and conditions to be created outside the MPOC – that is the situation whether the proposed edit is made or not.

We do agree that the terms and conditions of Balancing Gas contracts can create barriers to wider participation in the Balancing Gas market. But that situation also exists now, and is not altered by the proposed edits.

However, we do suggest that the wording of section 11.10 could be improved by deleting the sentence 'If a liquid Gas market develops, these prices will reflect the buy and sell spot prices available to MDL (or its Balancing Agent) in that market for accessing and disposing of Balancing Gas on terms and conditions consistent with those published pursuant to section 3A.4(b). It is difficult to understand and appears to add nothing.'

### **6.3 ROI Definition**

We do not agree that section 12.10 edits conflict with the ROI definition as one submitter suggests. However, we agree that the changes need careful consideration (as we have done in section 4.2 above), and agree that a numerical example would have helped submitters to understand how cash-out operates. We will invite MDL to provide such an example and we will include it in our Final Recommendation.

### **6.4 Prices for Balancing Gas**

In section 4.3 and 4.4 above, we discuss the edits related to the cash-out price and why we support them. As submitters have points out, the arrangements allow for different cash-out prices for Welded

Point Imbalances, Notional Welded Point Imbalances and Shipper Mismatch. However, the latter two are expected to be extremely rare, and would be at different prices even in the absence of the proposed edits.

Nevertheless, although it does not arise out of the proposed edits, we think that an important matter of principle is whether or not there should be different prices for different categories of cash out. This deserves wider debate in the industry.

## **6.5 Relationship of BGX with other markets**

We agree with submitters that a separate market for Balancing Gas will discover a price for gas which will be at a premium that reflects to more stringent terms of MDL's Balancing Gas agreement. In MDL's view, Balancing Gas is a premium product that provides a higher confidence of physical delivery and there are likely to be fewer market participants who are able to offer it. Those market participants will obtain the benefit of the more favourable prices and the cost will be borne by shippers and, ultimately, end users. However, it does not necessarily follow that the overall costs of balancing will be unreasonable. Efficiency requires that prices reflect economic costs, and if Balancing Gas is a premium product that should be reflected in its price.

However, we do not believe that this situation is a consequence of the proposed edits. The proposed edits make explicit what is already the standard practice: MDL buys its Balancing Gas on the BGX while other system users trade bi-laterally, or may use the emTrade or NZX markets.

Whether Balancing Gas should be a different product to the gas traded on the other markets is a broader industry issue and not, in our opinion, an outcome the proposed edits would impose.

# 7

## Draft Recommendation

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Our Draft Recommendation is to support this Change Request.

We find that most of the proposed edits are straightforward, generally in line with MDL's view that they are minor and uncontroversial. However, the effect of a few edits was less clear, so we examined these in detail. We also considered stakeholder submissions, many of which made comments about the broader balancing gas concepts.

Chapter 2 explains how we are required to approach the analysis of a change request. We remind stakeholders that we are not assessing the overall efficiency of balancing gas arrangements; we are only considering whether the incremental change the Change Request would bring about will move the arrangements closer or further away from the Government's policy objective.

In relation to the specific edits proposed, our preliminary view is that they have a neutral or positive effect. Most serve to remove ambiguities, and a few correct errors. Importantly, we do not think that any would make the operation of the MPOC less efficient. However, we are keen to hear whether submitters see any flaws in our analysis. Also, we encourage submitters to address the specific questions we pose in section 6.2 above concerning the relationship between Balancing Gas terms and conditions and the balancing principles.

Regarding balancing in general there is clearly unease among some submitters about:

- limited access to the Balancing Gas market;
- MDL's scope to set the terms for the purchase and sale of Balancing Gas;
- the treatment of Balancing Gas as a product distinct from Gas; and
- the lack of discussion about the direction of balancing arrangements.

Although these issues are not new (and not caused by the Change Request), we recognise that the Change Request has brought them into focus. We will consider how best to respond to these concerns in our role as Industry Body under the Gas Act.

## 7.1 Invitations for submissions

Gas Industry Co invites submissions on this Draft Recommendation.

Submissions are due by **5pm, Friday 11 April 2014**. Please note submissions received after this date may not be considered.

We prefer receiving submissions in electronic form (Microsoft Word format and PDF). Submissions may be uploaded on our website at [www.gasindustry.co.nz](http://www.gasindustry.co.nz). You will need to log in as a user and upload the submission on the consultation page by clicking on the submissions button.

Gas Industry Co will acknowledge receipt of all submissions electronically. If you do not receive electronic acknowledgement of your submission within two business days, please contact Tim Herbert on 04 472 1800.

Gas Industry Co values openness and transparency and usually places submissions on our website. If you intend to provide confidential information in your submission, please discuss this first with Ian Wilson at Gas Industry Co on 04 494 2462.



# Appendix A

Table 1 is copied from the Change Request application with the addition of Gas Industry Co's assessment of whether it is:

- A** – difficult to understand, and so require some scrutiny; or
- B** – straightforward and does not appear to have significant consequences.

Table 1

#	Section	Issue	Proposed Change	Rationale for Proposed Change
1 <b>B</b>	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 <b>B</b>	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 <b>B</b>	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 <b>B</b>	1.1	Clean up	Delete definition for the Crown.	No longer needed. Previously used in deleted legacy provisions.

#	Section	Issue	Proposed Change	Rationale for Proposed Change
5 B	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 B	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 B	1.1	Clean up	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 B	1.1	Clean up	Delete definition for MDL's Auditor	This definition is not referred to in any other provision.
9 B	1.1	Accuracy	Amend definitions of Mean Call Price and Mean Put Price to: <ul style="list-style-type: none"> <li>refer to calls "made for" instead of "completed on" a Day;</li> <li>refer to "total quantity of Gas purchased/sold in all" Balancing Gas Calls/Puts, instead of to "number of GJ of".</li> </ul> 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 B	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 B	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 B	1.1	Clean up	Delete definition for Offtake Point.	This definition is not referred to in any other provision.
13 B	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.

#	Section	Issue	Proposed Change	Rationale for Proposed Change
14 <b>B</b>	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 <b>A</b>	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 <b>B</b>	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 <b>B</b>	1.1	Clean up	Amend definition of Positive Mismatch to change "exceed" to "exceeds".	Grammar correction
18 <b>A</b>	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 <b>A</b>	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.
20 <b>B</b>	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 <b>B</b>	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 <b>B</b>	1.1	Clean up	Delete definition for TJ	This definition is not referred to in any other provision.
23 <b>B</b>	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 <b>B</b>	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.

#	Section	Issue	Proposed Change	Rationale for Proposed Change
25 B	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 B	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 B	3A.2	Accuracy	Delete "and entering into Cash-Out Transactions" from subclause (b).	Cash-Out Transactions do not involve the Balancing Agent.
28 B	3A.3	Accuracy	Change "by the Balancing Agent" to "by or for MDL" in subclause (a).	Because the Balancing Agent does not buy Fuel Gas on its own behalf.
29 B	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 Because the entity initiating a Balancing Gas Put or Call is not relevant.</p>
30 B	3A.4	Clean up	<ul style="list-style-type: none"> <li>• Change "bids" to "quotations" in sub-clause (a)(iv)(aa)/</li> <li>• Add "the" in front of Balancing Agent in sub-clause (c)(v).</li> <li>• Hyphenate "non-standard" in sub-clause (b)(vi).</li> </ul>	<p>For consistency with table in 4.4.</p> <p>Grammar correction.</p> <p>Grammar correction.</p>
31 B	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.

#	Section	Issue	Proposed Change	Rationale for Proposed Change
32 B	4.4	Accuracy	Amend 3rd 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 B	4.4	Accuracy	Amend 5th 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 B	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 A	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 B	8.30	Clean up	Change "Shipper" to "Shippers" in sub-clause (b).	Grammar correction.
37 B	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 A	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 B	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.
40 B	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.

#	Section	Issue	Proposed Change	Rationale for Proposed Change
41 <b>A</b>	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 <b>B</b>	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 <b>B</b>	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 <b>B</b>	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 <b>A</b>	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 <b>B</b>	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 <b>B</b>	12.13	Clean up	Amend "at 24:00 on" to "at the end of" that Day, for timing of transactions.	For consistency.
48 <b>B</b>	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.

#	Section	Issue	Proposed Change	Rationale for Proposed Change
49 <b>B</b>	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 <b>B</b>	13.4	Clean up	Change references to "clause" to "section" in sub-clauses (a)(i) and (a)(ii).	For consistency with rest of MPOC.
51 <b>B</b>	13.4	Accuracy	<ul style="list-style-type: none"> <li>• Move "on that Day" from start of sub-clause (b) to end of sub-clause (b)(i); and</li> <li>• Amend "MDL makes" a Balancing Gas Call to "is made for that Day".</li> </ul>	<p>Improve readability.</p> <p>The entity initiating a Balancing Gas Call is not relevant.</p>
52 <b>B</b>	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 <b>B</b>	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 <b>A</b>	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 <b>B</b>	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 <b>B</b>	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 <b>B</b>	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.

#	Section	Issue	Proposed Change	Rationale for Proposed Change
58 B	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 B	28.4	Clean up	Change reference to "clause" to "section".	For consistency with rest of MPOC.
60 B	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.
61 B	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 B	Sched 6	Clean up	Update description for New Plymouth Power Station Lateral.	New Plymouth Power Station Delivery Point no longer exists.
64 B	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 B	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 B	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.



#	Section	Issue	Proposed Change	Rationale for Proposed Change
67 B	Sched 8	Clean up	List Welded Points in order of distance from Oaonui. Update Welded Points and associated information.	Update of schedule.