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Dear Andrew

**SUBMISSION ON EXEMPTIONS UNDER THE
GAS (DOWNSTREAM RECONCILIATION) RULES 2008**

Vector Limited ("Vector") welcomes the opportunity to submit on the proposal by the Gas Industry Company ("GIC") to extend all nine existing Exemption Notices under the Gas (Downstream Reconciliation) Rules 2008 ("the Rules") for two more years, until 30 September 2012.

Vector supports this proposal, which will ensure system certainty and continuity while the GIC is undertaking its comprehensive review of the Rules. The extension of these exemptions will allow the GIC to appropriately reassess the particular cases that are the subject of these exemptions and develop a more integrated solution on how they should be treated under the Rules.

The continuation of the Exemption Notices will also ensure that industry participants subject to the exemptions, who would otherwise have to bear the costs of non-compliance with the Rules, are not disadvantaged during the review period.

For completeness, we have attached as Appendix A the reasons that were submitted in the applications for each of the exemptions, particularly those relating to injection information, unmetered gas gates and oversized metered gas gates. Updates are indicated in italics.

Thank you for considering this submission. If you have any questions, or require further information, feel free to contact me at John.Rampton@vector.co.nz or 04 803 9036.

Kind regards

A handwritten signature in blue ink, appearing to read "John Rampton", is written over a light blue horizontal line.

John Rampton

Manager Industry Governance and Policy

Appendix A: Responses to Specific Questions

Submission from: Vector Limited

Contact: John Rampton, Manager Industry Governance and Policy, John.Rampton@vector.co.nz, Tel 04 803 9036

Question	Comment
Q1: Do submitters have any comments on the proposed variation to the global 1-month UFG methodology exemptions?	No comment.
Q2: Do submitters have any comments on the proposed variation to the direct connect gas gates exemptions?	<p>Vector supports the proposed variation to the direct connect gas gate exemptions.</p> <p>We note there is no Unaccounted-for-Gas to be allocated at direct connect gas gates. The exemption will therefore have no detrimental impact on market competition, other market participants and the allocation agent. Transmission owners will incur costs from performing allocations at the affected gas gates without any benefits.</p> <p>The extension of this exemption will enable the GIC to appropriately reassess during the Review of the Downstream Reconciliation Rules ("the Review") how direct connect gas gates should be treated under the Rules.</p>

Question	Comment
<p>Q3: Do submitters have any comments on the proposed variation to the injection information exemption?</p>	<p>Vector supports the proposed variation to the injection information exemption.</p> <p>Rule 42 requires the publication of estimated day-end volume injection quantities each day. Transmission owners are unable to comply with this rule without incurring significant costs for gas gates without telemetry metering and for gas gates with telemetry metering but without live SCADA data. Full compliance with this rule is likely to lead to increased upstream costs for allocation participants.</p> <p><i>Further, the GIC, in its report of 23 April 2009 on Exemptions Granted in Respect of Rules 41 and 42, considered that continuing the initial exemption was appropriate particularly as Vector was also providing unvalidated daily injection data for 21 telemetry gas gates on SCADA on all days (not just Business Days). The proposed amendment to the Vector Transmission Code at that time has subsequently been completed in this regard and Vector complies with that obligation.</i></p> <p>The extension of this exemption will enable the GIC to appropriately reassess during the Review how injection information should be treated under the Rules.</p>
<p>Q4: Do submitters have any comments on the proposed variation to the oversized metered gas gates exemption?</p>	<p>Vector supports the proposed variation to the oversized metered gas gates exemption.</p> <p>The oversized meters at the affected gas gates are unable to accurately measure the small amounts of gas currently flowing at these gates. Given the variability of gas flows, transmission owners will incur significant costs to replace the meters at these gates.</p> <p>The current exemption provides a suitable alternative arrangement allowing the allocation agent to use consumption information provided by retailers under rules 31, 32 and 33 to estimate injection quantities at the affected gas gates. <i>Vector is not aware of any issues arising from this exemption.</i></p> <p>The extension of this exemption will allow the GIC to appropriately consider during the Review how oversized metered gas gates should be treated under the Rules.</p>

Question	Comment
<p>Q5: Do submitters have any comments on the proposed variation to the unmetered gas gates exemption?</p>	<p>Vector supports the proposed variation to the unmetered gas gates exemption due to the significant costs that will be incurred by transmission owners to install meters at the affected gas gates.</p> <p>The current exemption provides a suitable alternative arrangement allowing the allocation agent to use consumption information provided by retailers under rules 31, 32 and 33 to estimate injection quantities at the affected gas gates. <i>Vector is not aware of any issues arising from this exemption.</i></p> <p>The extension of this exemption will allow the GIC to appropriately consider during the Review how unmetered gas gates should be treated under the Rules.</p>