

Ian Dempster
Gas Industry Company Ltd
95 Customhouse Quay
WELLINGTON



Delivered via Gas Industry Co's website

16 December 2016

Dear Ian

Review of Market-Based Balancing (MBB) Paper

emsTradepoint welcomes the opportunity to provide feedback to the Gas Industry Company (GIC) on its paper entitled '*Review of Market-Based Balancing*'. We believe the GIC has done a good job on assessing the performance of MBB and agree with their high level conclusions that the introduction of MBB has significantly improved pipeline balancing.

We do not believe that any further analysis is required to assess MBB against previous arrangements. However, we would encourage the GIC to revisit individual elements of the Cost/Benefit Analysis (CBA) process that the GIC estimates will provide the greatest insight for future CBAs. We believe that re-visiting only the elements of the CBA that are likely to provide valuable insight for future CBAs¹ strikes an acceptable balance between analytical effort and value.

We would also recommend carrying out a similar analysis in 2017 to capture any improvements First Gas make in their procurement of balancing gas. The analysis in this case will not need to be as comprehensive, and should focus solely on assessing any improvements in balancing gas procurement, rather than any assessment of MBB versus previous arrangements.

If you would like to discuss any of these matters further, please contact me on (04) 590 7293.

Yours sincerely

A handwritten signature in blue ink, appearing to be "Bennet Tucker", written over a light blue horizontal line.

Bennet Tucker
Gas Market Manager
emsTradepoint

¹ Such as difficult to quantify or estimate elements like dynamic benefits or the transaction costs of implementation.

Appendix A – Submission template

Question	Response
Q1: Do you think our approach to the analysis is reasonable. If not, what further analysis do you think is necessary?	Yes
Q2: Do you consider that there is merit in extending the analysis so that a full year pre- and post-MBB-implementation analysis can be done?	No
Q3: Do you consider that there is merit in asking pipeline users to re-assess the costs of changing their systems and business practices to accommodate MBB (given that some stakeholders believe the original cost estimates used in the CBA were too low)?	Yes, see body of submission for more information