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Submission on Gas Critical Contingency Management

Vector welcomes the opportunity to submit on the Gas Critical Contingency Arrangements Short Form Consultation Paper.

As a significantly affected party, Vector clearly has an interest in ensuring this issue is dealt with in the most effective and appropriate way and good policy and commercial outcomes are achieved.

Vector is aware that the GIC wishes to finalise its recommendations to the Minister by the end of June, which would set clear boundaries on negotiations in the Service Provider Agreement contract with potential counter parties. While Vector understands that these timetables have been set well in advance, it was difficult then to envisage the bottlenecks that resulted from the amount of work placed on key staff from the combined work relating to the Vector Transmission Code, and the issues relating to the balancing of the Maui Pipeline on top of normal business.

While these issues impact on the wider industry at large, Vector is in a relatively unique position on these matters and needs to ensure the arrangements do not inadvertently increase its risk position or cost, without due commercial consideration. Vector must consider these regulations from a range of different perspectives including technical, operational, transmission commercial, gas wholesale, Vector commercial and from a wider industry good perspective.

Given the above issues, and accepting partial responsibility for contributing to the delay to date, this issue is an important one to get right and Vector is committed to ensuring that good outcomes are achieved. To that end Vector would be interested in meeting with the appropriate staff in the Gas Industry Company as soon as practicable to go through the draft regulations to identify where the key areas of potential conflict lie with the Service Provider Agreement and what will result in a workable solution. To establish the regulations prior to some form of agreement on the Service Provider Agreement runs the risk of sub optimal outcomes for Vector and the wider gas sector.

To facilitate that meeting we attach with this submission a copy of Vector's initial mark up of the last set of draft regulations, together with comments on the latest draft. The two sets of mark-ups and comments should be read together.

We have separately raised a number of issues with the draft Service Provider Agreement, which we will not re-iterate in detail here. We do note, however, that Vector believes

that the CCO's liability should be limited, that unilateral changes to the obligations of the CCO are unacceptable and that the CCO should be able to recover all of its costs.

Thank you for considering this submission. To arrange a meeting to discuss these issues or if you have any queries, or require further information, please feel free to contact me at ewan.gebbie@vector.co.nz or 04 462 8657.

Kind regards

A handwritten signature in black ink that reads "Ewan Gebbie". The signature is written in a cursive style with a small flourish at the end.

Ewan Gebbie

Group Manager Regulatory Performance

Appendix A: Recommended Format for Submissions

QUESTION	COMMENT
<p>Q1: Are the proposed threshold limits (or the ranges for those limits) set at an appropriate level?</p>	<p>Vector believes the Maui Pipeline figures to be reasonable.</p> <p>Vector cannot however, at this stage, give a final comment on the figures for the Vector Transmission System. The diversity of load, geography and the high regional operating pressure differentials associated with the Vector Transmission System mean that considerable work is required before we could confirm the figures.</p> <p>To complete this work, data will need to be obtained from Shippers and/or Retailers on the magnitude and number of consumers in each of the existing shedding bands in the NGOCP supplied from each delivery point on the Vector Transmission System. We would be grateful if the GIC could assist us in obtaining this data from relevant parties.</p> <p>Vector and other industry participants have previously raised issues with hard-coding limits into the regulations. If limits are to be included, it is sensible for a mechanism to be included for these limits to be changed by the relevant TSOs if they become unworkable – and this mechanism cannot be via a change to the regulations, as the timeframe associated with a change to the regulations would be too long.</p> <p>It should also be raised here from a commercial perspective that the MPOC and VTC use line pack levels rather than pressure and time, and it would be difficult for a party such as Vector to contract for arrangements that may conflict with existing arrangements. Further, the GIC has not picked up on Vector's request that thresholds also be included for other events that previously fell under the scope of the NGOCP – for example, non-specification gas and odourisation issues. Vector still believes that thresholds for these other types of event should be included.</p>

QUESTION	COMMENT
<p>Q2: Do you consider the definitions of positive and negative contingency imbalances are appropriate? If not, please explain why.</p>	<p>No. The definitions now include the concept of contractual entitlement. Vector does not believe this is a meaningful term in the context of the MPOC, the VTC and many ICAs on the Vector Transmission System. Meaningful concepts are the Scheduled Quantity on the Maui Pipeline, Shippers' Receipt Quantities on the Vector Transmission System (as determined by section 6 of the Vector Transmission Code) and Nominated Quantities for other interconnected parties on the Vector Transmission System.</p> <p>Vector believes that the relevant TSOs need to perform a scenario analysis using actual data to test the workability and outcomes of the definitions and associated provisions before the regulations are finalised. Vector will be doing this using data for its system and will make the results available to the GIC.</p>
<p>Q3: Do you agree that a process for correcting material errors in contingency imbalances is desirable?</p>	<p>Conditionally agreed and supported in principle.</p> <p>In practice however, the six month period specified will not be sufficiently long enough to pick up a sufficient proportion of errors, especially if the error relates to a meter.</p>
<p>Q4: What is your view of the proposed two-stage process for setting the critical contingency price?</p>	<p>Vector supports this proposed two stage process but thinks a mechanism needs to be added to deal with affected parties having serious concerns about the price.</p>
<p>Q5: Do you consider the definition of regional critical contingency is sufficiently unambiguous? If not, how do think it should be improved?</p>	<p>No. Vector thinks that the word "region" should be defined – either by words, or via a map.</p>
<p>Q6: Do you agree with the appeal process for the designation of consumers as minimal load consumers and essential service providers?</p>	<p>Yes.</p>

QUESTION	COMMENT
<p>Q7 Are there any other changes to the proposed Regulations that you wish to comment on?</p>	<p>Please refer to the attached marked up copies of the regulations.</p> <p>Further, we note the following:</p> <ul style="list-style-type: none"> (a) Vector has not yet been able to convince itself that the regulations which state that contractual provisions are overridden will be effective. We understand that regulations are different from statute and that they may be insufficient to achieve the outcomes necessary here. Any assistance that the GIC might give us on this point would be appreciated. Vector's exposure is significant if the regulations are not sufficient to override the contracts. (b) It does not seem equitable that the GIC proposes that parties who are required to relinquish entitlement to gas to other parties during the CC will only be recompensed for the proportion of payments that the GIC is able to claim back from the parties who consumed the gas (Regulation 73 (4)). (c) Development and Ongoing Fees are designed around the CCO absorbing the costs of developing systems and processes and recovering those as part of Ongoing Costs. If that does not turn out to be the case and the larger proportion of costs go into the Development Fee then it does not seem equitable that only parties buying from the Gas Producers in the 28 days after the commencement date absorb those costs. (d) Further consideration needs to be given to the role of Distribution System owners. These parties stand between the transmission systems and the customers which these regulations currently affect. At the very least, they should be required to not act in a manner inconsistent with the regulations.
<p>Q8 Are there any other areas related to implementation that should be included within the terms of reference of CMIG?</p>	