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Submission on Maui Pipeline Operating Code Change Request (B2B) 14 Feb 2014

Contact Energy welcomes the opportunity to make submissions on the Maui Pipeline Operating Code Change Request (B2B) dated 14 Feb 2014 (**B2B CR**).

Maui Development Limited (**MDL**) advised Contact that it intended to submit this B2B CR. At that time Contact encouraged MDL, in the spirit of good consultation, to circulate the B2B CR to industry. This was so that feedback could be given and an understanding obtained of MDL's drivers for the change request and intended outcomes before it was lodged with the GIC and became subject to a formal process. In addition we wanted to understand any implications the B2B CR may have on another change request (**Industry CR**) currently being drafted and consulted on by Industry. MDL declined our request for pre-consultation on the basis that the B2B CR was simply a tidy up of the Maui Pipeline Operating Code (**MPOC**) in line with other recent change requests.

Contact is disappointed to find that the B2B CR goes further than a tidy up and is proposing further changes to the new balancing regime. It also frustrates some of the changes proposed in the Industry CR.

While there are a number of tidy up changes in the B2B CR that Contact has no issue with we note that there is a mix of uncontentious changes with others that are significant to users of the Maui Pipeline. You will be aware that our experience of such 'combined' requests is that this approach could lead to a less than optimal outcome. We believe a pre-consultation phase would have been helpful to avoid the potential issues.

Contact's main concern with the B2B CR centres around MDL's amendment to the Balancing Principles section 3A so that the balancing gas is not only purchased according to codified principles but also must adhere to terms and conditions that sit outside of the MPOC.

It is Contact's view that balancing gas should be treated no differently than any other gas flowed on the pipeline and therefore only the MPOC should apply. Contact is indifferent to where balancing gas is sourced. This could be via long term balancing contract, the BGX or any other market. The only stipulations should be that it is sourced at the best price, is transported in accordance with the MPOC and from a supplier or purchaser who meets the MPOC requirements.

Contact Energy Limited

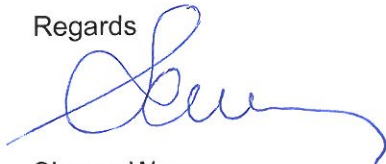
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Contact is concerned that where terms and conditions sit outside of the MPOC there is room for changes to those terms and conditions without consultation or consideration of impact on shippers. By requiring balancing gas transactions to adhere to terms and conditions that are not codified may in effect limit balancing gas transactions to the BGX which currently does not reflect market prices and where the transactions benefit a small number of participants in that market by virtue of that market only being available to a few users.

Contact believes that shippers should have access to tools that enable them to mitigate their imbalance positions and/or limit their exposure to balancing costs. This should encourage self balancing and a more stable pipeline. However shippers do not currently have that ability and may be blocked from that if MDL insist on additional terms and conditions outside of MPOC rules.

The industry should be working towards transparent systems that have no barriers to entry, not ones that place further uncertainty on the gas market. We therefore urge the GIC to decline approval for the B2B CR until MDL offers drafting to codify the balancing terms and conditions and justifies why additional terms and conditions need to apply outside of those already provided to other gas users of the pipeline.

Regards



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