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Submission on emsTradepoint Force Majeure consultation

Introduction

1. This is Vector Gas Trading Limited's (Vector) submission on the emsTradepoint consultation paper on *Force Majeure*, issued on 16 March 2021.
2. Vector broadly supports the changes proposed by emsTradepoint and would like to see Participants seeking relief of obligations due to force majeure to be subject to greater scrutiny by emsTradepoint. We would also like to see the extent to which Participant Force Majeure is able to be claimed to be limited to the same proportion that the Force Majeure has impacted the Participant across its entire portfolio.
3. We set out our responses to the consultation questions below and make a few suggestions.

Comments on emsTradepoint's questions

Q1: Do you agree that FM on the exchange should align more closely with GSAs?

4. Vector agrees, in principle, with the move to align force majeure with gas supply agreements (GSAs). However, we consider force majeure clauses in GSAs to be wider than just providing relief to the affected party.
5. In addition to the relief to the affected party, the force majeure clauses generally allow (amongst other things) the non-claiming party:
 - to be provided with enough information to validate the force majeure event; and
 - to be impacted in a fair and reasonable way
6. In relation to the first bullet point of paragraph 5, the anonymity of transactions that the emsTradepoint exchange is based on does not allow for a clear line of sight between the claiming party and the Affected Participant. A high degree of trust on the Participant claiming force majeure that the Force Majeure Certificate is genuine is required.
7. In the second bullet point of paragraph 5, in the case of a net seller claiming relief due to force majeure, an Affected Participant would not expect to absorb a greater share than the claimant's other customers. In the case of a net buyer claiming relief due to force majeure, an Affected Participant would not expect to absorb a greater share than the buyer's over suppliers. Examples of this would be when a net seller of 5TJ on emsTradepoint suffers a force majeure event that affected their gas quantities by 10TJ. If that net seller had also sold a further 15TJ under other GSAs, then the proportion of the reduction claimed should only be 50% of 5TJ. Alternatively, a net buyer of 5TJ suffers a force majeure event on the day affecting their gas quantities by 10TJ. If that net buyer also buys 15TJ from other suppliers under GSAs, then the proportion of the reduction claimed would also be 50% of the 5TJ. The

net seller or net buyer claiming more than that would result in the emsTradepoint product being in second order of priority.

8. Paragraphs 7 and 8 above are existing issues within emsTradepoint that have largely been untested (as far as we are aware). Increasing the frequency of Force Majeure Certificates will magnify this issue for Vector. Ultimately, Vector would like to see the emsTradepoint product rank equally with the GSA product and we would support efforts to do so. This would provide the best environment for an increase in forward traded products.

Q2: Do you agree that FM should be made available OTD and linked to the next available ID cycle?

9. Vector supports Participants being able to claim relief from force majeure on the day so long as the protections for non-claiming Participants are improved. If Participants can claim relief on a day, then Vector supports the application of the “reductions” to apply from the next available ID cycle.

Q3: Do you agree that Participants should retain the obligation to manage their nominations under OATIS?

10. Yes, we agree that participants should retain the obligation to manage their nominations under OATIS.

Q4: Which of the two options do you agree with for handling OTD trades? Are there alternative ways of handling curtailments?

11. Vector supports the inclusion of all trades being included in the calculations to determine reductions to undelivered volume.
12. If the reason for the option that excludes OTD trades is due to potential issues arising from the timing of the force majeure event and when Participant FM Certificates are received by emsTradepoint, then the consequences of this should be more fully explored by emsTradepoint. The ambiguity that this could create for buyers and sellers of gas on days when industry force majeure events occur could drive parties away from the market on those days.

Q5: Do you agree with the timeframes for trades to be included as approved and for FM events to be notified?

13. Yes, we agree with the timeframes for trades to be included as approved and for force majeure events to be notified.

Q6: To what extent do you think FM events might increase, and do you think this could undermine the creditability of the market?

14. We would expect that there would be an increase in the number of Force Majeure events on emsTradepoint. No analysis of historical events has been undertaken but we would assume that more than half of all producer force majeure events would be resolved within the same day.

15. We are not of the view that the creditability of the market would be undermined with an increase in FM events. This is provided that Participants could be assured that the Participant FM Certificate is valid and the claimed quantity is in proportion to the effect it has had on the Buyer or Seller's wider portfolio.

Q7: Should etp validate all FM events?

16. As discussed above, Vector supports validation of Participant FM Certificates.

Concluding comments

17. We are happy to discuss any aspects of this submission with emsTradePoint. Please contact me at graeme.stodart@vector.co.nz or 04 803 9048 in the first instance.
18. No part of this submission is confidential, and we are happy for emsTradePoint to publish it in its entirety.

Yours sincerely
For and on behalf of Vector Gas Trading Limited



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