



13 March 2012

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Dear Ian

## **MPOC Change Request 13 October 2011 – Draft Recommendation**

### **Introduction**

1. Mighty River Power welcomes the opportunity to provide this submission on the Gas Industry Company's (GIC) draft recommendation on Change Request for the Maui Pipeline Operating Code (MPOC) dated 13 October 2011. No part of the submission is confidential and Mighty River Power is happy for it to be publicly released.

### **Comments**

2. We recognise the GIC's limitations when considering any MPOC change request in that it can only consider the merits of the proposed changes to the MPOC as presented to it.
3. With regards to the cost implications of implementing the change request we believe that the GIC may have underestimated the potential costs that the industry may incur as a result of recommending this change request. In section 4.1 of the draft recommendation the GIC states that:-

*"Higher risk might also lead to higher retail margins and hence higher retail prices"*

Mighty River Power only partly agrees with this statement as it is our opinion that mass market retailers will incur higher costs due to their inability to effectively manage the higher risk that will come with a move to back to back balancing which will in turn lead to higher retail prices.

4. On Productive Efficiency the GIC recognises that mass market shippers do not know their balance positions until the middle of the following month and concludes that

*“While not ideal, it would be a continuation of the current situation and should not make productive efficiency outcomes any worse”*

We disagree with this conclusion as the current ILON process at least gives a mass market retailer the ability, albeit crudely, to manage its perceived position to ensure it has a balancing position on the pipeline in the opposite direction to the pipeline itself. This implementation of this change request will in our opinion make production efficiency outcomes worse

5. Mighty River Power agrees with the GIC that a Daily Allocation process would assist in the management of the increased risks that the implementation of this change request would create. We have in the past urged the GIC to progress this work and will continue to encourage the GIC to make this part of their Reconciliation workstream a priority.
6. We note that the issue raised by Vector in its initial submission on the lack of ability of shippers to challenge the content of Standard Operation Procedures (SOP) has not been addressed. Whilst we would not want to limit MDL’s flexibility in managing its business there must be “checks and balances” in this process to protect shippers interests.

### **Concluding remarks**

7. Whilst Mighty River Power remains unconvinced about the benefits of this change request we do commend the GIC for proposing a deferred implementation date of June 2013.
8. If you would like to discuss any of our above comments directly with Mighty River Power, then please do not hesitate to me on 06 348 7926 or [jim.raybould@mightyriver.co.nz](mailto:jim.raybould@mightyriver.co.nz) .

Yours sincerely



**Jim Raybould**  
Gas Manager