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Ian Wilson
Principal Adviser - Infrastructure Access Group
Gas Industry Company
PO Box 10-646
Wellington

Dear Ian

**SUBMISSION ON THE
MPOC CHANGE REQUEST OF 17 DECEMBER 2009**

1. On Gas Limited, Vector Gas Contracts Limited and Vector Limited (Vector) would like to advise you that we do not support Maui Development Limited's (MDL) 17th December 2009 application to the Gas Industry Company (GIC) proposing changes to the Maui Pipeline Operating Code (Change Request).
2. We have assessed in some detail the Change Request and have a number of concerns. Our main concerns are two fold. Firstly, they relate to the direct material adverse impact the Change Request will have on Vector's pipeline business; and secondly, and more generally, to the deleterious effect the Change Request will have on attaining an integrated package of measures that is necessary to improve balancing performance across the entire transmission system.

Material Adverse Effect

3. As Vector Gas Limited advised the GIC on 21 January 2010, the Change Request would materially adversely affect Vector's Transmission business and the compatibility of MDL's and Vector's open access regimes. Specifically, we also advised MDL that our concerns with the Change Request included:
 - Increasing Vector's liability as a Welded Party by reducing the incidence of balancing costs on Maui Shippers, via the Maui tariff, and increasing the incidence of balancing costs on Vector;

- Imposing “pay now dispute later” obligations which will lead to a shift in the risk for cost recovery from MDL to Vector;
 - Limiting the acknowledgement that Vector as a TP Welded Party must be able to recover all costs and liabilities incurred under the Code;
 - Removing Vector’s right to make Balancing Gas nominations and the right to use a “Post Intra-Day Cycle” for such nominations;
 - Removing Vector’s right to correct an imbalance position during the Imbalance Limit Overrun Notice (ILON) period;
 - Removing Vector’s right to combined tolerances for imbalance and for peaking at the Rotowaro, Pirongia and Pokuru Welded Points;
 - Reallocating the available tolerance for Welded Points to the disadvantage of Vector’s TP Welded Points; and
 - Removing the right to relief for peaking liability due to a Force Majeure Event, a Contingency Event, a Pipeline Contingency Event or Unscheduled Maintenance.
4. We also note that the GIC itself has recognised some of these adverse impacts on Vector’s Transmission’s operations in the draft document prepared comparing the Change Request with the draft balancing rules: *Working Paper – Comparison of 17 December 2009 MDL change request and draft balancing rules* (issued on 1 February 2010).
5. Finally, in addition to the material adverse impact (under both Vector’s ICA with MDL and section 25.10 of the VTC), every Shipper must agree to the Change Request before Vector can consent to it. Vector must therefore reserve its position in that regard until responses are known. Given our comment about the adverse impact, even conditional consent would be neither possible nor appropriate at this stage.

Integrated Balancing Regime

6. Vector is also concerned that as the Change Request is not part of an integrated and unified set of measures across both pipelines, a disparate set of uncoordinated balancing measures will be instigated. Such an outcome would create unclear roles and responsibilities and would perpetuate an inefficient balancing outcome. We note that the GIC has recognised this in its draft comparisons of the effect of the proposed rule change with the Change Request. The GIC notes:

"Under the MPOC proposal the "balancing plan" is essentially fragmented between various locations, each with different change processes and different standards. In addition, the Maui balancing market may not be open to Vector connected providers and there is no requirement that the TSOs cooperate other than through their respective RPO obligations". [Page 11]

7. Vector strongly believes that the participative regulatory option proposed by the GIC is the preferred approach for advancing the development of a suitable, integrated and unified transmission pipeline balancing arrangement. As we have indicated in some detail in our three submissions to the GIC's consultation processes on transmission balancing, a regulatory option will almost certainly lead to a more efficient and enduring outcome.
8. Finally, while not a major consideration, the drafting of the Change Request is, in our view, inadequate to capture the scope and purpose in a clear and concise way. We recommend that, should the GIC's draft recommendation be that the Change Request be approved, it should require MDL to reconsider its proposed wording.
9. Thank you for considering this submission. If you have any queries, or require further information, please feel free to contact me at John.Rampton@vector.co.nz or 04 803 9036.

Kind regards

A handwritten signature in black ink, appearing to read 'John Rampton'.

John Rampton
Manager Industry Governance and Policy