



Maui Development Limited  
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17 October 2014

Gas Industry Company  
PO Box 10-646  
Wellington 6143  
New Zealand  
Attention: Steve Bielby

Dear Steve,

The MDL Board confirms its full support for the 'market-based balancing' Change Request (**mbb CR**) submitted by the Commercial Operator. The Board believes the complete proposal (that is, B2B CR, B2B Fix-up CR, and mbb CR together) to be practical, and in accord with good international practice for high pressure gas transmission systems and government policy objectives.

The mbb CR will introduce daily balancing and cash out on the Maui Pipeline. This will support the development of short-term trading markets in New Zealand<sup>[1]</sup>. The complete proposal will evolve the Maui Pipeline Operating Code (**MPOC**) consistently with the overarching Reasonable and Prudent Operator obligations that bind MDL and its MPOC counterparties.

Once the mbb CR receives GIC support and approval MDL intends to implement the complete proposal promptly. You are aware that MDL could be prevented from, or delayed in, doing so if Vector gives a "material adverse effect" notice under its Interconnection Agreement. It is not possible for MDL now to say how it would respond to such a notice.

When conducting the analysis under section 2.4 of our Memorandum of Understanding, MDL confirms that GIC should compare the complete proposal against the MPOC currently in force.

Please direct all correspondence to the Commercial Operator.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Paul Eckford".

Paul Eckford  
Director,  
Maui Development Limited

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<sup>[1]</sup> Unless the complete proposal is introduced, MPOC flexibility, which provides free access to short-term gas through the ILO process and high tolerances, will continue to mute market signals and be a significant barrier to wholesale market development.