



Final Recommendation on 21 December 2012 MPOC Change Request

Date issued: 28 February 2013





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'.

Authorship

This paper was prepared by the Marked Operations Group

Executive summary

Maui Development Limited (MDL) has requested a change to the Maui Pipeline Operating Code (MPOC) to shorten certain approval and confirmation times which, according to MDL, will provide a number of benefits.

Gas Industry Co released a consultation document on 29 January 2013. The document explained, subject to there being no material issues in submissions, the normal consultation process would be expedited so that MDL could have the MPOC changes in place for winter 2013. If there were no material disagreements or issues raised, Gas Industry Co's consultation document—which supported the change request—would serve as the draft recommendation.

Five submissions were received by Gas Industry Co. All submitters agreed with the change request.

There were no disagreements with the approach suggested by Gas Industry Co and there were no material issues raised in submissions.

We therefore release this final recommendation which supports the change request.

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Introduction

1.1 Purpose

This paper presents an analysis and final recommendation in respect of an MPOC change request submitted by MDL to Gas Industry Co on 21 December 2012.

The change request and other relevant papers can be found at <http://gasindustry.co.nz/work-programme/mpoc-change-request-21-december-2012?tab=2608>.

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 (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. Gas Industry Co evaluates any proposed change having regard to the objectives of Section 43ZN of the Gas Act. 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 would 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 in relation to change requests 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 makes a final recommendation to MDL. The MoU also provides that Gas Industry Co will have regard to the objectives specified in Section 43ZN of the Gas Act when performing its role, and prepare an analysis of the issues under consideration, including an assessment of the costs and benefits. For further information (including a copy of the MoU) please refer to Gas Industry Co's website at www.gasindustry.co.nz.

Gas Industry Co's contractual role under the MPOC is different to Gas Industry Co's role under the Gas Act. Whereas our Gas Act role requires the consideration of all practicable options before making a recommendation to the Minister, the MPOC role is more constrained. Importantly, the MPOC role does not permit Gas Industry Co to reject a change request because it believes it is not ideal, or that there may be a better alternative, or that there are additional things that could be done to improve

balancing arrangements. Our scope to recommend modifications to the change request is limited to minor and technical matters.

Current change request

The current change request is minor in effect. The only changes proposed are to shorten some of the times specified in certain nominations cycles which, according to MDL, will bring about a range of benefits.

2 Submissions received

Five submissions were received, one each from:

- Contact Energy Limited (“Contact”);
- Energy Direct New Zealand Limited (“EDNZ”)¹;
- Genesis Power Limited (“Genesis”);
- Mighty River Power Limited (“MRP”); and
- Vector Limited (“Vector”).

Contact supports the change request but noted that it must carry out IT upgrades so would prefer for the change request to be approved on 1 April 2013.

EDNZ emailed their support for the change request.

Genesis supported the change request.

MRP supported the change request.

Vector supported the change request and noted that as a Welded Party it would be required to carry out its confirmation processes earlier and within a shorter timeframe.

Analysis

The only issue to come out of the submissions was Contact’s preference for the change request to be implemented on 1 April 2013. We have spoken with MDL about this and they did not indicate any problems with implementing the changes in April 2013.

¹ EDNZ emailed expressing their support for the change request.

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Final recommendation

Our final recommendation is to support this change request.

We request that MDL liaise with Contact (and other interested parties) to agree on the optimal implementation date for this change request but we note that the changes need to be in place for winter 2013.

