

Application for Gas Industry Company's Recommendation on Proposed Amendments to the Maui Pipeline Operating Code ("MPOC")

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1. Introduction

1.1 In accordance with the standard "Recommendation Request Form" issued by Gas Industry Company Limited ("GIC"), this application by Maui Development Limited ("the Applicant", "MDL", "we", "us" or "our") includes the following information:

- (a) details of our proposed amendments to the Maui Pipeline Operating Code; and
- (b) the reasons for the specifically proposed amendments.

1.2 Please also find enclosed with this application a marked up copy of the MPOC showing our proposed amendments in full.

1.3 In making this application, we have taken into account:

- (a) the MPOC Change Request, dated 13 October 2011, for the introduction of a back-to-back balancing ("B2B") regime, combined with the corrections set out in MDL's cross submission on it dated 31 January 2012 ("B2B Change Request");
- (b) the MPOC Change Request dated 14 February 2014 ("B2B Fixup Change Request");
- (c) the accuracy and usability of various MPOC provisions in their current form;
- (d) the VTC Change Request Appeal dated 27 November 2012 ("B2B VTC Change Request"); and
- (e) feedback in submissions from gas industry stakeholders that resulted from a pre-consultation round based on earlier drafts for this application that we circulated on 13 August 2014.

2. Background

2.1 The purpose of this application is to introduce a market-based balancing regime on the Maui Pipeline.

- 2.2 This application is in response to earlier stakeholder submissions made to the GIC during consultations on the B2B Change Request and the B2B Fixup Change Request. Many of those submissions emphasised the need to have a liquid market that enables industry participants to make short-term trades of gas, as well as a desire for MDL to use such a market on an equal footing with other traders for MDL's own balancing actions. This application is intended to support those objectives.
- 2.3 The proposed amendments in this application are inspired to a significant degree by the European Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks ("EU Code"). This regulation was designed after many years of consultation among interested parties and stakeholders in Europe. It is explicitly intended to promote access to and short-term trading of gas across borders and interconnections of 26 countries and 43 TSOs. The regulation has been designed, and is equally applicable, for larger countries and mature markets such as the UK and for smaller countries and less developed markets such as Slovenia.
- 2.4 The EU Code can be found at the following web page:
http://ec.europa.eu/energy/gas_electricity/codes/gas_en.htm
- 2.5 As the European Commission states on that web page, the EU Code "aims at fostering the short term gas markets and providing price signals as well as contributing to the development of a competitive and efficient gas wholesale market in the EU". We expect those aims fit with government policy and are suitable and desirable for New Zealand as well.
- 2.6 We do note, however, that in most cases it is not practical to literally copy provisions from the EU Code. Our proposed amendments are drafted to reflect the current pipeline operating regimes in New Zealand. This includes the need to maintain compatibility between two different transmission systems and to accommodate the "point to point" nominations and OBA regimes within the MPOC.
- 2.7 The proposed amendments are to the MPOC that would result from implementation of the prior amendments in the B2B Change Request and the B2B Fixup Change Request. These two Change Requests have already been approved by the GIC but have not yet received MDL's consent for implementation. Nevertheless, they contain important building blocks for the amendments proposed in this application. In particular, they already provide for daily cash-outs of imbalances (albeit conditional on Balancing Actions by MDL). The practical intention therefore (if the GIC were to approve this application) is for MDL to implement all three Change Requests.
- 2.8 The proposed amendments are also designed to maintain compatibility with the Vector Transmission Code ("VTC") as it would be amended by the implementation of the B2B VTC Change Request. Although the currently proposed amendments include changes to conditions, quantities and prices for cash-out transactions, those actual transactions remain fundamentally the same as under the B2B regime. In other words: except for their potential frequency, volume and price, the cash-out transactions do not change. The proposed amendments also avoid changes to the Incentives Pool and Peaking Charges, except for limiting the circumstances in which Peaking Charges can arise. As a result, there should be no need for changes to the VTC's Balancing and Peaking Pool regime.

- 2.9 This application has benefited from the pre-consultation round referred to earlier and we are grateful to stakeholders that provided us with submissions. In response we have made several substantive changes to our earlier drafts. In particular, we have extended provisions for a “soft landing” for implementation of the new regime.
- 2.10 We note that several stakeholders made submissions arguing that MDL should not make this application. We will address points from those submissions in a separate paper. However, we briefly note that many of the issues raised are not within our control or within the scope of the MPOC. To the extent that they are, we will be pleased to work with industry participants to develop complementary improvements.
- 2.11 In the interim we do not accept the argument that our application should be withheld while industry participants seek to explore problem definitions and discuss new solutions to outstanding issues across the Maui and Vector operating regimes. The amendments proposed in this application are narrowly focused and we consider them a practical way forward to achieve desired outcomes without unnecessary delay. Importantly, they are based on an international best practice and we have not encountered any convincing reasons why they would be unsuitable for New Zealand. Accordingly, we propose to proceed and lay a solid foundation for subsequent work.

3. Overview of changes

- 3.1 The two overarching features of the proposed new regime are:
- (a) market use for Balancing Actions; and
 - (b) daily cash-out of excess imbalances.
- 3.2 At the core of the proposed new framework are provisions for balancing product selection, which give highest preference to a standard daily gas product bilaterally traded on a spot market. This is inspired by Article 9 of the EU Code.
- 3.3 A daily cash-out regime goes hand in hand with this market preference. This is to incentivise pipeline users to maintain system balance through their own self-balancing on a spot market. Excess imbalances would be settled at the end of each day (regardless of whether MDL took a balancing action on that day).
- 3.4 Use of the marginal price for daily cash-outs should reduce the risk that traded gas is not physically delivered when it is due. The potential cash-out cost at the end of a day when traded gas is due should in most cases be higher than any potential benefit from non-delivery during that day. This alleviates concerns about timely delivery of gas for MDL as well as for all other potential market participants. The result should be increased liquidity and increased confidence in use of markets for all parties.
- 3.5 Other sets of proposed amendments can be grouped under the following headings:
- (a) Soft landing and temporary tolerance increases for cash-outs
 - (b) BGIX as balancing information platform
 - (c) Balancing Agent role
 - (d) Peaking Charge softening

- (e) Consequential updates
- (f) General accuracy
- (g) Convenience and simplification

3.6 The issues for each core concept and under each heading are set out in more detail below, followed by a summary of all proposed amendments.

4. Market use for Balancing Actions

- 4.1 We propose to cover this in a new section 3 of the MPOC, which replaces the previous section 3A put forward under the B2B Change Request. The single provision on "Right to use Pipeline" in the current section 3 is renumbered to section 2.25. The old section 3.1 was the sole remaining provision from legacy arrangements in previous versions of the MPOC. We expect the renumbering will make future versions of the MPOC easier to maintain.
- 4.2 The new section 3 covers the Balancing Actions taken by MDL. It is mostly inspired by the market-based approach of the EU Code. Its provisions are discussed in more detail below.
- 4.3 Section 3.1 is inspired by Article 6.1 of the EU Code. It sets out the fundamental reasons for undertaking Balancing Actions. (For ease of reference, Balancing Actions are newly defined in section 1.1 as a Balancing Gas Call or Balancing Gas Put.) We elaborate that operational limits refer to Line Pack and/or pressure, and that the objective of managing Line Pack includes management to support the transport of Approved Nominations.
- 4.4 Section 3.2 sets out the types of product that MDL can use for a Balancing Action.
- (a) This can be a "Standard Product", for which we have added a definition in section 1.1. We have left this definition wide in scope in order to avoid imposing limits on markets. The definition only requires a Standard Product to be traded on a market platform with terms and conditions that require delivery on a specific day by means of Approved Nomination(s) to or from the Welded Point at which that platform is located.
 - (b) Alternatively, MDL can use a non-standard product. We have not adopted or attempted to define the requirements and distinctions in Article 7 of the EU Code for locational products, temporal products, and temporal locational products. Our proposal is to leave the door open for the potential development of balancing products that "reflect MDL's specific delivery requirements in terms of time and/or location on the Maui Pipeline".
- 4.5 Section 3.3 sets out where and how MDL can take a Balancing Action. This can be "by using a Trading Platform, a Balancing Platform, or a product bought or sold by negotiated bilateral agreement". We note use of a Balancing Platform is provided for in Article 47 of the EU Code, as an interim measure on the path towards a fully mature balancing market. We have added a definition for it in section 1.1, and amended the definition for Trading Platform to clarify that it is different from a Balancing Platform.

- 4.6 Section 3.4 sets out criteria that Trading Platforms must meet if they are to be eligible for use by MDL. This is partially inspired by Article 10 of the EU Code but also takes account of the subject matter covered by the European Union Regulation (EU) No 1227/2011 of 25 October 2011 on wholesale Energy Market Integrity and Transparency (REMIT).
- 4.7 We also amend the definition for Reasonable and Prudent Operator in section 1.1 to add a subsection (d) for an operator of a Trading Platform. And we amend the definition for Force Majeure Event to ensure it does not apply for a Trading Platform operator by reason of performance failures of its market participants.
- 4.8 Section 3.5 covers one of the core concepts in this application: the selection of products used by MDL for Balancing Actions. Subject to suitability, availability and cost effectiveness considerations, MDL will give preference to use of Standard Products and to use of products listed on an eligible Trading Platform.
- 4.9 We should note that selecting products for Balancing Actions on the basis of cost effectiveness is not the same as selecting products on the basis of price. For example, there may be future scenarios in which a balancing objective can be met more effectively by purchasing 2 TJ of a specific locational product at 10 \$/GJ on a Balancing Platform, instead of 5 TJ of a Standard Product at 5 \$/GJ on a Trading Platform. In such a scenario MDL would and should take the higher priced option in order to achieve a lower overall balancing cost.
- 4.10 We should also note now that the scenario described above should not be of concern to parties that may be cashed out for imbalances. The cash-out price, as we will clarify below, will always be calculated with reference to trades in Standard Products.
- 4.11 Section 3.6 requires MDL to list and identify the Trading Platforms and Balancing Platforms it may use for Balancing Actions. Section 3.7 requires MDL to publish a notice for any changes to such listing.
- 4.12 Section 3.8 requires MDL to publish the evolving values for Marginal Buy and Sell Prices as they change during the course of a day as a result of general trading in, or Balancing Actions using, Standard Products.
- 4.13 Section 3.9 requires MDL to publish the price and quantity of each Balancing Action.
- 4.14 Section 3.10 prohibits Open Access Personnel from gas market transactions for any other reason than a Balancing Action or a Fuel Gas purchase. Because Vector Gas Limited is MDL's Technical Operator and System Operator, we limit the scope of this provision to particular personnel with access to Confidential Information in the current or the previous Week.
- 4.15 We propose to retain section 3A.5 from the B2B Fixup Change Request but move it to section 1.2 because it is of general application throughout the MPOC. It clarifies that Gas purchases and sales by MDL include transactions by MDL's Open Access Personnel.

5. Daily cash-out of excess imbalances

- 5.1 All the proposed amendments for daily cash-out of excess imbalances are contained in section 12 on Operational Imbalances; supplemented by amendments to definitions in section 1.1. The amendments are inspired by Chapter V for Daily Imbalance Charges of the EU Code, but adapted for the OBA and the "point to point" nominations regime on the Maui Pipeline.
- 5.2 The new daily cash-out regime does not apply to Physical Welded Points located at a Small Station. As is the current practice, those are required to trade all of their Running Operational Imbalance to a Physical Welded Point located at a Large Station on a monthly basis. This is clarified by amendments to sections 12.3, 12.4 and 12.5.
- 5.3 We propose to amend the definition for Running Operational Imbalance Limit to state explicitly that they are zero for Physical Welded Points located at a Small Station and for Notional Welded Points. The amendment also clarifies the definition and includes references to the parameters set out in Schedule 7.
- 5.4 We also propose to clarify the definition for Accumulated Excess Operational Imbalance or AEOI. This includes an explicit provision that it can be zero.
- 5.5 The main changes, inspired by Articles 19.1 and 23.1 of the EU Code, are to sections 12.10 and 12.11 to provide for cash-outs of positive/negative AEOI at Physical Welded Points located at a Large Station and at Notional Welded Points:
- (a) at a Cash-Out Sell/Buy Price based on a Marginal Sell/Buy Price, instead of a Mean Put/Call Price;
 - (b) without being conditional on or limited by any Balancing Actions taken by MDL; and
 - (c) without depending on AEOI at other Welded Points.
- 5.6 The definition for Cash-Out Quantity, which is referred to in sections 12.10 and 12.11, is amended accordingly. It is no longer dependent on the quantity of Gas in Balancing Actions by MDL (if any) and it does not depend on AEOIs at other Welded Points.
- 5.7 We propose to delete the previous section 12.12 with cash-out arrangements for Notional Welded Points. This is no longer necessary because they are treated the same as Physical Welded Points located at a Large Station.
- 5.8 We replace this with a new section 12.12 prescribing the prices for Cash-Out Transactions. This is inspired by Articles 22 and 49 of the EU Code. Specifically:
- (a) section 12.12(a) specifying the Average Market Price is inspired by Article 22.3;
 - (b) sections 12.12(b) and (c) specifying the Marginal Sell/Buy Price are inspired by Articles 22.2(a) and (b) respectively, noting that we propose to limit the reference price to trades in Standard Products only;
 - (c) sections 12.12(d) and (e), specifying a percentage adjustment of no more than ten percent to the Average Market Price for the purpose of calculating marginal prices, are inspired by Article 22.7;

- (d) section 12.12(f), providing for a default rule to derive an Average Market Price in circumstances where information is not sufficiently available or reliable is inspired by Article 22.4.
- 5.9 We expect that our proposal to base the Marginal Sell/Buy Price to trades in Standard Products only should alleviate concerns by industry participants about the potential use (and pricing) of non-standard products for Balancing Actions.
- 5.10 In section 12.12(g) we propose to add a requirement to publish such a default rule in advance, including when it applies and when it changes. In section 12.12(d) we also included a requirement to publish the value of the adjustment for calculating marginal prices.
- 5.11 In sections 12.12(h) to 12.12(i) we propose to have Cash-Out Sell/Buy Prices based on three components: the Marginal Sell/Buy Price, a Cash-Out Transmission Price, and a Cash-Out Trading Fee Price.
- (a) The Cash-Out Transmission Price is an adjustment for the transmission fees that would apply for transporting gas between the Payback Point and the Welded Point being cashed out. (Transmission fees already apply if Operational Imbalance is traded in accordance with section 12.15.) We propose to add a definition for it in section 1.1. Such an adjustment is not part of the EU Code, but reflects an adaptation for our “point to point” nomination system and distance-based tariff regime. It should preserve an equal incentive for all Welded Parties to correct imbalances by trading on a market, regardless of their Welded Point physical locations.
- (b) The Cash-Out Trading Fee Price is an adjustment for trading fees that could be incurred by MDL for its Balancing Actions, or could be avoided by Welded Parties if they were cashed out without making any trade to correct an imbalance. We propose to add a definition for it in section 1.1 that sets it “equal to the unweighted mean value of all categories of trading fees per GJ posted by eligible Trading Platforms”. We realise that using a mean instead of a marginal fee value may still not provide a completely neutral incentive to low volume traders. However, it avoids a disproportional effect on high volume traders who might otherwise have lower fees. Using an unweighted mean avoids a need for frequent updates and should enhance predictability and stability for this adjustment.
- 5.12 We also propose to amend section 12.13 to provide for additional cash-out of any remaining imbalance (after AEOI cash-out) upon termination of an ICA. This would be at the Average Market Price on the termination date.
- 5.13 In relation to these proposed amendments, we also propose to add new definitions for Average Market Price, Marginal Buy Price, Marginal Sell Price, Cash-Out Buy Price, and Cash-Out Sell Price; and to delete the definitions for Mean Call Price and Mean Put Price. Because they are not referenced anywhere, we propose to delete the definitions for Negative Running Operational Imbalance and Positive Running Operational Imbalance as well.

5.14 We should mention that our cash-out regime reduces imbalances down to a tolerance level. This is in contrast to Article 50 of the EU Code, where imbalances are always reduced to zero at the end of each day, and a tolerance only provides for cash-out at the Average Market Price instead of a marginal price. While a cash-out to zero balances might be considered in New Zealand too, we expect such considerations could benefit from experience gained with the currently proposed approach. We also note that we invited stakeholder views on this specific matter during our pre-consultation round, but did not receive any.

6. Soft landing and temporary tolerance increases for cash-outs

6.1 A key feature of our proposal is a soft landing that provides increased tolerances for cash-outs during a transition period. We intend for that transition period to be long enough for industry participants to have tools in place and make other arrangements that will improve primary balancing capabilities. Our proposal includes amendments that provide:

- (a) at least a doubled tolerance until 1 March 2016, or such later date as may be notified by MDL;
- (b) tolerances multiplied by at least 1.5 for a following period of six months.

6.2 Our proposed amendments for this are set out in a new section 12.18. The increased tolerance is achieved by applying a multiplier to the Running Operational Imbalance Limit when calculating the Cash-Out Quantity for a Welded Point.

6.3 The new section 12.18 also allows MDL to provide a temporary cash-out tolerance increase in case of a Contingency Event, Maintenance, or any other case where MDL considers that a temporarily increased tolerance should be allowed. MDL is required to publish the details of any such a temporary increase.

6.4 The definition for Cash-Out Quantity in section 1.1 is amended accordingly, and a new definition is added for the ROIL Multiplier.

6.5 We also propose to update Schedule 7 to set Daily Operational Imbalance Limits for Welded Points at Bertrand Road (Waitara Valley) and Faull Road equal to the minimum value (disregarding the Mokau Compressor Station) for those limits at other Welded Points.

7. BGIX as balancing information platform

7.1 The B2B MPOC has several provisions requiring information to be published on "the BGX", which is defined as "the balancing gas exchange platform used by MDL". As a result of the proposed market use amendments this BGX definition is no longer appropriate. MDL may use one or more Trading Platforms and Balancing Platforms for balancing gas transactions, and those platforms need not be owned, operated or controlled by MDL.

7.2 The application therefore proposes deletion of requirements to maintain "the BGX" and to publish or provide information on it. This is replaced with requirements for MDL to publish information on the BGIX, which has a new definition starting with:

"BGIX" means a balancing gas information platform that displays information related to Maui Pipeline balancing ...

- 7.3 Several updates and amendments are proposed in the list of information to be provided on the BGIX set out in section 4.4. Most of those arise as a consequential change from other amendments discussed in this application. These are:
- (a) addition of information on:
 - (i) Trading Platforms and Balancing Platforms for use by MDL;
 - (ii) Marginal Buy and Sell Prices, as they evolve during a day;
 - (iii) temporary ROIL Multiplier increases;
 - (iv) Cash-Out Trading Fee Price;
 - (v) values of adjustment for calculating marginal prices;
 - (vi) default rule for deriving Average Market Price; and
 - (b) removal of information required on the BGIX on:
 - (i) standard terms and conditions for gas transactions (which are set by platform operators); and
 - (ii) price stack of quotations (which are maintained by platform operators).
- 7.4 Other additions to the table in section 4.4 are for the publication of Flow Line Pack and Fuel Gas purchases.
- 7.5 All previous references to information on the BGX are replaced with references to the BGIX. As a result the BGX definition is no longer needed and deleted accordingly.
- 7.6 We propose to add the BGIX in the references to the electronic information systems accessed via the Internet in section 4.7.
- 7.7 Because the MDL IX and BGIX include information supplied by or derived from other parties we also propose to add a statement in section 4.7 that MDL provides no warranty "about the accuracy or availability of specific information posted on them".

8. Balancing Agent role

- 8.1 The B2B MPOC singled out MDL's Balancing Agent for a variety of activities. This is in contrast to the rest of the MPOC which generally does not single out activities of MDL's Technical Operator, System Operator and Commercial Operator. For consistency with the treatment of other operators of MDL we propose to adopt this approach for the Balancing Agent too.
- 8.2 As a result, references to the Balancing Agent are replaced in most places with simple references to MDL. In places where ring-fencing is particularly relevant, those references have been replaced with references to Open Access Personnel, which is already defined and subject to provisions in Schedule 4.

- 8.3 We also propose to remove reference to the specific role of the Balancing Agent in its definition in section 1.1. This is consistent with definitions for MDL's operators. Roles for operators and the Balancing Agent are already described in section 24.1. The reference in the previous definition "to manage the Line Pack" is a general operational responsibility of MDL and will be covered by the proposed section 3.1.
- 8.4 We propose to remove the Balancing Agent from the list of parties to whom a Welded Party may have a liability in section 14.6. A Welded Party cannot incur direct liability to the Balancing Agent when it is acting as agent for and on behalf of MDL.
- 8.5 We propose to delete requirements listed in the table in section 4.4 to make available:
- (a) A monthly update of the Balancing Agent's income/expenditure and cost recovery; and
 - (b) The independent auditor's report on the Balancing Agent's income/expenditure.
- 8.6 These requirements are inconsistent with those for the rest of MDL's Open Access Personnel and appear to consider the Balancing Agent as a separate entity. Moreover, they are mostly superseded by the Information Disclosure requirements under Part 4 of the Commerce Act 1986. These already require MDL to disclose, subject to independent auditor assurance, the costs of its balancing gas regime as part of disclosure of Recoverable Costs.
- 8.7 For consistency, we also propose to replace the reference to the System Operator with a reference to MDL in the definition of Flow Line Pack. It should again be irrelevant for the MPOC which of MDL's Open Access Personnel performs or oversees particular calculations.

9. Peaking Charge softening

- 9.1 The B2B MPOC introduced a new regime for Peaking Charges in a new section 13.4 that may apply in circumstances when there are no Incentives Pool Claims for exceeding the Peaking Limit pursuant to section 13.3. Those Peaking Charges could apply if Line Pack falls below a Low Line Pack Threshold or if a Balancing Gas Call is made.
- 9.2 We now propose to further restrict circumstances in which Peaking Charges can apply. This is on the assumption that the market-based balancing regime proposed in this application will improve incentives for pipeline users to remain within tolerances. The main amendment is to change an "or" into an "and". This means Peaking Charges could apply if Line Pack falls below a Low Line Pack Threshold and if a Balancing Gas Call is made. In other words, both criteria now need to be met on the same day in order to trigger the Peaking Charge.
- 9.3 We also propose to base the Peaking Charge directly on the difference between the Marginal Buy Price and Marginal Sell Price for the relevant Day, instead of the difference between the Negative and Positive Mismatch Prices. This should ensure that Peaking Charges, if they apply, are based on actual gas market prices on the relevant day.

10. Consequential updates

10.1 These mostly relate to the MPOC provisions for fees and charges in section 19 and for invoicing and payment in section 21.

10.2 Specifically, in sections 19.4 and 19.6 amendments are made to:

- (a) update references to Cash-Out Transactions;
- (b) delete obsolete references to separate cash-outs at Notional Welded Points;
- (c) update references to cash-out of remaining imbalance at termination of an ICA pursuant to section 12.13; and
- (d) eliminate references to specific prices but refer to amounts payable pursuant to the relevant section instead.

10.3 Similar amendments are made to section 21.4, but the specifically applicable prices are updated as well.

10.4 We also remove references to deleted provisions from section 14.6.

10.5 Another consequential update is made to section 11.10. This relates to Mismatch Prices. We propose to simplify the wording to let those prices “reflect the Marginal Buy Price and the Marginal Sell Price respectively”. The arrangements for calculating those marginal prices are already provided for in a new section 12.12. All references to markets and terms and conditions can then be removed from section 11.10.

11. General accuracy

11.1 The accuracy of several MPOC provisions can be improved. The current application includes proposals to make the following types of amendments.

- (a) Several MPOC provisions refer to imbalances at a Small/Large Station. We propose to rephrase those references to “Physical Welded Points located at” a Small/Large Station.
- (b) We propose a clarification of the definition for Accumulated Excess Operational Imbalance that also explicitly allows it to be zero.
- (c) Consistent with earlier accuracy amendments in the B2B Fixup Change Request, we propose to amend the definition for Cash-Out Transaction to make it refer to a purchase or sale of Gas, instead of only to a quantity of Gas in such a transaction.
- (d) We propose to amend the closing sentences of sections 12.10 and 12.11 to clarify that cash-out transactions are also “deemed to be completed” at the end of a Day; keeping in mind that the information for such transactions becomes available on a later day.
- (e) We propose to clarify the text in section 12.13 for cash-out of remaining imbalance on termination of an ICA, and add a missing reference to that in section 6.3.

- (f) We propose minor changes to improve text accuracy in the definition of Running Operational Imbalance, section 12.3, and section 24.1; including the addition of a missing reference to Fuel Gas contracts in section 24.1(c).
- (g) We propose to clarify the text in section 27.2(c) to provide explicitly (noting that settlement under an ILON regime will no longer be an option) that Force Majeure does not relieve a Party from cash-outs and payments for the settling of any Running Operational Imbalances.

11.2 All proposed amendments under this heading are intended to improve the accuracy or clarity of provisions as they exist or have already been approved in earlier Change Requests. They are not intended to make any substantive changes to those provisions.

12. Convenience and simplification

12.1 We propose several minor changes to improve readability of the MPOC. These are:

- (a) addition of a definition for Balancing Action, as a convenient term for “a Balancing Gas Call or a Balancing Gas Put”;
- (b) replacing “Trading System” with “Trading Platform” throughout;
- (c) replacing references to individually numbered MPOC subsections in several places with references to a Cash-Out Transaction (as defined with the relevant numbered references);
- (d) reordering items listed in the table in section 4.4 into a more logical order;
- (e) improving readability in the closing sentence of section 11.10; and
- (f) removing unnecessary subscripts after “Day” in sections 12.10 and 12.11.

13. General

13.1 We consider that all of the proposed amendments comply with the Commerce Act 1986 and all other relevant laws.

13.2 We acknowledge that the parties to ICAs and TSAs have the right to make submissions to GIC in relation the proposed amendments.

13.3 In this application:

- (a) each capitalised term used has the meaning given to it in the MPOC; and
- (b) each section reference refers to a section of the MPOC.

Schedule: Summary of Proposed Amendments

#	Section	Issue	Proposed Change	Rationale for Proposed Change
1	1.1	Accuracy	Clarify AEOI definition and explicitly allow it to be zero.	Previous definition seemed to imply that a Welded Point could have negative and positive Running Operational Imbalances, and did not explicitly allow outcome to be zero.
2	1.1	Daily cash-out	Add new definition for Average Market Price.	For reference in other MPOC provisions.
3	1.1	Convenience	Add new definition for Balancing Action, as convenient combination for "a Balancing Gas Call or a Balancing Gas Put".	For ease of reference in other MPOC provisions.
4	1.1	Balancing Agent role	Amend definition of Balancing Agent to remove descriptions of its role.	For consistency with definitions of other operators who also do not have roles defined in their definitions.
5	1.1	Convenience	Simplify text in definitions for Balancing Gas Call and Balancing Gas Put by excluding Gas purchased or sold "as part of a Cash-Out Transaction" instead of referring to MPOC sections. Also change "in order to" to "with the objective of" combined with the appropriate verb form.	Convenience and grammatical improvement.
6	1.1	Market use	Add definition for a Balancing Platform.	For reference in other MPOC provisions. The definition is equivalent to the definition for Trading Platform, with the stipulation that it is only for trades with MDL.
7	1.1	BGIX	Add definition for BGIX meaning a balancing gas information platform (which may be different from the MDL IX or from any Trading Platform).	As set out in main text.
8	1.1	BGIX	Delete definition for BGX.	No longer needed or referred to.
9	1.1	Daily cash-out	Add definitions for Cash-Out Buy Price and Cash-Out Sell Price.	For ease of reference in other MPOC provisions.
10	1.1	Daily cash-out	Redefine Cash-Out Quantity to remove dependence on Balancing Actions by MDL or AEOI of other Welded Points and base it on difference between ROI and ROIL.	Core component of the Change Request, as set out in main text.
11	1.1	Tolerance increases	Redefine Cash-Out Quantity to include a multiplier for the ROIL.	The multiplier allows temporary relief from Cash-Outs and a soft landing for implementation of the new regime, without needing to adjust tolerances in advance.

#	Section	Issue	Proposed Change	Rationale for Proposed Change
12	1.1	Daily cash-out	Add definition for Cash-Out Trading Fee Price.	As set out in main text.
13	1.1	Accuracy	Amend definition of Cash-Out Transaction so it refers to a purchase or sale of Gas, instead of only to a quantity of Gas in such a transaction. Also swapped clauses (a) and (b) to be consistent with section 12 order.	For consistency with earlier changes and other references.
14	1.1	Daily cash-out	Add definition for Cash-Out Transmission Price equal to the cost per GJ that a Shipper would have incurred for transportation of Gas between the Welded Point being cashed out and the Payback Point.	For ease of reference in other MPOC provisions. This component of the Cash-out Buy/Sell Price equalises incentives for all Welded Parties, regardless of their Welded Point physical locations.
15	1.1	Balancing Agent role	Amend definition of Flow Line Pack to replace reference to "the System Operator" with "MDL".	For consistency with remainder of MPOC, where identification of specific operators acting on behalf of MDL is irrelevant.
16	1.1	BGIX	Amend definition of Flow Line Pack to post it on the BGIX instead of the BGX.	The BGIX replaces the BGX.
17	1.1	Market use	Amend definition for Force Majeure Event to add provision that it does not apply for a Trading Platform operator in case of performance failures by market participants.	Actions by market participants, or lack thereof, should not be cause for a Force Majeure Event under the ICA of a Trading Platform operator.
18	1.1	BGIX	Amend definition of Low Line Pack Threshold to post it on the BGIX instead of the BGX.	The BGIX replaces the BGX.
19	1.1	Daily cash-out	Add definitions for Marginal Buy Price and Marginal Sell Price.	For ease of reference in other MPOC provisions.
20	1.1	Daily cash-out	Delete definitions for Mean Call Price and Mean Put Price.	They are no longer used or referred to.
21	1.1	Daily cash-out	Delete definition for Negative Running Operational Imbalance.	It is no longer used or referred to.
22	1.1	Daily cash-out	Delete definition for Positive Running Operational Imbalance.	It is no longer used or referred to.
23	1.1	Market use	Amend definition for Reasonable and Prudent Operator to add provision for an operator of a Trading Platform, including a Notional Point Welded Party.	It is missing from the current definition.
24	1.1	Tolerance increases	Add definition for a ROIL Multiplier used in calculating the Cash-Out Quantity.	As set out in main text.
25	1.1	Convenience	Simplify definition for Running Operational Imbalance by referring to adjustments for a Cash-Out Transaction instead of referring to specific MPOC sections.	For ease of reference.

#	Section	Issue	Proposed Change	Rationale for Proposed Change
26	1.1	Accuracy	Amend definition for Running Operational Imbalance to include Operational Imbalance "for that" Day; instead of "during".	It only has a defined value at the end of a Day.
27	1.1	Daily cash-out	Clarify definition for Running Operational Imbalance Limit.	To include references to values listed in Schedule 7, and to explicitly provide zero values for Physical Welded Points located at a Small Station and for Notional Welded Points.
28	1.1	Market use	Add definition for "Standard Product".	As set out in main text.
29	1.1	Convenience	Replace "Trading System" with "Trading Platform".	To avoid potential confusion between abbreviations for Trading System Operator and Transmission System Operator.
30	1.1	Market use	Clarify definition for Trading Platform to mean "an electronic wholesale market platform used for the short-term trading of Gas, upon which MDL has both bidding and offering trading rights, that is not a Balancing Platform".	A Trading Platform is not a physical platform, should be distinguished from a Balancing Platform, has to be available for use by MDL, and a short-term quantity is an awkward concept.
31	1.2	Market use	Move section 3A.5 from B2B Fixup Change Request to section 1.2.	It applies generally throughout the MPOC.
32	2.25	Market use	Renumbering change (for Convenience): previous section 3.1 is moved to section 2 and renumbered as 2.25.	To avoid need to maintain awkward numbering with a section 3A.
33	3	Market use	Completely new section 3.	As set out in main text.
34	3A	Market use	Completely deleted (except for move of 3A.5).	As set out in main text.
35	4.1	Convenience	Replace references to specific MPOC sections with "pursuant to a Cash-Out Transaction" in next to last row in table.	For ease of reference.
36	4.3	Convenience	Replace references to specific MPOC sections with "pursuant to a Cash-Out Transaction" in last row in table.	For ease of reference.
37	4.4	Balancing Agent role	Replace requirement for "The Balancing Agent" to publish information with requirement for MDL to do so.	For consistency with remainder of MPOC, where identification of specific operators acting on behalf of MDL is irrelevant.
38	4.4	BGIX	Replace requirement to publish on the BGX with requirement to publish on the BGIX.	The BGIX replaces the BGX.
39	4.4	Convenience	Resort items in the table into a more logical order.	For ease of understanding.

#	Section	Issue	Proposed Change	Rationale for Proposed Change
40	4.4	Accuracy	Change "at Large Stations" to "at a Large Station" and add missing full stop for "Real time metering information".	Accuracy of expression and typography.
41	4.4	BGIX	Add provision to publish Flow Line pack.	For completeness.
42	4.4	BGIX	Add requirement for MDL to publish the Trading Platforms eligible for use by MDL.	Follow-on requirement from market use amendments in section 3.
43	4.4	BGIX	Add requirement for MDL to publish the Balancing Platforms for use by MDL.	Follow-on requirement from market use amendments in section 3.
44	4.4	BGIX	Delete requirement for MDL to publish standard terms and conditions for Balancing Gas Calls and Puts.	Follow-on requirement from market use amendments in section 3 and deletion of section 3A.
45	4.4	BGIX	Delete requirement for MDL to publish a price stack of quotations.	Follow-on requirement from market use amendments in section 3 and deletion of section 3A.
46	4.4	BGIX	Add requirement to publish Marginal Buy/Sell Price.	Follow-on requirement from market use amendments in section 3.
47	4.4	BGIX	Add requirement to publish Fuel Gas purchases.	For completeness.
48	4.4	BGIX	Add requirement to publish grants of temporary increases to the ROIL Multiplier.	Follow-on requirement from market use amendments in section 3.
49	4.4	BGIX	Add requirement to publish Cash-Out Trading Fee Price.	Follow-on requirement from market use amendments in section 3.
50	4.4	BGIX	Add requirement to publish the values of the adjustment used for calculating Marginal Sell Price and Marginal Buy Price.	Follow-on requirement from market use amendments in section 3.
51	4.4	BGIX	Add requirement to publish default rule for derivation of Average Market Price in certain circumstances.	Follow-on requirement from market use amendments in section 3.
52	4.4	Balancing Agent role	Delete requirements for auditing and publishing income and expenditure accounts of the Balancing Agent.	As set out in main text.
53	4.5	Balancing Agent role	Remove reference to variables published by the Balancing Agent.	For consistency with remainder of MPOC, where identification of specific operators acting on behalf of MDL is irrelevant.
54	4.7	BGIX	Add references to the BGIX as additional electronic information system.	Some of the information relevant to operation of the MPOC is published on the BGIX.

#	Section	Issue	Proposed Change	Rationale for Proposed Change
55	4.7	BGIX	Add statement that because the MDL IX and BGIX "include information supplied by or derived from other parties" MDL makes no warranty "about the accuracy or availability of specific information posted on them".	Information on the BGIX includes information that MDL obtains without warranty from third parties.
56	6.3	Convenience	Replace references to specifically numbered cash-out provisions with "a Cash-Out Transaction".	For ease of reference.
57	6.3	Accuracy	Add reference to gas title exchange pursuant to section 12.13 at termination of an ICA.	For completeness.
58	11.10	Consequential	Amend provision to let Mismatch Prices "reflect the Marginal Buy Price and the Marginal Sell Price" and remove references to terms, conditions and markets.	For consistency with market use amendments and because Marginal Buy/Sell Prices are expected to be the most appropriate reference.
59	11.10	Convenience	Clarify MDL's undertaking to not make a profit or loss from "Balancing Actions, Cash-Out Transactions, or settling Mismatches".	For ease of reference, grammatical correctness, and completeness.
60	12.3	Accuracy	Clarify that the Operational Imbalance is "the" OI "for a relevant Welded Point".	A Welded Party can have multiple Welded Points.
61	12.4	Accuracy	Clarify that the relevant imbalances are for "Physical Welded Points located at a Small Station".	OI and ROI apply to Welded Points.
62	12.5	Accuracy	Clarify that the relevant imbalance is for a "Physical Welded Point located at a" Small Station, and that the transfer must be from and to a Welded Point (located at a Station).	AEOI and ROI trades apply to Welded Points.
63	12.5	Daily cash-out	Amend transfer requirement to be for all ROI, deleting the option "such or some of".	For consistency with daily cash-out regime, and keeping in mind that ROILs for Physical Welded Points located at a Small Station are zero.
64	12.6	Accuracy	Clarify that Daily Operational Imbalance Limits only need to be set for Welded Points that are not "located at" a Small Station.	A Welded Point and a Small Station are not necessarily identical.
65	12.7	Accuracy	Clarify that it only applies to a Welded Point that is not "located at" a Small Station.	A Welded Point and a Small Station are not necessarily identical.
66	12.10 / 12.11	Daily cash-out	Amend so that it applies only and equally to "a Physical Welded Point located at a Large Station or a Notional Welded Point".	Physical Welded Points located at a Small Station are subject to the provisions in section 12.5. Notional Welded Points are treated the same for cash outs as Physical Welded Points located at a Large Station.

#	Section	Issue	Proposed Change	Rationale for Proposed Change
67	12.10 / 12.11	Daily cash-out	Replace back-to-back cash-out provisions with unconditional cash-out of calculated Cash-Out Quantity at calculated Cash-Out Sell/Buy Price instead of at Mean Put/Call Price.	As set out in main text.
68	12.10 / 12.11	Convenience	Change references to a "Day" instead of "Day _n ".	The subscript is superfluous.
69	12.10 / 12.11	Accuracy	Amend final sentence to clarify that transactions for cash-outs "will be deemed to be completed" at the end of a Day, and improve grammar and readability.	Transactions for cash-outs are actually performed on a following day, and to improve readability.
70	12.12	Daily cash-out	Delete previously separate provision for cash-out of Notional Welded Points.	Notional Welded Points are now treated the same as Physical Welded Points located at a Large Station.
71	12.12	Daily cash-out	Add provisions for calculation of Average Market Price, Marginal Buy Price and Marginal Sell Price, and Cash-Out Buy Price and Cash-Out Sell Price.	As set out in main text.
72	12.13	Accuracy	Clarify cash-out of remaining ROI (after other Cash-Out Transactions) on termination of an ICA.	Cash-outs relate to ROI at Welded Points and to take account of cash-outs and ROI adjustments that may already have taken place pursuant to sections 12.5, 12.10 and 12.11.
73	12.13	Daily cash-out	Perform cash-out of remaining ROI at termination of an ICA at Average Market Price instead of Mismatch Prices.	For consistency with daily cash-out regime, and because imbalances in excess of tolerances would already have been cashed out.
74	12.18	Tolerance increases	Add provision for setting a ROIL Multiplier used in calculation of a Cash-Out Quantity.	As set out in main text.
75	13.4	Peaking Charge softening	Restrict to situations where Line Pack falls below Low Line Pack Threshold "and" a Balancing Gas Call is made (instead of "or" between those conditions).	As set out in main text.
76	13.4	Peaking Charge softening	Base on difference between Marginal Buy and Sell Price, instead of difference between Negative and Positive Mismatch Price.	Prices that reference market prices on a day are the most appropriate for Peaking Charges for that day.
77	14.6	Balancing Agent role	Remove reference to "the Balancing Agent" in listing of liabilities a Welded Party may have.	For consistency with remainder of MPOC, where identification of specific operators acting on behalf of MDL is irrelevant.
78	14.6	Consequential	Remove reference to MPOC provision that no longer exists.	Reference is no longer valid.
79	19.4	Consequential	Delete separate provisions previously in (b) for cash-out of Notional Welded Points.	Notional Welded Points are no longer treated differently.

#	Section	Issue	Proposed Change	Rationale for Proposed Change
80	19.4	Consequential	Separate references to regular cash-out of Welded Points and those on termination of an ICA into (a) and (b).	For clarity.
81	19.4	Consequential	Update references in (a) and (b) to the appropriate MPOC sections and clarify the amounts payable with the specific prices pursuant to the relevant section.	Cash-out arrangements have changed, and the amount payable is the product of the quantity and price prescribed by the relevant sections.
82	19.6	Consequential	Equivalent amendments as made in section 19.4.	For the same reasons as for amendments to 19.4.
83	21.4	Convenience	Simplify references to Cash-Out Transactions in (e)(ii).	For ease of reference.
84	21.4	Consequential	Update references to cash-out prices and provisions in (e)(v), (e)(vi), (f)(ii) and (f)(iii).	Cash-out arrangements have changed.
85	24.1	Accuracy	Capitalise reference to Balancing Gas and add reference to Fuel Gas contracts in (c).	Ensure reference to defined term and correct missing reference.
86	27.2	Accuracy	Clarify (c) to provide explicitly that Force Majeure does not relieve a Party from cash-outs and payments for the settling of any Running Operational Imbalances.	Running Operational Imbalances are settled through the cash-outs and transactions referred to, and their associated payments.
87	Sched 4	Convenience	Change "ie" abbreviation to "i.e." in clause 4.12(b).	Improved typography.
88	Sched 7	Tolerance increases	Increase Daily Operational Imbalance Limits to 3,000 GJ for Welded Points at Bertrand Road (Waitara Valley) and Faull Road.	For consistency with minimum DOIL at other Welded Points, excluding Mokau, but including other multiple points owned by the same Welded Party.