

PARTICIPANT FORCE MAJEURE

emsTradepoint Guide

To accommodate the extended delivery periods of strip products, Participant Force Majeure (FM) has been included in the emsTradepoint Market Rules. This document outlines how a Participant Force Majeure event is processed, for both the FM Participant and the Affected Participants.

Unless otherwise stated, each capitalised term used in this document has the meaning given to it in the emsTradepoint Market Rules (v5), which are accessible through www.emstradepoint.co.nz.

DEFINITION OF FORCE MAJEURE

The definition of Force Majeure (FM) is found in the Market Rules version 5 – **Participant Force Majeure**.

The emsTradepoint Force Majeure definition is consistent with those found in the Vector Transmission Code and Maui Pipeline Operating Code.

HOW TO CLAIM FM

In order to claim FM, a Participant must submit a Participant FM Certificate to the emsTradepoint Support Desk via the Exchange Platform **and** then notify emsTradepoint of the submission by speaking to emsTradepoint personnel via phone (+64 (0) 4 590 6692).

The Certificate must be submitted by an authorised user on the emsTradepoint Exchange Platform.

Submission of the Certificate is final and binding and results in the automatic notification to all Participants of the Participant FM event and the corresponding Affected Quantities.

emsTradepoint does not validate that the FM event itself is valid, only that the certificate is valid under the Market Rules.

The Market Compliance Committee will, however, review the event ex-post as a component of market conduct requirements.

Contact Details

Email to: Supportdesk@emstradepoint.co.nz

Phone: +64 4 590 6692

FM CONDITIONS

- Only available on net volumes traded through weekly and monthly contracts.
- Can apply to one or more individual delivery days.
- Not available to be called for effect intraday (OTD).
- Participants may submit to increase previous FM volumes, but not to decrease.
- Must be called by 16:00 hours the day prior.

AFFECTED PARTICIPANTS

Upon submission of a valid Certificate:

1. emsTradepoint will notify all Participants of an event via email and SMS.
2. emsTradepoint will notify each individual Affected Participant as to their revised Delivery obligation:
 - ➔ If, on a day, the FM Participant is a net seller, all net buyers on that day will be Affected Participants; and
 - ➔ If, on a day, the FM Participant is a net buyer, all net sellers on that day will be Affected Participants.

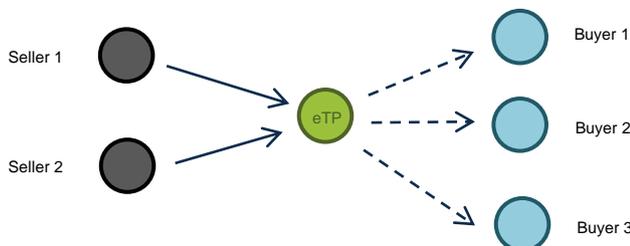
FINANCIAL WASH-UP

Compensation is provided based on each Affected Participant's volume weighted average price (VWAP) of gas on the relevant day.

FORCE MAJEURE EXAMPLE

On Monday, **Seller 1** suffers an FM Event and submits an FM Certificate to emsTradepoint for the following day.

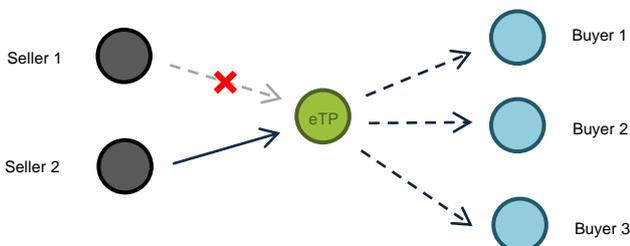
There are two net sellers and three net buyers in the market:



Prior to FM, the net positions for Tuesday delivery are:

Seller 1	8,000 GJ
Seller 2	16,000 GJ
Buyer 1	9,000 GJ
Buyer 2	12,000 GJ
Buyer 3	3,000 GJ

Seller 1 submitted that they will be unable to deliver 8,000 GJ that was traded through NGP-FR (M) and NGP-FR (W) contracts.



The 8,000 GJ reduction is pro-rated across all net buyers on a volumetric basis. The total traded quantity for net buyers on the day is 24,000 GJ.

Hence, for each buyer:

$$Reduction = Pre FM Position \times \frac{8,000}{24,000}$$

After FM has been called, the net positions for Tuesday delivery are:

	Pre-FM	Reduction	Post-FM
Seller 1	8,000 GJ	8,000 GJ	0 GJ
Seller 2	16,000 GJ	0 GJ	16,000 GJ
Buyer 1	9,000 GJ	3,000 GJ	6,000 GJ
Buyer 2	12,000 GJ	4,000 GJ	8,000 GJ
Buyer 3	3,000 GJ	1,000 GJ	2,000 GJ

Post-FM obligations will be communicated to all Affected Participants individually.

Net Position Only

Whether a Participant is calling FM, or is affected by FM, it is their net position only that is considered. Seller 2 in the example above may have also bought gas on this day; however they will be unaffected as a net seller.

Similarly, as a result of FM, a Participant may only have their net obligation to deliver or receive on a day reduced, and never increased or reversed.

Weekly and Monthly Contracts Only

FM may only be called to the extent that the FM Participant's net position consists of NGP-FR (W) and/or NGP-FR (M) trades.

If Seller 1 had made the following trades for delivery on Tuesday:

NGP-FR (W)	2,500 GJ
NGP-FR (M)	3,500 GJ
NGP-FR (D)	2,000 GJ
Net	8,000 GJ

Then they would be permitted to call FM of up to 6,000 GJ. The NGP-FR (D) quantity of 2,000 GJ would stand.

The pro-rating on the other side does not discriminate, however.

The outcome in the example above would be the same for Buyers 1,2 & 3, regardless of whether their trades were made up of NGP-FR (D) / (W) / (M) products.

On a Daily Basis

FM is called on a delivery day basis. Calling FM for one or more days within an NGP-FR (W) or (M) trade will not affect traded obligations for the remaining days covered by that trade.

FM EXAMPLE - COMPENSATION

In the month following the FM event, financial wash-up will be included in the monthly invoice.

Affected Participants

Affected Participants are compensated based on their individual final VWAP of gas for that day:

- ➔ Buyers will be compensated for the volume of gas not able to be received by them.
- ➔ Sellers will compensate for the volume of gas not able to be delivered by them.

In the previous example, Buyers 1, 2, 3 will be paid the following compensation amounts by emsTradepoint:

	Reduction	VWAP	Compensation
Buyer 1	3,000 GJ	\$5.95	\$17,850
Buyer 2	4,000 GJ	\$4.80	\$19,200
Buyer 3	1,000 GJ	\$5.50	\$5,500

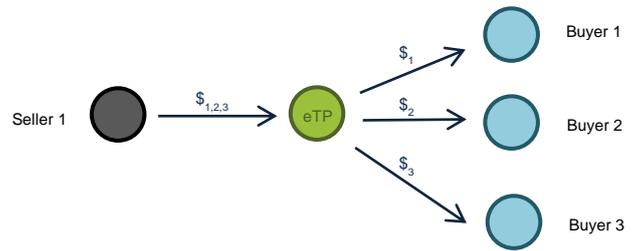
FM Participants

The total compensation paid to/received from Affected Participants is passed on to the FM Participant:

- ➔ A net buyer FM Participant will be paid the total compensation received from net sellers.
- ➔ A net seller FM Participant will pay the total compensation paid to net buyers.

In the previous example, Seller 1 will pay the following amount to emsTradepoint:

Seller 1: \$42,550 (\$5.32/GJ)



VWAP Calculation

The VWAP is based on all the Affected Participant's trades for delivery on the FM day, as calculated after market close on that day.

FURTHER INFORMATION

Please direct any questions and/or comments to:

emsTradepoint Support Desk

+64 4 590 6692 | supportdesk@emstradepoint.co.nz

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