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Mr. John Bright  
Adviser  
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Dear John,

Please regard this letter as our submission regarding the VTC Change Request Appeal 27 November 2012 (Balancing). The terms "MDL", "we", "us" and "our" in this letter refer to the Gas Transmission Business of Maui Development Limited.

Because we are not a party to the Vector Transmission Code we would normally not comment on issues relating to it. In this case, however, we note the intention of the Change Request is to improve compatibility with the intended changes to the Maui Pipeline Operating Code (MPOC) for implementing a back-to-back (B2B) balancing regime on the Maui pipeline. We generally support and applaud Vector's initiative in doing this.

We will not comment on any specific changes proposed by Vector. We will leave that for parties to the VTC. However, we do need to comment on a suggestion made by NERA Economic Consulting in a report included as Appendix 2 of the VTC Change Request Appeal.

This suggestion, in the context of invoicing for balancing charges, and with "shippers" meaning VTC Shippers, is for a potential amendment of the MPOC to:

"permit shippers to directly dispute decisions by MDL (e.g., by stepping into/taking on Vector's dispute rights), and indeed for shippers to be invoiced directly by MDL".

We submit this suggestion is inappropriate for a variety of reasons, including the following.

- a) The MPOC is based on Operational Balancing Agreement (OBA) Principles under which Operational Imbalances at a Welded Point are allocated to the Welded Party, and the Welded Party is responsible for seeking to minimize such imbalances. The notion that MDL would send balancing invoices to any shippers would be in contradiction to those OBA Principles.
- b) It is incorrect to suggest that Vector is merely a middleman between MDL and VTC Shippers. (Apart from the fact that MDL would not send any balancing invoices to shippers anyway.) Balancing actions taken by MDL may be caused by Vector too. There can also be circumstances in which they could be avoided through preventative actions by Vector. For example, if it has an operational imbalance at its Welded Points then Vector could make calls or puts of balancing gas itself.
- c) If invoicing disputes are indeed caused by VTC Shippers attempting to capture the time value of money from delaying payment, then it is no solution to simply pass on those disputes to MDL.
- d) If Vector is prevented from resolving disputes with its shippers in a reasonable time frame then it is certainly not a solution in our view to transfer those disputes to MDL.

- e) The MPOC dispute procedures are available to Shippers and Welded Parties using the Maui Pipeline. Most, if not all, Vector shippers are able to use them if they dispute MDL's balancing procedures.

For these reasons, it should be obvious that we will not support the suggestion made by NERA.

Point d) above also indicates the real problem in our view that NERA was trying to address. The real problem is an inability to resolve disputes quickly and efficiently.

We acknowledge that this problem can exist for disputes under the MPOC too. In the interest of increasing compatibility between the MPOC and the VTC, we would be happy to work with Vector and the industry to redesign efficient and effective dispute resolution procedures that can replace the current provisions in both codes.

On the assumption that parties to the MPOC and the VTC normally interact with each other in good faith, we expect such an outcome could be supported by everyone.

We have appreciated the opportunity to provide this submission. For any additional questions or clarifications please do not hesitate to contact us.

Yours sincerely,

A handwritten signature in purple ink, appearing to read "D. E. Gray". The signature is stylized with a large, looped initial "D" and a cursive "E" and "Gray".

General Manager, Commercial Operator  
Maui Development Limited