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Dear Ian

## **Maui Pipeline Change Requests by Maui Development Limited**

### **Introduction**

1. Mighty River Power welcomes the opportunity to respond to the Maui Pipeline Operating Code (MPOC) Change Request dated 17 December 2009 regarding a series of changes as proposed by Maui Development Limited (MDL). No part of this submission is confidential and Mighty River Power is happy for it to be publicly released.

### **Comments**

2. Mighty River Power as a participant in the Industry Code Development (ICD) process and a signatory of the resulting Memorandum of Understanding (MOU) supports in principle the main changes proposed by MDL within this change request. We are however concerned that this change request only proposes to implement a limited number of the initiatives encompassed by the MOU.
3. From our perspective the timing of the implementation of the proposed changes is crucial and in our opinion should form part of a full co-ordinated package of measures as proposed within the MOU with an agreed implementation timetable.
4. Our comments on specific changes to the MPOC follows however Mighty River Power supports the changes as proposed by MDL in Sections 2, 15, 16, 17, 20, 24, 27, 28 and 38. We also support the changes detailed within Schedules 2, 4, and 5.
5. The changes to Section 4, Schedules 7, 8 and 10 are essentially summaries of other changes contained with this set of change requests. Should the Gas Industry Company (GIC) approve the associated change requests summarised with Section 4 plus the three

Schedules then it is reasonable that the proposed changes to these parts of the MPOC would follow. The same is generally true of the definitions section, Section 1.

6. The proposed changes within Sections 8 of the MPOC are specifically directed towards a welded party's operation and therefore Mighty River Power has no comment to make on the proposed change requests within this Section.

### **Specific Change Requests**

7. Mighty River Power prior to supporting the proposed changes in Section 3 covering the introduction of a Balancing Operator would like to see some cost benefit analysis to justify the claim by MDL that the appointment of a Balancing Operator "*is not expected that costs to Shippers will increase as a result of the new tariff*". We have some concerns regarding the costs associated with the creation of this role and would reserve our position on this part of the change request until MDL can demonstrate that the benefits to the industry of this change would exceed the costs associate with it.
8. We are surprised that MDL would wish to make this MPOC change in advance of the outcome of Minister of Energy's consideration of the recommendation by the GIC to impose regulation on the gas industry for pipeline balancing. In particular as the GIC recommendation includes the requirement to appoint a single Balancing Operator for both the Maui and Vector pipelines we would have thought that MDL would have delayed this change until the Minister has announced his decision on the GIC's recommendations.
9. The proposed changes to Sections 11 and 12 combined with those proposed in Section 3 constitute a significant change in pipeline balancing operations combining the introduction of a Balancing Operator together with a move to back to back daily balancing. In line with our previous pipeline balancing submissions
10. Mighty River Power will only support the introduction of back to back balancing as proposed within the changes to Sections 11 and 12 if such a change is coordinated with the introduction of a daily allocation process for customers in downstream allocation groups 4-6. We are therefore concerned that the GIC's consultation paper on the Gas Levy for the forthcoming year includes a feasibility study on a D+1 allocation process and that this is not scheduled for publication until March 2011. Experience suggests that even if such a study was progressed expeditiously to completion that we would be looking at an implementation date of October 2011 at the earliest. If the changes to Sections 11 and 12 were implemented in line with the draft schedule for this set of change requests at the

end of April of this year then any delay in the introduction of a daily allocation process for some 17 months after this would be unacceptable to Mighty River Power.

11. A fundamental principle of any balancing regime is the provision of good quality information that allows shippers to effectively manage their balancing gas risks. The lack of a daily allocation process for downstream allocation groups 4-6 combined with the introduction of back to back balancing creates an unacceptable level of risk for shippers trying to balance gas supplies for customers in the above allocation groups.
12. Section 12 also includes a change to the tolerances regime for the pipeline. Mighty River Power would only support this change once our concerns with the operation of the Balancing Gas Exchange (BGX), which we have previously expressed to the GIC, related to access to supplying and purchasing gas at the BGX, are resolved. If the changes proposed by MDL are to have the maximum impact with regards to encouraging competitive activity within the BGX then it is important that all parties who wish to participate in the BGX can participate, including those such as Mighty River Power who off-take their gas from the Maui pipeline.
13. Peaking was a subject that was not discussed in any detail at the ICD meetings and in our opinion is a topic that needs to be discussed in some detail and any agreed changes should then be part of an integrated approach to pipeline balancing. In the meantime Mighty River Power supports this change request.
14. Mighty River Power position on the Incentives Pool, Section 14 is similar to that expressed above for Peaking. We believe that the Incentive Pool requires detailed discussion prior to any further changes being made and any proposed changes should form part of an integrated approach to changes to pipeline balancing. In the meantime Mighty River Power supports this proposed change request.
15. Section 19 together with Sections 1 and 3 proposes the introduction of Tariff 3. Mighty River Power will only support the introduction of Tariff 3 when our concerns described above regarding the proposed change to Sections 3, 11 and 12 have been addressed and resolved to the industry's satisfaction.
16. Mighty River Power does not support the deletion of the right to relief from peaking charges during a Force Majeure event during a period of unscheduled maintenance.
17. The proposed changes within Sections 21 and 23 to a "Pay Now Dispute Later" arrangement for disputes is again one which Mighty River Power would not support as a

stand alone change request but will support as part of an integrated package of measures. In our opinion this arrangement should only be implemented once an agreement has been made to refer disputes to an agreed Industry Expert or the GIC's Rulings Panel as discussed during the ICD process.

18. We fully support the concept of the Transitional Provisions as proposed in Section 29. In fact we would have preferred to see this section implemented along with the minor changes within this request and the potentially more contentious changes then submitted as a Transitional Provision with a clear timetable for implementation.

### **Concluding remarks**

19. Mighty River Power supports incremental changes to pipeline balancing through change requests. We are however concerned that a number of the changes proposed within this series of change requests, such as the appointment of a Balancing Agent, the creation of a Tariff 3 to recover the Balancing Agents costs and the move to daily back to back balancing are fundamental changes to the current balancing regime. As such it is important that such changes are not made in isolation but as part of an overall development plan for balancing both the Maui and Vector pipelines. In this particularly important part of the gas industry we believe that a successful transition to more efficient pipeline balancing can only be made through the industry adopting a comprehensive development plan such as outlined in the ICD Memorandum of Understanding and then agreeing a timetable that will coordinate the implementation of all the critical changes within that plan.

20. 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

A handwritten signature in black ink that reads "Jim Raybould". The signature is written in a cursive, slightly slanted style.

**Jim Raybould**  
Retail Gas Operations Manager