



27 April 2010

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Dear Ian

Supplement to October 2009 Statement of Proposal

Introduction

1. Mighty River Power welcomes the opportunity to respond to the Gas Industry Company's (GIC's) Supplement to the October 2009 Statement of Proposal. No part of the submission is confidential and Mighty River Power is happy for it to be publicly released.

Comments

2. Whilst we would prefer to see a contract based solution to the problems within pipeline balancing we accept that the GIC intends to adopt a regulatory approach in attempting to resolve these problems.
3. Mighty River Power is however concerned that the regulatory proposal only addresses the upstream issues leaving downstream issues unaddressed. This incremental approach to regulation increases the potential risks to shippers but does not provide them with any of the balancing tools required to assist them in managing these risks. We have consistently raised this point in our submissions to the GIC and are still waiting for an adequate response.
4. We continue to hold the view that if the GIC is to adopt a regulatory approach this should be holistic. This would mean expanding regulation to integrate changes to both the upstream and downstream markets in a single plan.
5. Further to our view on the need for a holistic approach to pipeline balancing we believe that the issues that require priority are in the downstream market. In particular a form a daily allocation process is required as well as the provision of additional tools such as

virtual welded points to allow shippers to better manage their balancing risks. We believe that if these issues were addressed then the volume of balancing gas required would be significantly reduced.

6. There are clearly a number of upstream issues that require attention. However, only once the downstream issues are resolved can there be an accurate evaluation of the likely annual volume of balancing gas required by the industry. You can then evaluate the economics and efficiencies of potential solutions which may or may not necessarily result in you implementing the current Balancing Rules.
7. Mighty River Power looks forward to your response to our concerns about the Balancing Rules.
8. A copy of our submission on the Supplement to the October 2009 Statement of Proposal in the format provided by the GIC is enclosed.

Concluding remarks

9. If you would like to discuss any of our above comments directly with Mighty River Power, then please do not hesitate to me on 06 348 7926 or jim.raybould@mightyriver.co.nz .

Yours sincerely

A handwritten signature in black ink that reads "Jim Raybould". The signature is written in a cursive, slightly slanted style.

Jim Raybould
Retail Gas Operations Manager