



16 May 2012

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By email: [ian.wilson@gasindustry.co.nz](mailto:ian.wilson@gasindustry.co.nz)

Dear Ian

### **Draft Recommendation: 14 Dec 2011 VTC Change Request Appeal**

Contact Energy welcomes the opportunity to provide a submission on the GIC's draft recommendation on the appeal lodged by Vector Limited (**Vector**) to allow changes to the Vector Transmission Code (**VTC**) in respect to peaking, corrections, prudential requirements, shipper insolvency and invoicing (**Change Request**).

Contact supports the draft recommendation put forward by the GIC on 4 May (**Draft Recommendation**) not to support the Change Request. In addition we make the following comments in respect to some of the individual components of the Change Request.

#### **Peaking**

Vector has said that it believes that under the MPOC Change request of 13 October 2011, based on 2010 and 2011 data, peaking costs could increase seven fold. Contact is not convinced that hypothesis is correct. If there is substance to that claim then there would be even more reason to identify causers and not simply socialise those costs.

#### **Shipper insolvency: unpaid fees**

Contact strongly supports the GIC, and submissions from other shippers, that Vector is best placed to manage the risk of insolvency and that there is no nexus between shippers that would allow them to pursue a defaulting shipper. Vector itself accepts that requiring prudential amounts from its shippers is a commercially sound approach to managing credit risk.

#### **Invoicing**

Contact does not agree that shippers ought to pay at least half of any disputed amount on an invoice pending resolution of a dispute. This is not current practice and would then leave the Shipper in a semi settled dispute situation. Contact believes that this would only serve to create a disincentive to resolving the issue quickly. In any event there is a codified process, including

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milestones, to be followed in a dispute situation which in Contact's view is a satisfactory dispute resolution mechanism.

### **Concluding Comments**

While Contact agrees with the GIC's Draft Recommendation it also sees minor errors within each of the components that should rightfully be addressed at the time of a Change Request. These smaller issues tend to be swept up as consequential changes or not material but history has taught us that the approach results in clause interpretation issues down the track. This can only be addressed if parties process change requests by single topic. Shippers also commonly agree that Change Requests should be confined to single or closely related issues.

Yours sincerely



**Sharon Wray**  
Fuels Trading