



Consultation on 28 March 2013 MPOC Change Request

Date issued: 12 April 2013
Submissions close: 2 May 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'.

Submissions close: 2 May 2013

Submit to: www.gasindustry.co.nz

Enquiries: John Bright

Executive summary

Maui Development Limited (MDL) wishes to change the Maui Pipeline Operating Code (MPOC) by making several 'tidy-ups' to promote clarity.

The normal MPOC change request process is to call for submissions on the change request which is followed by Gas Industry Co preparing and consulting on a draft recommendation. Gas Industry Co then considers any submissions received and prepares a final recommendation. However, MDL has requested that this process be expedited (as per section 6 of the Memorandum of Understanding (MOU) between Gas Industry Co and MDL) given the minor nature of the proposed changes. Gas Industry Co has agreed with this request provided no submissions are received which raise material issues that cause us to reconsider this perspective. We understand from MDL that any issues raised during informal consultation were dealt with prior to sending this change request to Gas Industry Co.

We have accordingly prepared this consultation document which will serve as the draft recommendation provided the caveat above is met. Our draft recommendation supports the change request. We are seeking submissions on MDL's change request and on this draft recommendation. Provided no material concerns are raised in submissions, this paper will represent the only consultation on this change request before Gas Industry Co makes a final recommendation.

Submissions are due by 5pm, Thursday 2 May 2013.

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Introduction

1.1 Purpose

This paper presents an analysis and draft recommendation in respect of an MPOC change request submitted by MDL to Gas Industry Co on 28 March 2013.

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.

Context

At the time of writing, two separate change requests approved by Gas Industry Co await implementation by MDL. However, those change requests have no overlap with the present change request.

1.3 Invitation for submissions

Gas Industry Co invites submissions on the change request and this draft recommendation.

Submissions are due by 5pm, Thursday 2 May 2013. Please note submissions received after this date may not be considered.

Gas Industry Co values openness and transparency and places submissions on our website. If you intend to provide confidential information in your submission, please discuss this first with John Bright at Gas Industry Co (04 494 6580).

2 Proposed changes

2.1 Confidentiality Protocol

Schedule 4 of the MPOC describes confidentiality protocols. Section 8 of this Schedule describes that the Technical Operator and the Commercial Operator will operate at arm's length and separate from MDL in all dealings with MDL and will not prefer any particular Shipper or Welded Party over another.

In its change request application, MDL states that arm's length operation requirements should also apply to the System Operator. MDL consider the omission of the System Operator was an unintentional omission and the 2012 confidentiality auditor recommended to MDL that the System Operator be included in Schedule 4. The change request adds the System Operator to this schedule.

2.2 Legacy related issues

Several sections of the MPOC refer to historical definitions and provisions such as 'Maui Gas Contract' which are no longer necessary or relevant.

The proposed change removes references to many historical definitions and provisions which are no longer necessary or relevant. The Methanex 20/20 Agreement, while no longer in force, will still be referred to in some parts of the MPOC because some metering equipment owned by Methanex may continue to be operated, tested, and maintained in accordance with that agreement.

2.3 Welded Party/Welded Point Inaccuracies

Various sections of the MPOC refer to a Welded Party as having an Accumulated Excess Operational Imbalance (AEOI) or a Running Operational Imbalance (ROI) etc.

The proposed change reflects MDL's view that it is more accurate to say that a Welded Point has the AEOI or ROI etc (rather than the Welded Party).

2.4 Errors and miscellaneous amendments

MDL's application identifies changes which it considers to be correction of errors and other miscellaneous amendments. We do not reproduce those here.

We have considered all of the changes proposed by MDL under this banner and agree that the changes are to tidy up errors or to make minor miscellaneous amendments where appropriate.

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Assessment of proposed changes

3.1 Evaluative criteria

In performing its roles and functions specified in the MPOC, Gas Industry Co must have regard to the objectives specified in section 43ZN of the Gas Act. The principal objective is to:

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

The other objectives 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; and
- barriers to competition in the gas industry are minimised;
- incentives for investment in gas processing facilities, transmission, and distribution are maintained or enhanced;
- delivered gas costs and prices are subject to sustained downward pressure;
- risks relating to security of supply, including transport arrangements, are properly and efficiently managed by all parties; and
- consistency with the Government's gas safety regime is maintained.

3.2 Assessment

The change request is minor in nature. We do not find any of the criteria specifically apply in this case. However, since the proposed changes generally clarify the MPOC, we find that this change request will be an improvement on the status quo.

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Draft recommendation

Our draft recommendation is to support this change request.

Provided no material concerns are raised in submissions, this paper will represent the only consultation on this change request before Gas Industry Co makes a final recommendation.

We welcome submissions on MDL's change request, this draft recommendation, and whether you have any material concerns with the expedited consultation process.