



25 March 2013

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Dear Ian,

Draft Recommendation - Vector Transmission Code Change Request Appeal 27 November 2012

Introduction

1. Mighty River Power welcomes the opportunity to provide this submission on the Gas Industry Company's (GIC) draft recommendation on the Vector Transmission's (Vector) 27 November 2012 Vector Transmission Code (VTC) Change Request appeal. No part of the submission is confidential and Mighty River Power is happy for it to be publicly released.

Comments

2. Mighty River Power is disappointed that the GIC has chosen to recommend the adoption of the VTC change request as proposed by Vector particularly given the unanimous rejection of the change request by the Vector shippers and their unanimous opposition to it expressed in their initial submissions on this appeal.
3. In previous VTC appeals we together with other shippers have commented on Vector's change request proposals that have included multiple unrelated or at best loosely related issues. Typically the unrelated changes tend to be contentious or very unlikely to meet with their shippers' approval.
4. As stated in our original submission on these issues we accept that the proposed changes to the ILON and Peaking arrangements within the VTC are directly related. These changes are required to align the VTC with the changes previously approved by the GIC on the Maui Pipeline Operating Code (MPOC). Whilst we had some concerns with Vector's proposal the

likelihood is that we would have supported these changes had the change request been limited to these changes.

5. We are concerned that should the GIC confirm its approval of this change request in its final recommendation that it will set a precedent that will allow Vector to have contentious changes to the VTC approved by including these types of changes in change requests that would normally be supported by shippers. The net result is that rather than the contentious change being assessed on its own merits it is approved on the coat tails of the greater good of the other proposed changes to the VTC.
6. It is our opinion that the proposed changes to the disputes section of the VTC included within this change request would not be approved if it was submitted as a change request in its own right. It is only by piggy backing this change into a set of changes, in this case changes that will align the VTC with the MPOC to provide for the introduction of Back to Back Balancing as desired by the GIC, that allows this change to the VTC disputes section to be adopted. This is an obvious tactic by Vector to have changes to the VTC approved that reduces Vector's risk position (and increases Shipper risk exposure). Vector very well understands that the GIC assesses change requests as a whole and Vector take advantage of this situation to have change requests implemented that are against the (in this case unanimous) wishes of the industry.
7. We note that the GIC has commented that Shippers on the Maui pipeline will be able to raise disputed with Maui Development Limited (MDL). This may be only partially true for whilst all of the shippers on the Vector transmission system have Transmission Services Agreements with MDL not all of these shippers directly transport their gas on the Maui pipeline. Some shippers like Mighty River Power purchase gas from a wholesaler who in turn ships our gas on the Maui pipeline and we take delivery of the gas at various welded points. We would be surprised if MDL would consider a dispute raised by a party who did not actually ship gas on their pipeline on the day being disputed. We therefore rely on being able to raise a dispute with MDL via Vector.
8. With regards to the GIC's comments on the accuracy or more correctly the inaccuracy of balancing gas invoices based on initial rather than final allocations this matter has been raised with Vector on a number of occasions. We are advised that the cost of introducing the reopening of balancing gas invoices is prohibitive. Shippers have previously requesting a firm estimation of this cost, most recently as part of the discussions on this change

request, in order to undertake a cost benefit analysis, but as yet no detailed estimates have been provided by Vector.

9. In our previous submission of this matter we raised a question of whether the proposed change to the disputes process will result in an increase of market power for both Vector and MDL. In our opinion such a change does increase the transmission systems operators' market power. We note however that the GIC has not addressed this matter within the GIC's draft recommendation.

Concluding remarks

10. Mighty River Power understands the GIC's desire to see introduction of back to back balancing and that implementation of this cannot be made until the MPOC and the VTC are aligned with regards to the ILON and Peaking processes. We do not however believe that it is appropriate for the alignment of the two codes to be made through this particular change request.
11. Mighty River Power considers the recommendation to approve this change request that is designed to achieve multiple changes to the VTC would be a dangerous precedent to set when not all of these changes are directly related or dependant on each other. We therefore ask that the Gas Industry Company not to support the Vector VTC change request appeal of 27 November 2012 in its final recommendation and for Vector to then resubmit this change request without the proposed disputes section changes.
12. If the GIC would like to discuss any of our above comments directly with Mighty River Power, then please do not hesitate to contact me on 06 348 7926 or jim.raybould@mightyriver.co.nz .

Yours sincerely



Jim Raybould
Gas Manager