Default Rule

8 November 2015

This Default Rule replaces the prior Default Rule dated 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 emsTradepoint, on which a Standard Product ("NGP-TRS (D)") is listed. All references to bids, offers and trades in this document are to bids, offers and trades in NGP-TRS (D).

1. Low Volume Rule

This default rule will apply for a Day_n if the "No Platform Rule" described further below is not in effect and if for that Day:

$$MTV_n \quad < \quad MTV_{min}$$

where:

MTV_n is the Market Traded Volume, i.e. the combined volume of trades formed on Day_n or Day_{n-1} for delivery on Day_n, excluding trades to which MDL is a party

MTV_{min} is a Minimum Market Traded Volume (for that Day_n)

The value for MTV_{min} is 10,000 GJ.

If this rule applies, the Average Market Price for Day_n ("AMP_n") will depend on whether MDL has taken Balancing Actions for delivery or offtake on that Day, and be calculated using one of the following four scenarios.

a. Balancing Gas Call(s) only

b. Balancing Gas Put(s) only

c. Balancing Gas Call(s) and Balancing Gas Put(s)

d. No Balancing Actions

a. Balancing Gas Call(s) only

If a Balancing Gas Call has been made for delivery on Day_n, and there was no Balancing Gas Put made for offtake on that Day_n, then:

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

where:

ATP_n is the energy-weighted Average Traded Price of trades formed on Day_n or Day_{n-1} for delivery on Day_n, excluding trades to which MDL is a party

PPP is a Put Price Proxy that is calculated as the minimum value of:

(i)   the price of the last Balancing Gas Put made for offtake on any Day up to and including Day_n; and

(ii)   the volume weighted average price of the highest priced eligible bids that would have been struck by a seller of 5TJ of Gas at $0.01/GJ, whereby to be 'eligible' a bid must have:

1.   been posted on Day_n for delivery on Day_n;

2.   not been struck; and

3.   remained live for a continuous period of not less than 10 minutes between either 0915 and 0945 or 1645 and 1715;

provided that –

if there are insufficient eligible bids to reach the 5TJ threshold then this component will be ignored for the minimum value calculation (i.e. the Put Price Proxy shall be calculated using (i) above)

PPPA is a percentage adjustment to the Put Price Proxy as described in (e) below.

b. Balancing Gas Put(s) only

If a Balancing Gas Put has been made for offtake on Day_n, and there was no Balancing Gas Call made for delivery on that Day_n, then:

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

where:

CPP is a Call Price Proxy that is calculated as the maximum value of:

(i)   the price of the last Balancing Gas Call made for offtake on any Day up to and including Day_n; and

(ii)   the volume weighted average price of the lowest price eligible offers that would have been struck by a buyer of 5TJ of Gas at $1,000/GJ, whereby to be 'eligible' an offer must have:

1.   been posted on Day_n for delivery on Day_n;

2.   not been struck; and

3. remained live on Day_n for a continuous period of not less than 10 minutes between either 0915 and 0945 or 1645 and 1715;

provided that –

if there are insufficient eligible offers to reach the 5TJ threshold then this component will be ignored for the maximum value calculation (i.e. the Call Price Proxy shall be calculated using (i) above)

CPPA is a percentage adjustment to the Call Price Proxy as described in (e) below.

c. Balancing Gas Call(s) and Balancing Gas Put(s)

If a Balancing Gas Call for delivery on Day_n and a Balancing Gas Put for offtake on Day_n have been made then:

$$AMP_n \ = \ ATP_n \ \times \ MTV_n / MTV_{min} \ + \ (\ 1 \ - \ MTV_n / MTV_{min} \ ) \ \times \ \sqrt{(\ CPP \times PPP \ )}$$

d. No Balancing Actions

If there were no Balancing Actions for a Day_n then AMP_n will be calculated according to whether there were Cash-Out Transactions for Day_n (and if so, whether the net result of those Cash-Out Transactions was a net sale or net purchase of Gas by MDL).

If there were Cash-Out Transactions for Day_n and their net result is a sale of Gas by MDL (i.e. MDL sells more Gas than it purchases) then the formula in (b) above will be applied, i.e.:

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

If there were Cash-Out Transactions for Day_n and their net result is a purchase of Gas by MDL (i.e. MDL purchases more Gas than it sells) then the formula in (a) above will be applied, i.e.:

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

If there were no Balancing Actions on or Cash-Out Transactions for Day_n then the formula in (c) above will be applied, i.e.:

$$AMP_n \ = \ ATP_n \ \times \ MTV_n / MTV_{min} \ + \ (\ 1 \ - \ MTV_n / MTV_{min} \ ) \ \times \ \sqrt{(\ CPP \times PPP \ )}$$

e. Price Proxy adjustments

The default values for the CPPA and the PPPA on each Day are 0.1.

If there were Cash-Out Transactions for Day_n and their net result is a sale of Gas by MDL (i.e. MDL sells more Gas than it purchases) then for that Day:

- the value for the CPPA is 0.2 if the net volume of Gas sold by MDL as a result of those Cash-Out Transactions is at least 5,000 GJ but less than 10,000 GJ

- the value for the CPPA is 0.5 if the net volume of Gas sold by MDL as a result of those Cash-Out Transactions is 10,000 GJ or more

If there were Cash-Out Transactions for Day_n and if their net result is a purchase of Gas by MDL (i.e. MDL purchases more Gas than it sells for those Cash-Out Transactions) then for that Day:

- the value for the PPPA is 0.2 if the net volume of Gas purchased by MDL as a result of those Cash-Out Transactions is at least 5,000 GJ but less than 10,000 GJ

- the value for the PPPA is 50% if the net volume of Gas purchased by MDL as a result of those Cash-Out Transactions is 10,000 GJ or more

CPPA and PPPA values will be determined based on Cash-Out Quantities calculated after validated Operational Imbalance information for each Physical Welded Point located at a Large Station becomes available. The values will not be updated for subsequent corrections to metering or imbalance information.

2.   No Platform Rule

This default rule will apply for a Day_n if the Trading Platform was available for less than 1 hour during the normally scheduled market opening hours of emsTradepoint on that Day.

In those circumstances the Average Market Price for that Day ("AMP_n") will be calculated on the same basis as under the "Low Volume Rule" described above, but with the values for ATP_n and MTV_n both set to zero.