

Draft Recommendation on 13 October 2011 MPOC Change Request

Submission to GIC



From Contact Energy



This submission by Contact Energy Limited (“Contact”) responds to the Draft Recommendation on 13 October 2011 MPOC Change Request

For any questions relating to our submission, please contact:

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Response to Draft Recommendation

1. It is Contact's view that the 13 October 2011 MPOC Change Request does not provide adequate confidence that its changes will result in sufficiently improved pipeline balancing arrangements. Furthermore Contact believes the status quo provides an acceptable level of socialisation of balancing costs for the size of the New Zealand market until such time as further work is completed on similar balancing tools for the Vector system.
2. While the GIC's note accompanying the draft recommendation states that industry participants have devoted significant resources to improving balancing and shown an eagerness to bring some resolution to the matter, Contact does not think this should be the basis for supporting the change request and leaving the industry to sort out the finer details of how that change request then impacts on the users and the VTC.
3. The resources and time already devoted have resulted in small incremental changes which have seen balancing costs reduce over time. It is clear from the submissions that there is an eagerness to not over engineer a solution which will then add uncertainty, cost and resources to manage.
4. Contact considers there is more value in pursuing the Gas Transmission Investment Programme with a view to a more relevant transmission regime on the Vector pipeline before approving a change request that could fail if the way the MPOC interacts with the VTC is not addressed before the implementation date.
5. The GIC has noted various submission points made without offering any resolution. Without assessing how back to back balancing arrangements might impact on the Vector system, the effect of the proposed changes may result in inefficiencies and higher costs rather than the coveted downward pressure on price and better balancing.
6. It is for these reasons that Contact believes it more prudent to reject the Change Request and focus on across the board balancing and regime improvements.