



Shell Exploration & Production

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Dear Sarah

Shell supports the adoption and application of ERGEG Principles on open-access transmission pipelines.

Shell considers one of the key balancing issues has not been adequately addressed in Chapter 6 in the GIC's August report. It is clear from analysis of published data that Vector has residual imbalances greater than 5% of its scheduled flow occurring at very high frequency, on about 40% of days. Imbalances of this magnitude cannot be supported by the Maui Pipeline linepack flexibility alone. Moreover, they have often occurred consecutively, for up to 5 days. The frequency and persistency of these large imbalances indicate failure of Vector's residual balancing mechanism.

Consideration of this data and the application of ERGEG principle #1 suggests that one of the key design elements should be the provisions relating to residual balancing within the Vector Code (section 8).

Shell is supportive of the concept of a single balancing function being developed to serve both pipelines. However, the balancing agent should provide the service in conformance with ERGEG principle #1 whereby each TSO is charged for the residual balancing of its system directly, and should not be designed so that one TSO has to recover its costs from another.

Yours sincerely
Shell Petroleum Mining Limited

A handwritten signature in blue ink, appearing to read 'Murray Jackson', is written over a light blue circular stamp.

Murray Jackson