



## Default Rule

8 September 2015

### Introduction

Section 12.12 of the working version of the Maui Pipeline Operating Code effective as of 1 October 2015 ("mbb MPOC") provides that:

- (f) MDL shall define a default rule for the derivation of the Average Market Price for a Day in circumstances where information is not sufficiently available or reliable for that Day; including but not limited to circumstances where:
  - (i) no eligible Trading Platforms were available on that Day; or
  - (ii) the volume traded on eligible Trading Platforms both on that Day and on the prior Day for Delivery that Day was (in both cases) less than a specified volume.

This document sets out that default rule (rather, rules) and the circumstances in which it (they) will apply. Unless specified otherwise, capitalised terms have the meaning given to those terms in the mbb MPOC, and section numbers should be construed in the same way.

This document is premised on the existence of an eligible Trading Platform, provided by emsTradeport. It is structured as follows:

1. No Platform Rule
2. Low Volume Rule
3. Transition Arrangements

### 1. No Platform Rule

This default rule will apply for a Day<sub>n</sub> if the Trading Platform was available for less than 1 hour during the normally scheduled market opening hours of emsTradeport on that Day.

In those circumstances the Average Market Price for that Day ("AMP<sub>n</sub>") will be calculated as:

$$AMP_n = AMP_{n-1} \times (1 - \beta \times (\sum OI_n / \sum SQ_n / 2 - \sum OI_{n-1} / \sum SQ_{n-1} / 2))$$

In this formula:

AMP<sub>n-1</sub> is the Average Market Price for the previous Day

β is a price elasticity factor

∑ OI is the net sum of unvalidated Operational Imbalances (i.e. determined prior to validation of quantities) across Physical Welded Points located at a Large Station on the Day indicated by the subscript

∑ SQ is the sum of Scheduled Quantities across Physical Welded Points located at a Large Station on the Day indicated by the subscript

The value for β is initially set to 1. This factor may be subsequently adjusted by MDL with at least 5 Business Days' notice.

## 2. Low Volume Rule

This default rule will apply for a Day<sub>n</sub> if the “No Platform Rule” is not in effect and if for that Day:

$$MTV_n < MTV_{min}$$

where:

MTV<sub>n</sub> is the Market Traded Volume, i.e. the combined volume (in GJ) of trades in Standard Products conducted on the Trading Platform on Day<sub>n</sub> and Day<sub>n-1</sub> for specific delivery on Day<sub>n</sub>

MTV<sub>min</sub> is a Minimum Market Traded Volume (for that Day)

The value for MTV<sub>min</sub> is initially set to 5,000 GJ. This value may be subsequently adjusted by MDL with at least 5 Business Days’ notice.

In those circumstances the Average Market Price for that Day will be calculated as:

$$AMP_n = ATP_n \times MTV_n / MTV_{min} + AMP_{NPR} \times (1 - MTV_n / MTV_{min})$$

where:

ATP<sub>n</sub> is the energy-weighted Average Traded Price from all trades in Standard Products conducted on the Trading Platform on Day<sub>n</sub> and Day<sub>n-1</sub> for specific delivery on Day<sub>n</sub>

AMP<sub>NPR</sub> is the Average Market Price for Day<sub>n</sub> calculated in accordance with the “No Platform Rule”

## 3. Transition Arrangements

Day<sub>1</sub> is 1 October 2015. AMP<sub>0</sub> will be set equal to the Frankley Road Natural Gas Quarterly Index (FRQI) determined by emsTradePoint for 30 September 2015.