

14 July 2015

Mr Ian Wilson  
Gas Industry Company Limited  
PO Box 10 646  
Wellington 6143

(By email)

Dear Ian

**Re: Maui Pipeline Operating Code Amendment Process Change Request**

Thank you for inviting submissions on the Maui Pipeline Operating Code (MPOC) Amendment Process Change Request (APCR) dated 24 April 2015. Mighty River Power's APCR offers the following benefits:

1. A major flaw in the current MPOC code amendment process is the inability to make changes to an amendment that has been submitted to the Gas Industry Company (GIC). This prevents the development of an optimal solution as it restricts parties (including the GIC) to suggest logical improvements to the proposed amendment. The APCR enables code changes to be developed in a collaborative, industry wide process; allowing incremental improvements to be made as part of the consultation process. This increases the chances of an optimal outcome and also improves efficiency.
2. The GIC is also unable to contribute to the industry discussion through the consultation process due to a conflict of interest. This hinders the GIC's ability to access the true impact of a proposed change on industry participants. The APCR will resolve this issue while maintaining the ability of the GIC to provide their view as a co-regulator on the proposed amendment.
3. The New Zealand gas industry is undergoing significant changes, particularly in the areas of pipeline management and transmission access. There is a need to amend the process of making change requests to ensure that these lead to better solutions for the market.

Unfortunately, however, the voting mechanism prescribed under section 29.13 of the APCR is not adequately prescribed and gives cause for concern; in particular:

- 1 There is no clear definition on who is entitled to a vote;
- 2 The voting mechanism needs to be evenly weighted across the entire gas supply chain i.e. from production to consumers – the proposed APCR methodology creates a situation which is heavily weighted in favour of downstream shippers. Depending on the makeup/voting rights of the parties, it is plausible that downstream users are able to obtain a 75% majority and force through change requests without considering the implications on the other parties in the supply chain. And on the other side, if there is a change requested that only affects upstream parties, then there is no incentive on the downstream parties (who hold the majority) to support that change.

- 3 While the proposed voting mechanism largely works for the Vector Transmission Code; in that instance the interests of all voting parties are more closely aligned.

The APCR methodology as proposed effectively prioritises the view of shippers rather than ensures that changes to the pipeline are considered across all aspects of the supply chain.

It is important that under any change to the MPOC that the commercial interests of the owners of the Maui Pipeline are protected, including their interests as gas producers injecting into the pipeline. In reaching its decision the GIC needs to be absolutely confident that section 29.14 of the APCR provides the pipeline owner with sufficient withholding rights, such that the implementation of the APCR will not in any way adversely affect the ownership or operation of the Maui Pipeline.

On balance the GIC should not approve the APRC in its current form.

Yours sincerely



Paul Baker

Commercial & Regulatory Advisor