

25 March 2013

Mr I Dempster
General Manager Operations
Gas Industry Company Limited
PO Box 10 646
Wellington 6143
(By email)

Dear Ian

Re: Vector Transmission Code – Submission on draft recommendation on appeal

Thank you for the opportunity to comment on the Gas Industry Company's draft recommendation on Vector's Appeal on its proposed changes to the Vector Transmission Code (VTC). Nova Energy (Nova) concurs with the general tenet of the submissions made by shippers in respect of Vector's appeal to the original consultation.

Nova accepts that it is right and proper to make changes to the VTC in response to the changes to the balancing gas arrangements on the Maui Pipeline Operating Code (MPOC). However it is unfortunate that the GIC is prepared to accept the overall changes when part 3, the provision around disputes over invoices, is clearly an anathema to shippers. Vector had the opportunity to modify its proposed code change and amend its restriction on the rights of shippers to contest Vector's invoices. Instead it has used the need for changes to the balancing regime to introduce one-sided term that only a monopoly supplier could get away with.

Having the right to appeal against invoice calculations does not necessarily result in disputes and costly procedures, but it does stimulate responsible behaviour by the vendor, and encourages communications between the parties which can lead to improved procedures and understanding between the parties. These factors do not appear to have been considered in the GIC's recommendation.

By proposing to approve the appeal, the GIC is effectively sanctioning an approach where unjustified terms can be deemed acceptable as long as the net benefit of the overall changes is beneficial. On a case by case basis, such an approach might seem reasonable, but the negative elements of this policy is likely to have detrimental effects over the longer term.

We therefore ask you to reconsider your decision. There is still time for Vector to submit a more acceptable code change and have it accepted by shippers.

Yours sincerely



Paul Baker
Commercial & Regulatory Advisor