



22 March 2012

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Dear Ian,

Vector Transmission Code Change Request Appeal 14 December 2011

Introduction

1. Mighty River Power welcomes the opportunity to provide this submission on Vector's Invoicing Change Request 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.
2. As the GIC is aware, we have submitted our own change request with the same objectives as Vector's changes to sections 8.21, 16.19 and 16.20 of the Vector Transmission Code (Code). We have however provided an alternative drafting for these proposed changes.
3. At the time of writing, Vector has declined to implement our change request which had 100% support from the 6 shippers who voted on it.
4. Mighty River Power did not support Vector's change request when it was originally proposed to us, and our position on the change request has not changed.

Comments

5. We are disappointed that Vector chose to include a number of different changes to the Code within their change request, some of which we support but others we do not. Vector by doing this required shippers to make a judgement on the overall acceptability of their change request, rather than on the merits of the individual changes. It is our opinion that changes to the Code should always be assessed on their individual merits rather than as part of a package of changes.

6. Section 8.13 is in our opinion the first major change to the Code. We appreciate that in the past Vector has stated that it has had some difficulties with the allocation of peaking charges in line with the Code. We believe however that Vector has sufficient time from the peaking event until the 14th of the following month when the Balancing and Peaking Pool (BPP) invoices are issued to obtain all the information it requires to apply section 8.13 as written.
7. If Vector has problems obtaining all the relevant information that they require to comply with section 8.13 then they should clearly state what information that they are unable to obtain and from whom. If and only if, the industry cannot resolve these issues would Mighty River Power support this change.
8. Section 8.21 is a section that Mighty River Power included in our own change request. We support the purpose of this amendment but naturally we prefer the drafting of our revised version of this section
9. Mighty River Power is opposed to the implementation of the proposed new section 8.36. This new section requires a shipper to provide a prudential security for themselves and then to be responsible for the payment of any insolvent shipper's unpaid accounts.
10. The proposed new section 8.36 is based on any unpaid monies by insolvent shippers being paid by both Code and Non-Code shippers. Should the Non-Code shippers refuse to amend their agreements with Vector, to include a similar clause this will then impose even greater financial obligations on Code Shippers.
11. In our opinion Vector already has sufficiently cover against the risk of an insolvent shipper defaulting through the Code's prudential requirements. That Vector now proposes to implement a fall back position that requires solvent shippers to cover any unpaid BPP accounts by insolvent shippers is unacceptable to Mighty River Power.
12. We support the proposed changes in section 14.5 but not the remaining changes to section 14, Prudential Requirements.
13. Mighty River Power does not support the proposed changes to the disputes procedures in section 16.7. Vector's proposal introduces an unnecessary complication into the current arrangements which are well established throughout the gas industry. In our opinion the disputes process should remain as it is.

14. The proposed changes to section 16.19 and 16.20 like section 8.21 have the same objectives as our proposed Code amendment therefore we support this change but prefer the drafting contained in our change request.
15. We support the remaining changes within Vector's change request which in our opinion are either minor in nature or associated with the above proposed changes within the Code.

Concluding remarks

16. In summary Mighty River Power is disappointed that Vector chose to include a number of controversial and non-controversial changes in its change request rather than submitting a series of smaller change requests.
17. Having considered the change request as a whole we regret that in our opinion, its negative aspects outweigh the positives and therefore we cannot support its adoption and implementation.
18. 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
Gas Manager