



17 August 2009

Ian Wilson
Senior Advisor – Pipelines
Gas Industry Company
PO Box 10-646
WELLINGTON

Dear Ian

Thank you for the opportunity to comment on the Transmission Balancing Second Options Paper issued in July 2009. OMV has reviewed the paper and offers the following comments.

OMV is disappointed the GIC has chosen to take a very narrow focus on one particular aspect of gas pipeline balancing and exclude a number of the key issues for balancing from consideration in the options paper. OMV considers that unless all the issues are addressed as part of this work stream, the industry will continue to be bogged down in ongoing disputes which will only serve to tie up resources that cannot then be dedicated to evolving a better regime for the future.

At a minimum, the following should be included in the balancing work stream as they are all essential to allocating balancing costs to causers and ensuring causers have the tools at their disposal to then manage those costs. These will also impact on the extent to which balancing is required to be provided by pipeline owners.

- All downstream allocations performed on the day following gas flow
- A review of tolerances
- The requirement for shipper nominations across all gas transmission pipelines
- The communication of information and meter readings for welded points on the Vector system to those utilising those welded points.

These are issues which have been around the industry for a number of years and will require compromise from all parties in order to be overcome, but this does not mean they should be parked for addressing in the future. OMV believes that these need to be addressed concurrently with the objective of having an integrated balancing regime, in order for the regime to be effective.

By way of example, gas industry experience of the Critical Contingency Management Plan (CCMP) and Downstream Reconciliation has been of a project that has taken 12-18 months, expending a lot of time and money with few effective results to show other than high level regulatory objectives, which are then left to the pipeline owners to interpret and implement. A repetition of this on balancing would leave many in the Industry frustrated and less likely to provide the effort required to get an effective regime in place. Implementation of the CCMP regulations has shown that the party willing to put the least into the process and choose the easiest path for implementation can dictate how the rest of the industry must operate.

OMV Exploration & Production

George Goodsir
Legal & Commercial Manager

Tel. +64 4 910 2536
Fax +64 4 910 2504
James.hare@omv.com

OMV New Zealand Ltd
Level 10, Deloitte House
10 Brandon Street
Wellington, New Zealand

Registered Office:
Level 10, Deloitte House
10 Brandon Street
Wellington, New Zealand

www.omv.com

OMV would like to see an evolutionary process put in place facilitated by the GIC that can address all of the issues in parallel and implement changes through existing change processes where possible. We believe that this will lead to quicker and lower cost results for the industry as a whole, whereas the processes outlined in the options paper are likely to take longer than assumed (years rather than months) and still not be effective in allocating costs of balancing to those actually causing the imbalance.

If you have any questions or would like to discuss our submission, please call John Burt or James Hare as I will be moving on to Romania at the end of August as you probably know.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'James Hare', with a long horizontal flourish extending to the right.

GMP Goodsir
OMV New Zealand Limited