



Notional Welded Points at Vector Receipt and Delivery Points

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Objectives

- To allocate responsibility for imbalance at the point of control – the interconnection point between the transmission system and the gas user's facilities
- To better allocate accountability for balancing – no shared imbalance
- To increase the mechanisms available to gas users to self balance
 - right to renominate
 - right to renominate in the event of user FM
 - right to trade imbalance
 - direct rather than shared access to tolerance
 - right to offer balancing services
- To ensure Vector interconnected parties, in respect of balancing, are not competitively disadvantaged compared to Maui welded parties
- To reduce a TSO's exposure to balancing if that TSO is not providing balancing services
- Arrangements limited to balancing with no change to rights and obligations related to gas delivery or payment for pipeline capacity
- Use existing infrastructure
- To simplify balancing



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Choices

- **Vector as intermediary or directly with MDL**
 - Rights established through Vector's rights as a MPOC welded party
 - leaves Vector in the middle of balancing arrangements
 - requires significant VTC changes
 - Rights established directly under MPOC
 - simplifies arrangements – one set of balancing arrangements across transmission system
 - Vector's role as balancing intermediary reduced
 - MDL already exposed to credit risk of Vector shippers
- **Voluntary or compulsory**
 - Voluntary implementation
 - contracts more complex – need to provide for notional welded points and default option
 - easier implementation – doesn't offend existing transmission services and gas supply contracts
 - less reduction in Vector's exposure
 - Compulsory implementation
 - simpler – the same arrangements across the whole transmission system
 - maximises reduction in Vector's exposure
- **Cut off point for separate notional welded points**
 - capacity
 - telemetry
 - single or shared use

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Proposed implementation

- Arrangements apply at all VTC receipt and delivery points
- VTC receipt points and delivery points that have daily metering, telemetry and have capacity greater than [?] TJ/day become separate notional welded points
- VTC delivery points that do not have daily metering or have capacity less than [?] TJ/day collected into one or more residual notional welded points
- Vector interconnected parties execute a VTC interconnection agreement and a MPOC interconnection agreement
- Interconnection agreements provide no rights to ship gas under MPOC or VTC
- Interconnected party doesn't have to directly own or physically control the interconnected facilities but contractually has to take responsibility for metering standards and operational imbalance at the receipt point or delivery point
- All shippers receiving and/or delivering gas at VTC receipt points and delivery points must nominate their gas requirements at the notional welded point in accordance with MPOC - delivery points can be grouped
- Shipper injection and offtake nominations must balance
- Linked nominations (injection and offtake) required at TP welded points (calculated or nominated) if the shipper ships gas through the TP welded point – required to define MDL's and Vector's delivery obligations and to account for linepack transfers, own use gas, UFG etc
- The daily operational balance at notional welded points is the scheduled quantity less the metered flow at that point
- The daily operational balance at the residual notional delivery point is the sum of scheduled quantities at the residual delivery points less the sum of the metered flows at those same delivery points
- Unless the parties using the residual delivery point agree otherwise Vector remains accountable to MDL for operational imbalance at the residual delivery point
- Arrangements draw on existing OATIS mechanisms

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Rights and obligations

- Arrangements limited to balancing
- Scheduling and measurement of gas flows at interconnection point between Maui and Vector transmission systems means MDL remains responsible for delivery of gas to nominations on Maui transmission system and Vector remains responsible for delivery of gas on Vector transmission system
- Notional welded parties have all the MPOC welded party rights and obligations related to balancing, and no other
- Vector has no rights or obligations related to balancing at any notional welded points unless it is the interconnected party at the welded point
- Tolerance is allocated to notional welded points on the same basis as at MPOC welded points
- The basis for charging for transmission services is unchanged (MPOC in accordance with shipper nominations, VTC in accordance with delivered quantities)
- Review of the MPOC and VTC provisions is required to ensure rights and obligations are not doubled up under the VTC and MPOC
- Claims for MPOC delivery failures against MDL and for VTC delivery failures against Vector

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Conclusion

- The proposal may appear complex but it isn't
- The proposal extends MPOC balancing arrangements across Vector transmission receipt and delivery points
- That's largely the way current arrangements work
- Deliveries at TP welded points are shippers approved nominations and operational imbalance is allocated at TP welded points in proportion to the difference between these approved nominations and metered quantities at VTC delivery points
- An excel model of the proposal and supporting text are available

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