



Maui Development Limited
PO Box 23039
Wellington 6140

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Telephone: (04) 460 2548
Fax: (04) 460 2549
commercial.operator@mauipipeline.co.nz

Mr. John McLaren
Chief Adviser
Regulation Branch
Commerce Commission
PO Box 2351
Wellington 6140

Dear John,

Please regard this letter as our submission to the Commerce Commission ("the Commission") on:

- the Technical consultation draft for the "Gas Transmission Services Default Price-Quality Path Determination 2013", and
- the accompanying paper entitled "How we propose to implement the Default Price-Quality Paths for Gas Pipeline Services".

Both those documents from the Commission are dated 8 February 2013. In this letter we will use the terms "MDL", "we", "us" or "our" to refer to the Gas Transmission Business (GTB) of Maui Development Limited.

The scope of this submission is limited to comments on technical and drafting issues in response to the Commission's current documents. It generally does not negate any comments and issues we raised in earlier submissions regarding the setting of our Default Price-Quality Path (DPP).

Specific comments

1. We appreciate and support the revised definition for "emergency".
2. The formatting for clause 7 (or 7.1) is missing its numbering.
3. We assume claw-back provisions will not be applicable to MDL. We have not considered potential drafting for such provisions.
4. The term "gas distribution services" in the second lines of clauses 10.3.1 and 10.3.2 needs to be changed to "gas transmission services".
5. We appreciate the combination of the annual compliance statement for pricing and for quality standards after the end of each year.
6. The term "GDB" in the first lines of clauses 11.4.1, 11.5 and 11.5.1 needs to be changed to "GTB".
7. The text for clause 12.2 needs to be restructured to reflect the fact that MDL does not directly allocate balancing gas costs to anyone. To the extent that we can recover balancing gas costs, MDL's balancing regime is based on charges and credits to welded parties. We are assuming that clause 3.1.3(1)(c) of the Input Methodology will be amended accordingly, as has already been proposed by the Commission. We propose the following amended text for the DPP Determination.

- 12.2 The statement given for the purposes of clause 12.1 shall include:
- 12.2.1 the net cost or credit amount arising from the **GTB's** purchases or sales of balancing gas that have not been allocated to a person shipping gas on the **GTB's** network or recovered from or credited to persons having an interconnection agreement with the GTB (i.e. welded parties); and
 - 12.2.2 information and calculations used to derive the net cost or credit amount, including:
 - (a) the date, quantity, price and sale or purchase amount for each balancing gas transaction; and
 - (b) the shipper or welded party name, date, quantity, price and credit or debit amount for each allocation of balancing gas to a shipper or each recovery from or credit to a welded party.
8. With respect to pass-through and recoverable costs incurred prior to the regulatory period we agree that these may be set to zero for MDL. We did not make distinctions for such cost categories in our tariff setting previously. Other than wash-up and smoothing adjustments, our tariffs have historically been set with the intention to recover all our costs.
9. This principle also extends to our recoverable costs for balancing gas. We do not need an exception for this. The net expected costs of our balancing regime have historically been included in our tariff setting. Our current tariffs, for our pricing year from July 2012 to June 2013, have been set on the basis of estimated net balancing gas costs of zero. (Actual outcomes may lead to under- or over-recovery ex-post.) Therefore, we propose that Balancing gas amounts for the first assessment period in Table 6 (in Schedule 7) be set at zero for MDL.
10. We trust that payments we make or receive after 30 June 2013, in relation to credit notes or invoices resulting from our balancing regime up to that date, will not be taken into account for assessing our compliance with the DPP after 1 July 2013. Assuming normal accounting rules will apply, we do not expect such payments will need to be listed as an excluded item; or will require drafting of additional provisions by the Commission.
11. With respect to our annual balancing gas statements we propose the following approach.
- 11.1. Our first statement, due in January 2014, will cover 6 months of balancing gas transactions from 1 July 2013 to 31 December 2013 (i.e. from the inception of our regulatory period). We expect the Commission will use that, with the appropriate time-value-of-money adjustment, to set our balancing gas amount as recoverable cost for the second assessment period.
 - 11.2. Our later statements will cover 12 months of balancing gas transactions from 1 January to 31 December in the preceding year. We expect the Commission will use those, with a 12-month time-value-of-money adjustment, to set our balancing gas recoverable costs for the subsequent assessment periods.

12. In order to facilitate this approach, we recommend that the text for equation 5 (in Schedule 6) be amended to change references to a “year” in the terms for n , K_n and V_n to a “period”. This could be a 12-month period, or a 4-quarter period, or even a shorter period. The key point, for reasons that we have submitted before, is to keep time lags as short as possible.
13. The $(1+r)^{t-n}$ term in equation 5 may also need to be adjusted to reflect the possibility of having time lags of less than a full year.

Closing remarks

We have appreciated the opportunity to provide this submission. For any questions or clarifications please do not hesitate to contact us.

Yours sincerely,



Jelle Sjoerdsma
Commercial Operator, Maui Pipeline
for Maui Development Limited