

Note to accompany Final Recommendation on the 13 October 2011 MPOC Change Request

Gas Industry Co released its Final Recommendation on Monday 16 April 2012 supporting a change to the Maui Pipeline Operating Code (MPOC) proposed by Maui Development Limited (MDL) to improve pipeline balancing (the change request).

We wish to thank those who made submissions and cross-submissions on the change request, and submissions on our draft recommendation. This input has aided our understanding of the related issues and challenged our analysis.

We also commend MDL on its initiative to improve balancing arrangements through industry arrangements, as an alternative to regulation. Since 2009, MDL has strived to resolve two major components of balancing reform – improved market arrangements for balancing gas (BGX2), and back-to-back allocation of balancing costs (B2B). The change request is a significant step towards achieving B2B balancing.

The change request was considered in the context of the contractual MPOC role we perform on behalf of MDL and the other Parties to the MPOC. Essentially, we are required to come to a view on whether a proposed change will better meet the objectives of the Gas Act; including whether efficiency will be improved. We cannot make our support for a proposed change conditional, or only support part of a proposed change, or alter the proposal in any material way.

Several submitters noted that the change request should be accompanied by other balancing-related changes, including improved ability of all pipeline users to trade balancing gas, improved timeliness of downstream allocations, and extended requirements on users to make gas flow nominations. We accept that the proposed change is a necessary, but not sufficient, condition to fully achieve efficient balancing arrangements, and support industry efforts to make these further improvements.

Accordingly, in our broader role as industry regulator, we have secured MDL's agreement not to implement the change request until 1 June 2013, allowing time for other arrangements to be improved. We will provide assistance to industry participants in this work.