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31 March 2010

Ian Dempster
Principal Adviser - Markets
Gas Industry Company
PO Box 10-646
Wellington

Dear Ian

**SUBMISSION ON SWITCHING OPERATIONS
AND COMPLIANCE**

Vector Limited ("Vector") welcomes the opportunity to submit on the Gas Industry Company's ("GIC") consultation paper on the operation of the Gas (Switching Arrangements) Rules 2008 and the associated compliance processes governed by the Gas Governance (Compliance) Regulations 2008.

We appreciate the GIC clarifying and correcting ambiguities and potential inconsistencies between the gas registry and the rules and regulations.

Our responses to specific questions are indicated in the attached submission form.

If you have any queries, or require further information, please feel free to contact me at John.Rampton@vector.co.nz or 04 803 9036.

Kind regards

A handwritten signature in black ink, appearing to read "John Rampton".

John Rampton
Manager Industry Governance and Policy

Appendix D Recommended Format for Submissions

Submission from: John Rampton, Manager Industry Governance and Policy, Vector Limited
John.Rampton@vector.co.nz; 04 803 9036)

Question	Comment
<p><i>Q1: Do participants agree with the proposed approach (currently adopted by Jade and Gas Industry Co) to disregard NEW, DST and RET breaches on the maintenance breach report)? Should alternative arrangements be put in place for assessing compliance with these rules or is it sufficient for breaches to be alleged on an ad hoc basis as they arise?</i></p>	<p>Vector agrees with the GIC’s proposed approach of disregarding NEW, DST and RET breaches in the maintenance breach report. We do not believe alternative arrangements are necessary and consider that ad hoc reporting by industry participants is sufficient.</p> <p>The consultation document notes that participants in the electricity market are not required to report relatively minor breaches to market participants. If some degree of discretion is given to providers of electricity (an essential energy source), we cannot see any reason why a more restrictive arrangement is imposed on providers of a discretionary fuel such as gas.</p> <p>Aligning gas breach reporting requirements with the electricity market arrangement will minimise confusion for industry participants, particularly dual fuel providers. Given that 92% of gas breach reports are determined to be immaterial, this will reduce time and costs spent on minor breaches which have no significant effect on the market.</p>
<p><i>Q2: Do participants believe that further automating the production of breach reports and notices, and the inclusion of extra information, would be beneficial in the longer term?</i></p>	<p>It would be sensible to automate the production of breach reports and notices and to include “extra information”. Automation will likely reduce the Market Administrator’s workload and costs in the longer term.</p> <p>We would appreciate being consulted further, formally or informally, on the information that is intended to be added, in the event that a decision is made to automate this process.</p>

Question	Comment
<p><i>Q3: Do participants have any further suggestions for the enhancement of the compliance process or to reduce the compliance burden (assuming that changes to the Compliance Regulations will not be progressed in the near future)?</i></p>	<p>Vector has no further issues regarding the compliance process at this stage.</p>
<p><i>Q4: Do participants support the proposed amendment to the registry which would remove the option to re-submit a GNW if the first GNW request were rejected? Do participants agree that following receipt of a GAN or GTN the option to request a switch withdrawal should be re-opened and unlimited withdrawal requests should be allowed?</i></p>	<p>Vector does not support allowing subsequent GNWs once the first GNW request is rejected. Allowing unlimited withdrawal requests is likely to trigger more breaches as parties keep requesting or rejecting them. This does not provide incentives for industry participants to resolve issues amongst themselves.</p>
<p><i>Q5: If the registry is amended as per the proposal do participants consider that this gives effect to the purpose of rule 78.5? In conjunction with this change, would it be appropriate for Gas Industry Co to issue a blanket exemption or a guideline note to amend or clarify the purpose of the rule?</i></p>	<p>As indicated in our response to Q4, we do not support allowing unlimited withdrawal requests.</p> <p>In the event that a decision is made to implement this proposal, it would be appropriate and helpful for the GIC to issue some guidance clarifying the purpose of this rule.</p>
<p><i>Q6: In the longer term do participants feel that it is necessary for a rule change to clarify rule 78.5?</i></p>	<p>We do not believe it is necessary to change rule 78.5.</p>

Question	Comment
<p><i>Q7: Do participants agree that a change is necessary to the method used by the registry for calculating days overdue where non-business days are involved? Would participants prefer that breaches which are 'zero' business days overdue not be reported or that the count of days overdue for such breaches be the number of calendar days?</i></p>	<p>Vector does not agree that a change is necessary for calculating days overdue with regard to "non-business" days, and prefers that breaches which are "zero" business days overdue not be reported.</p> <p>We believe that in the vast majority of cases, this issue has no adverse effect on the gas market. Counting days overdue based on the number of calendar days will require meter readers to be on site on particular days just to avoid a breach. This will increase costs to market participants without significant benefits, given that this issue is likely to be immaterial in most cases.</p> <p>We believe that concerns regarding how days are counted for breach reporting purposes will be alleviated with the increasing use of TOU metering.</p>
<p><i>Q8: Do participants agree that it is sufficient to rely on manual reporting of potential breaches of rule 72.2 or is there a preference for the registry to be amended to automatically flag where an actual switch date falls after a requested switch date?</i></p>	<p>We agree that it is sufficient to rely on manual reporting of potential breaches of rule 72.2.</p> <p>The registry currently does not have the capability to flag actual switch dates that fall after the requested switch dates because it does not hold billing information. Amending the registry to provide this capability will be at a substantial cost to industry. As this will merely address a non-systemic or occasional issue, we do not consider this a good use of industry's time and resources.</p>