

# New Zealand Gas Exchange: Determinations prior to Go-Live

Date issued: 28 June 2010





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# 1

## Introduction

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Under the Rules of the New Zealand Gas Exchange (NZGE), the Industry Body is required to determine and publish various parameters governing the operation of the NZGE. Similarly, the Participant Variance Agreement requires Gas Industry Co to determine and publish parameters by which participants will be cashed-out for any imbalances they create at the Trading Hub. The purpose of this document is to fulfil both sets of Gas Industry Co's obligations in respect of the NZGE.

# 2

## Determinations under Rules of the NZGE

Item	Rule reference	Context	Determination
Business Day	3.1	<p>In the Rules, Business Day means any day of the week except:</p> <ul style="list-style-type: none"> <li>a. Saturday and Sunday; and</li> <li>b. Any day on which Good Friday, Easter Monday, ANZAC Day, the Sovereign's Birthday, Labour Day, Christmas Day, Boxing Day, New Year's Day, the day after New Year's Day, and Waitangi Day are observed for statutory holiday purposes; and</li> <li>c. Public holidays on which registered banks in Auckland or Wellington are not open for business; and</li> <li>d. Any other day that the Industry Body may prescribe not to be a Business Day as Published by the Industry Body.</li> </ul> <p>Business Day is used in the Rules as a means of providing a timeframe in the following instances:</p> <ul style="list-style-type: none"> <li>• considering an application (sections 8 and 9)</li> <li>• electing to terminate participation (section 13)</li> <li>• processing suspensions and terminations (sections 14 and 15)</li> </ul>	At this time, no other days are prescribed not to be Business Days under rule 3.1(d), although the need for such a determination may arise at a later date.

Item	Rule reference	Context	Determination
		<ul style="list-style-type: none"> <li>• notifying of variations to contracts (section 29)</li> <li>• amending the Standard Trading Terms (section 42) and the Rules (section 47)</li> <li>• resolving disputes (section 46)</li> <li>• allowing notices sent by post to be received (section 50)</li> <li>• notifying trading participants of trading fees (section 51).</li> </ul>	
Commencement Date	3.1	The Commencement Date is the start date for the application of Rules in Parts 1 (General Provisions), 2 (Establishment of NZGE), 5 (Trading System Operation), and 6 (Miscellaneous Provisions).	The Commencement Date is Monday, 28 June 2010.
Go-Live Date	3.1	The Go-Live Date is the date on which trading under the Trading System may commence; the Rules in Parts 3 (Trading) and 4 (Hub Operations) apply from that date.	The Go-Live Date is Monday, 28 June 2010.
Trading System	5.1	The Rules apply only to Gas traded and Contracts formed on the Trading System.	The Trading System is the NZGE trading platform located at <a href="http://www.nzge.co.nz">www.nzge.co.nz</a> (or <a href="http://www.spotgas.co.nz">www.spotgas.co.nz</a> ).
Application Form	7.1	Persons wishing to trade must apply using the published application form.	The Application form can be found on the Gas Industry Co website at <a href="http://www.gasindustry.co.nz/work-programme/standard-trading-contract/wholesale-market-governance-documents">http://www.gasindustry.co.nz/work-programme/standard-trading-contract/wholesale-market-governance-documents</a> .
Register of Participants	10	The Industry Body is required to publish a register of Participants.	This register will be published at <a href="http://www.gasindustry.co.nz/work-programme/wholesale-market/participants">http://www.gasindustry.co.nz/work-programme/wholesale-market/participants</a> .

Item	Rule reference	Context	Determination
Products	21	These are the Products to be sold or purchased through the Trading System.	<p>There will be two types of Products at the outset of the NZGE:</p> <ul style="list-style-type: none"> <li>• <b>Daily gas product</b>, which is a quantity of gas that will flow on a single transmission day. Daily gas products have the naming convention yyyy-mmddD, with the yyyy-mmdd corresponding to the date the traded gas will flow. The Trading System will list 30 days' worth of daily gas products during Trading Hours.</li> <li>• <b>Monthly gas product</b>, which is a quantity of gas that will flow each day during a calendar month. Monthly gas products have the naming convention yyyy-mmM, where yyyy-mm corresponds to the year and month during which the traded gas will flow. The Trading System will list 6 months' worth of monthly gas products during Trading Hours.</li> </ul> <p>The Products may be modified or augmented in the future, provided there is sufficient support from market participants for such a move.</p>
Aggregate quantity and total value of gas traded	29	<p>At the end of each Trading Day, the Industry Body is required to Publish</p> <ol style="list-style-type: none"> <li>a. The aggregate quantity of Gas traded on that day under Contracts; and</li> <li>b. The total value of the Gas traded on that day under Contracts</li> </ol>	<p>This information will be published on the Trading System at <a href="http://www.nzge.co.nz">www.nzge.co.nz</a>.</p>
Location of the Trading Hub	31	Gas may only be sold or purchased through the Trading System at the Hub.	The Trading Hub is located at Bertrand Road, at the same location as the Waitara Valley Offtake.



Item	Rule reference	Context	Determination
Trading System Operator	36	The Industry Body is required to appoint a Trading System Operator. The Trading System Operator maintains and operates the trading system and performs the obligations and functions set out for it in the Rules	Gas Industry Co entered into a service provider agreement with M-co in 2008 for provision of a trading system. That agreement was novated to NZX in 2009 when NZX purchased the business assets of M-co.  The service provider agreement is published on the Gas Industry Co website at <a href="http://www.gasindustry.co.nz/sites/default/files/u11/080122_Final_SPA.pdf">http://www.gasindustry.co.nz/sites/default/files/u11/080122_Final_SPA.pdf</a>
Hub Operator	37	The Industry Body may appoint a Hub Operator.	Gas Industry Co is fulfilling the role of Hub Operator for the purposes of the wholesale market trial. A Hub Operator may be appointed for the NZGE in the future.
Trading Days, Trading Opening, Trading Closing	39	Trading Days are days on which trading may occur on the Trading System.  Trading Opening is the time at which trading will commence on a Trading Day.  Trading Closing is the time at which trading will cease on a Trading Day.  For the period from Trading Closing to Trading Opening the platform will be in the “pre-open” state. This allows participants to create, withdraw and/or edit Offers. Participants may also edit their white-list settings during this period.	Trading Days are designated as Business Days, commencing on Monday, 28 June 2010.  Trading Opening is 1.00 PM, New Zealand Standard Time.  Trading Closing is 2.00 PM, New Zealand Standard Time.  This timing will allow 2 hours prior to the Changed Provisional Nomination Cycle deadline for Gas Industry Co to calculate and notify Participants of their Net TQs for the following Transmission Days, and for Participants to make nominations accordingly.
Standard Trading Terms	43	The Industry Body must maintain and Publish a register of versions of the Standard Trading Terms.	Standard Trading Terms are published on the Gas Industry Co website at <a href="http://www.gasindustry.co.nz/work-programme/standard-trading-contract/wholesale-market-governance-documents">http://www.gasindustry.co.nz/work-programme/standard-trading-contract/wholesale-market-governance-documents</a> .

# 3

## Determinations under Participant Variance Agreement

Item	Section reference	Context	Determination
Adjustment of Net TQ	3.3	The Industry Body may, but is under no obligation to, adjust that Participant's Net TQ so as to reduce, or avoid a Participant Variance occurring in the case of a curtailed Approved Nomination or when a Counterparty is unable to deliver or uplift traded gas. The Industry Body is required to Publish principles setting out how it will exercise its discretion under this section.	The principles document is published at <a href="http://www.gasindustry.co.nz/work-programme/standard-trading-contract/wholesale-market-governance-documents">http://www.gasindustry.co.nz/work-programme/standard-trading-contract/wholesale-market-governance-documents</a>
X and Y	6.4	X and Y are adjustment factors used in cashing out Participant Variance.  X is used when there is a Positive Participant Variance.  Y is used when there is a Negative Participant Variance.	X is 90%  Y is 110%  Gas Industry Co will review the occurrence of cash-outs after the first three months of operation of the NZGE, with a view to adjusting X and Y if appropriate.

