



12 May 2011

Mr Ian Wilson
Gas Industry Co
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Dear Ian

Submission on MPOC Change Request 18 April 2011

Contact Energy Limited ("Contact") welcomes the opportunity to provide feedback to the Gas Industry Company ("GIC") on the MPOC Change Request dated 18 April 2011 proposed by MDL (Change Request).

Contact is partially supportive of the Change Request however there are aspects to the Change Request that Contact is unable to support.

Amendments to delete the now superseded "Industry Contingency Plan"

Contact is comfortable and accepts the proposed changes to the MPOC in respect to deleting references to the Industry Contingency Plan.

Amendments to increase information disclosure on the MDL IX

Contact further endorses changes to the MPOC which increase information disclosure in real time which aid parties in making informed decisions in respect to balancing.

Amendments to the prudential requirements

The purposes of changes to section 20 Prudential Requirements have been described by MDL as "intended to remove uncertainty in the application of ambiguous provisions (or, in some cases, correct manifest errors) and to recognise that the Applicant is currently over-exposed to credit risk – a lesson learned in the recent liquidation of E-Gas".

The application goes further to say that "The proposed amendments to the prudential requirements in section 20.6 will impact on the existing obligations of Shippers, which may be required to increase their Cash Deposits and/or third party securities provided to the Applicant."

Contact understands that this has mainly been brought about by the liquidation of E-Gas and agrees that the standards provided under the MPOC should be clear and aligned with the VTC.

The changes to sections 20.1 20.2 and 20.3(a) are acceptable to Contact as they provide corrections to existing drafting.

The changes to section 20.6 provide clarity to the calculation and maximum amount of the bond or security required to be provided where an acceptable credit rating is not held. This is in line with the VTC and therefore should not represent a material impact to shippers. Contact therefore does not object to this amendment to the MPOC.

The changes to sections 20.7 are also acceptable to Contact.

Contact does not agree with the proposed changes to sections 20.3(b) and 20.4(b), or the rationale given by MDL for them. A party having the minimum acceptable credit rating that is subject to negative credit watch is not necessarily a higher risk, but in any event the current wording provides for a way to deal with that through the existing reference to "reasonable grounds", which would (where applicable) entitle MDL to review the party's position anyway

Contact believes that the correct amendment would be to align these sections of the MPOC with section 14.3 of the VTC - in the same way it has done with section 20.6 of the MPOC to section 14.5(b) of the VTC. This would see the credit ratings move from Baa2 to Baa3, BBB to BBB-, and include B (Fitch). The Transmission charges that Contact pays under the VTC are larger than under the MPOC therefore, in Contact's view, this means the VTC ratings should be suitable for the MPOC.

In conclusion, at paragraph 2.1(b), MDL refers to changes aligning with the VTC, but this does not appear to extend to all of the proposed changes. Contact does not support the proposed changes to sections 20.3(b) and 20.4(b) because they do not materially add to the risk protection available to MDL; are not needed to remove uncertainty from the MPOC and do not align the sections with the equivalent VTC provisions.

Yours sincerely



Sharon Wray
Fuels Manager