



22 January 2013

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Dear Ian,

Vector Transmission Code Change Request Appeal 27 November 2012

Introduction

1. Mighty River Power welcomes the opportunity to provide this submission on Vector Transmission's (Vector) 27 November 2012 Change Request appeal to the Gas Industry Company (GIC). No part of the submission is confidential and Mighty River Power is happy for it to be publicly released.

Comments

2. Mighty River Power considers the Vector Change Request to be in three parts, two of which are technical changes that are required to align the Vector Transmission Code (VTC) with the changes due to be implemented to the Maui Pipeline Operating Code (MPOC) on 1 June this year. The proposed third and the contentious element of the change request is commercial in nature.
3. Mighty River Power supports the need to progress changes to the VTC to align it with the MPOC changes recommended by the GIC and due to be implemented on 1 June this year.
4. The two technical changes proposed in Vector's change request are designed to align the VTC and the MPOC and we agree that these changes are necessary. We do not however believe that the commercial change is necessary or that it is appropriate to be included within this change request. The proposed commercial change dilutes Shipper rights to raise legitimate balancing gas disputes whilst at the same time reducing Vector's financial risk.

5. The first of the proposed technical changes is the elimination of the application of Imbalance Limit Overrun Notices and associated processes from the VTC. We support this change as it is required to facilitate the introduction of back to back gas balancing in June.
6. The second technical change is designed to reflect the new Peaking Charge that will be introduced in June when the new MPOC is implemented. We are generally supportive of the proposed change. We do however have some concerns regarding the potential contribution that Vector may have in creating peaking charges through their management of linepack on their transmission system.
7. We note Vector's comments in their letter of 27 November 2012 in which they state that only Shippers cause the need for linepack to be managed. Whilst this may be true the manner in which Vector chooses to manage their linepack is Vector's and as such they could create a situation where a Peaking Charge is incurred as result of their actions. In such an instance it is only reasonable that Vector should contribute to the costs incurred.
8. Had Vector limited the change request to the two technical changes above then on the balance of probabilities we would have supported it. The industry could then have continued their discussions with Vector on the impact that their management of linepack could have in the creation of Peaking Charges.
9. The final proposed change is a commercial one which is designed to further limit Vector's financial risk associated with their recovery of Balancing and Peaking Pool (BPP) charges.
10. We have two main concerns with regards to this proposed change. Firstly if a Shipper has a valid concern about a balancing gas charge then they can only dispute the invoice with Vector who in turn will take the issue up through their interconnection agreement with MDL. If the GIC were to support the change request as proposed then Shippers would be denied the right to dispute a BPP invoice for any reason other than for a manifest error in Vector's calculations. Shippers' contractual rights are therefore reduced and in our opinion MDL and Vector's monopoly power is increased.
11. We note that Vector has indicated that it is interested in developing "step in rights" for shippers with MDL, however no such rights are currently in place. MDL's position on the introduction of this change is unknown but we wonder what incentive MDL would have to allow the implementation of such "step in" rights.

12. Vector's main justification for this change to the disputes section is that Shippers are using the disputes process to manage their cash flow positions. Vector states this opinion as a fact, it is however only an opinion which to date they have failed to substantiate.
13. Vector's appeal provides information on previous balancing gas disputes in Appendix 3 of their appeal. We note from the information provided that over the last three years there have only been 4 balancing gas disputes, 2 of which were resolved in Vector favour and 2 in Shippers favour. There were no disputes in 2012.
14. As we stated in our submissions on the Vector Invoicing change request appeal, if there are issues with disputes then it is Schedule 3 of the VTC that requires review and if necessary amendment to ensure that vexatious disputes are quickly dismissed and legitimate disputes are settled quickly and efficiently. This proposed change does nothing to enhance the disputes resolution process but does virtually eliminate a Shipper's right to raise legitimate balancing gas disputes.

Concluding remarks

15. In conclusion Mighty River does not support the Vector change request as currently proposed.
16. If you would like to discuss any of our above comments directly with Mighty River Power, then please do not hesitate to contact me on 06 348 7926 or jim.raybould@mightyriver.co.nz.

Yours sincerely



Jim Raybould
Gas Manager