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Ian Wilson
Gas Industry Co.
PO Box 10-646
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19 January 2009

Re: VTC Change Request Appeal from Contact Energy – Submission on Draft Recommendation

1. Vector Gas Limited ("Vector") refers to the Vector Transmission Code Change Request Appeal: draft recommendation (the "Draft Recommendation") and welcomes the opportunity to both update the GIC on certain matters and to submit on the Draft Recommendation.

Progress Update

2. Vector notes that:
 - a modified CR 4 (a copy of which is attached) has passed and is effective from 1 December 2008;
 - its new banking services provider has questioned whether the BPP Trustee has the power to borrow under the VTC, and Vector has been advised that it probably does not – as per our email to you on 16 December 2008. This is an unexpected development, and one which will need to be covered off by a VTC Change Request. We have a draft CR, and will be submitting it to all Shippers tomorrow. Staff resourcing over the holiday period has prevented us from submitting this sooner. Vector views the omission of the power to borrow as an inadvertent mistake and the product of those involved in the negotiation not being sufficiently aware of trust law, and sees CR 5 as evidence of this. As this new CR will come as a surprise to Shippers, some may seek to amend or add to their submissions on the Draft Recommendation after today's deadline; and
 - draft Deeds of Amendment to cover off CR 6 have been circulated and 2 of the 3 Non-Code Shippers have submitted comments on them. The third Non-Code Shipper has not responded despite several attempts by us to solicit comments. The two Non-Code Shippers who have responded have raised completely different points. These are under review, but the matter cannot be progressed until we hear from the third Non-Code Shipper. Vector will agree to one consistent change across the three Non-Code shipping arrangements and accordingly, needs input from all three parties before the Deeds can be agreed. We will approach the third Non-Code Shipper again this week.

Submission

3. For ease of reference we note aspects of the Draft Recommendation below together with Vector's submission:

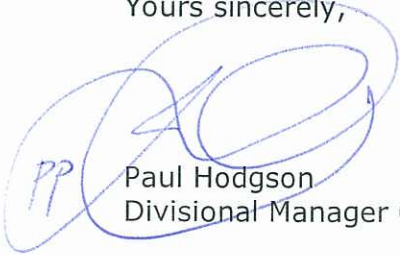
CR	Draft Recommendation	Vector's Submission
4	Vector has validly withheld its consent	<ul style="list-style-type: none"> • Vector agrees with the GIC's recommendation. • Vector notes the various comments in the Draft Recommendation re cost/benefit allocation vis-à-vis the three Non-Code Shippers. Vector cannot of its own accord bring these arrangements to an end nor even to successfully amend them. Despite sanctioning the VTC and, in particular, the balancing arrangements all three of the Non-Code Shippers have reneged on statements that they would bring their Non-Code TSAs in line with the VTC – meaning that Vector is now forced to run more than one balancing regime. Vector would like to see all Shippers on its system subject to the same arrangements – particularly where the actions of one can affect the others, as is the case with balancing.
5	Vector has validly withheld its consent	<ul style="list-style-type: none"> • Vector agrees with the GIC's recommendation. • Vector agrees with the GIC's statement that the "costs of a balancing regime for the industry should fall on those who benefit from it" and is puzzled by the GIC's following statement re cost and benefits associated with non-code shipping arrangements. Open access was for the benefit of all shippers, not just those on VTC arrangements. The Gas that moves pursuant to Non-Code TSAs is not just Maui Legacy

		<p>Gas – accordingly, Vector sees no distinction between what should be required in respect of balancing of both Non-Code Shippers and Shippers. Vector has sought to have all of its shippers subject to the same balancing arrangements but has been thwarted by the actions of Non-Code Shippers.</p>
6	<p>If appropriate Deeds of Amendment can be agreed, this change request is supported</p>	<ul style="list-style-type: none"> • Vector agrees with the Draft Recommendation and refers to its comments in the Progress Update section of this submission. Vector will keep the GIC informed of any relevant developments on this matter.
7	<p>This change request is supported</p>	<ul style="list-style-type: none"> • Vector disagrees with the Draft Recommendation. • The provision of this Vector Running Imbalance information in no way improves the ability of Shippers to check their BPP invoices. It will merely be another piece of information until other changes are successfully made to the VTC. Vector believes that CR 7 should be placed on hold until those other changes and a change requiring the disclosure of Shipper mismatch positions are successfully implemented (via agreement or GIC recommendation). Vector has respected the overwhelming Shipper view that Shipper mismatch positions should not be disclosed and accordingly has not sought, to date, to interfere in what Shippers have described as “commercial matters” by lodging a VTC Change Request re Shipper mismatch disclosure. It is disappointing

		<p>that Shippers are unable to support a consistent approach re transparency. Vector is in favour of both consistency and transparency.</p> <ul style="list-style-type: none"> • Vector further refers to the GIC's comment re encouraging the efficient management of running imbalance and notes that its management of its running imbalance is in accordance with the VTC and will not be affected by, or change as a result of, any disclosure. • For completeness we also note the statement re estimation. The estimation and determination processes are quite different due to the timing of information key to the calculation. The determination processes use data which is, for the most part, not available during the month meaning that estimates and actuals for a particular day may be quite different.
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4. In this submission we have focused on the Draft Recommendation paper and not on the cross-submissions by other affected parties. We ask that if, for the Final Recommendation, the GIC is to rely on or emphasise any point raised in a cross-submission, but not in the Draft Recommendation, that it notify Vector and all affected parties so that all parties have time to submit directly on the cross-submissions before the Final Recommendation is made.
5. If you have any questions regarding this update and submission please contact me or Jo Murray directly.

Yours sincerely,



Paul Hodgson
Divisional Manager Gas Transportation

Jo Murray

From: Jo Murray
Sent: Tuesday, 18 November 2008 4:22 p.m.
To: 'alex.love@contact-energy.co.nz'; Anna Carrick; 'Blair Boswell'; Charles Teichert; davidemerson@multigasnz.com; 'Duncan.Jared@mightyriver.co.nz'; 'Jim Raybould - MRP'; Jim Seymour; 'Lara'; 'Michael Ram'; 'Roger.Johnston@genesisenergy.co.nz'; 'Syd Hunt'; Wray, Sharon
Cc: Paul Hodgson; Steve Kirkman; Bob Sheppard; 'Todd Spencer'; 'Sam Jaffray'
Subject: Urgent: VTC Change Request (Vector CR4)
Importance: High
Attachments: 081118 VTC Change Request (Vector CR 4).pdf; Contact CR 4 Marked-Up.pdf

All,

In accordance with section 25 of the VTC, attached is a VTC Change Request addressing improvements to drafting in section 8 of the VTC and correcting a specific error regarding the calculation of Vector's contribution to the BPP Account. For ease of reference, we suggest this amendment be known as "Vector CR 4".

This VTC Change Request is exactly the same as that previously submitted by Contact Energy ("Contact") as "Change Request 4" with one main (and one minor difference). The main difference is that Contact's insertion of an obligation into sections 8.13, 8.18 and 8.19 for Vector to chase defaulting Non-Code Shippers has been removed. The minor difference is that Contact's references to various sections as "paragraphs" have been changed to "sections". We have marked-up the changes to the operative parts of Contact's CR 4 on an attached pdf to clearly show you these differences.

Contact's CR 4 has been appealed to the GIC – in essence because Vector did not consent to the insertion of the "chasing" obligation. It is important that we get the other parts of this change request passed now though, as:

- a number of improvements to drafting are included; and
- otherwise Vector will be under-contributing to the BPP Account and as a result, that account will need to be in overdraft on an ongoing basis – with the costs of that overdraft facility being borne by Shippers. With cash-outs coming through every few days from mid-Dec, this is accordingly a useful change for Shippers.

If this change request passes, then the GIC will then need only address whether the "chasing" obligation should be inserted.

As it is just after 4pm, the due date for consents/rejections of this Change Request is 9 December 2008.

If you have any queries regarding Vector CR 4 then please call me.

Kind regards, Jo

Jo Murray

Commercial Manager - Gas Transportation

Vector Gas Limited

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Email: jo.murray@vector.co.nz

VTC CHANGE REQUEST

18 November 2008

Change Request

Pursuant to section 25 of the Vector Transmission Code, Vector wishes to amend the Code in accordance with this Change Request, for the reasons explained in paragraph 3 (below), as follows.

1. Delete section 8.12 and replace it with the following:

^{xx}To the extent that Vector, as a Welded Party, makes any payment to MDL pursuant to the indemnity in section 12.13 of the MPOC and has acted as a Reasonable and Prudent Operator:

(a) each Shipper who has a negative Running Mismatch on the Pipeline with the relevant Welded Point at the time to which that indemnity relates shall pay into the BPP Account the proportion of that indemnity payment allocated to them as calculated pursuant to the Shipper Allocation Formula, where, for the purposes of that formula, the relevant Day is the time to which that indemnity relates. The BPP Trustee will pay such amounts out of the BPP Account to Vector; and

(b) where Vector has a negative Vector Running Imbalance on the Pipeline with the relevant Welded Point at the time to which that indemnity relates, it shall be allocated and pay into the BPP Account an amount equal to the Vector Costs less the NCS Costs (each as defined in the Shipper Allocation Formula) then multiplied by the proportion that any negative Vector Running Imbalance on that Pipeline bears to the aggregate of any negative Vector Running Imbalance plus all Shippers' negative Running Mismatch on that Pipeline on the Day to which that indemnity relates.

Vector shall use its reasonable endeavours to cause Non-Code Shippers to pay into the BPP Account the relevant proportion of the indemnity payment attributable to them."

2. Delete section 8.13(a) (but not the introductory words of section 8.13) and replace it with the following:

^{xx}(a) an Incentives Pool Debit arising from an Excess Daily Imbalance in respect of a Day (the Claim Day) then the BPP Trustee shall make a payment out of the BPP Account to Vector or, if Vector requests, the Incentives Pool Trustee. The amount payable by Vector to the Incentives Pool Trustee will, in relation to a Pipeline, be allocated to Shippers and Vector as follows:

(i) to each Shipper who has a negative Mismatch on that Pipeline on the Claim Day in the proportion calculated pursuant to the Shipper Allocation Formula, where for the purposes of that formula, the relevant Day is the Claim Day, each reference to Running Mismatch is deemed to be replaced by a reference to Mismatch and each reference to Vector Running Imbalance is deemed to be replaced by a reference to Vector Imbalance; and

(ii) where Vector has a negative Vector Imbalance on that Pipeline on the Claim Day, the amount allocated to Vector shall be equal to the Vector Costs less the NCS Costs (each as defined in the Shipper Allocation Formula) then multiplied by the proportion that any negative Vector Imbalance on that

Pipeline bears to the aggregate of any negative Vector Imbalance plus all Shippers' negative Mismatch on that Pipeline on that Claim Day,

and Vector and each such Shipper shall pay the amount so allocated to it into the BPP Account; or"

3. Delete section 8.13(b) and replace it with the following:

^{xx}(b) a Peaking Limit being exceeded on a Day, the BPP Trustee shall make a payment out of the BPP Account to Vector or, if Vector requests, to the Incentives Pool Trustee. Where Vector, acting reasonably, determines such cost is on account of Gas delivered to:

(i) one Shipper only and not to a Non-Code Shipper, that Shipper shall pay the total amount of such cost into the BPP Account;

(ii) more than one Shipper, or one or more Shippers and any Non-Code Shipper(s), Vector shall divide such cost among those Shippers and the Non-Code Shippers (if applicable) in the proportion that Vector identifies each Shipper's or Non-Code Shipper's Gas contributed to that cost, and each Shipper shall pay into the BPP Account any part of such cost so allocated to it; or

(iii) more than one Shipper, or one or more Shippers and any Non-Code Shipper(s), but Vector is unable to identify to which of them the cost should be allocated under paragraph (b)(ii) above, Vector will divide the cost among all those Shippers and the Non-Code Shipper(s) (if applicable) on the Pipeline on which the Welded Point is located and for which that cost was paid, in the proportion that each Shipper's and Non-Code Shipper's quantity of Gas delivered on that Day on that Pipeline bears to the aggregate quantity of Gas so delivered on that Day on that Pipeline, and each Shipper shall pay into the BPP Account any part of the cost allocated to it,

except that, to the extent that Vector has contributed to the Peaking Limit being exceeded by failing to act as a Reasonable and Prudent Operator, Vector shall pay the amount of such cost into the BPP Account (and the amount payable by a Shipper under section 8.13(b)(i), (ii) or (iii) shall be reduced accordingly). For the purpose of this section 8.13(b), a reference to a "Shipper" will not include any Shipper (and a reference to a "Non-Code Shipper" will not include any Non-Code Shipper) who has demonstrated to Vector's reasonable satisfaction that it did not cause Vector to incur, or contribute to Vector incurring, that cost."

4. In sections 8.14(c), 8.14(d) and 8.14(e), add the words "by that Claiming Shipper" after the word "claim" in each place that the word "claim" appears in those sections.

5. At the end of section 8.17(c), add the words "less any amounts recovered from Non-Code Shippers pursuant to section 8.16(b)".

6. Delete sections 8.18(a) and (b) (but not the introductory words of section 8.18) and replace them with the following:

^{xx}(a) where Vector purchases Gas, the BPP Trustee shall make a payment out of the BPP Account to Vector or, if Vector requests, the Gas Provider who sold such Gas. Each Shipper who has a negative Running Mismatch on the relevant Pipeline on the BPP Allocation Day shall purchase a quantity of Gas from Vector. Such quantity shall be calculated by dividing the quantity of Gas so purchased by Vector among all

Shippers and Non-Code Shippers with a negative Running Mismatch on the relevant Pipeline on the BPP Allocation Day in accordance with this section 8.18(a). Title to such Gas shall be deemed to have passed on the BPP Allocation Day. Each such Shipper shall pay into the BPP Account the proportion of costs paid by Vector in relation to the purchased Gas that such Shipper's negative Running Mismatch on that Pipeline on the BPP Allocation Day bears to the aggregate of all Shippers' and all Non-Code Shippers' negative Running Mismatch, in each case on that Pipeline and on the BPP Allocation Day;

(b) where Vector sells Gas, Vector shall pay the proceeds of such sale into the BPP Account. Each Shipper who has a positive Running Mismatch on the relevant Pipeline on the BPP Allocation Day shall sell a quantity of Gas to Vector. Such quantity shall be calculated by dividing the quantity of Gas so sold by Vector among all Shippers and Non-Code Shippers who have a positive Running Mismatch on the relevant Pipeline on the BPP Allocation Day in accordance with this section 8.18(b). Title to such Gas shall be deemed to have passed on the BPP Allocation Day. Each Shipper shall be entitled to receive from the BPP Account the proportion of funds received by Vector for the sale of such Gas that such Shipper's positive Running Mismatch bears to the aggregate of all Shippers' and all Non-Code Shippers' positive Running Mismatch, in each case on that Pipeline and on the BPP Allocation Day."

7. Delete section 8.19 of the Code and replace it with the following:

"If, for a Day, a payment is required as a result of a Cash-out then:

(a) where Vector purchases Gas, the BPP Trustee shall make a payment out of the BPP Account to Vector or, if Vector requests, the Gas Provider who sold such Gas. Each Shipper who has a negative Running Mismatch on the relevant Pipeline on the BPP Allocation Day shall purchase a quantity of Gas from Vector. Such quantity shall be calculated and allocated by dividing the quantity of Gas so purchased by Vector from the Gas Provider among all Shippers with a negative Running Mismatch and Vector, if it has a negative Vector Running Imbalance, in each case on the relevant Pipeline on the BPP Allocation Day, in accordance with sections 8.19(a)(i) and (ii). Title to such Gas shall be deemed to have passed on the BPP Allocation Day. The costs paid by Vector in relation to the purchased Gas shall be allocated to Shippers and Vector as follows:

(i) each such Shipper with a negative Running Mismatch on the relevant Pipeline on the BPP Allocation Day shall be allocated and pay into the BPP Account an amount calculated pursuant to the Shipper Allocation Formula, where, for the purposes of that formula, the relevant Day is the BPP Allocation Day; and

(ii) where Vector has a negative Vector Running Imbalance on the relevant Pipeline, Vector shall be allocated an amount equal to the Vector Costs less the NCS Costs (each as defined in the Shipper Allocation Formula) then multiplied by the proportion that the negative Vector Running Imbalance on that Pipeline on that BPP Allocation Day bears to the aggregate of any such negative Vector Running Imbalance plus all Shippers' negative Running Mismatch on that Pipeline on that BPP Allocation Day;

(b) where Vector sells Gas, Vector shall pay the proceeds of such sale into the BPP Account. Each Shipper who has a positive Running Mismatch on the relevant Pipeline on the BPP Allocation Day shall sell a quantity of Gas to Vector. Such quantity shall be calculated by dividing the quantity of Gas so sold by Vector among all Shippers who have a positive Running Mismatch and Vector, if it has a positive Vector Running Imbalance, in each case on the relevant Pipeline on the

BPP Allocation Day, in accordance with sections 8.19(b)(i) and (ii). Title to such Gas shall be deemed to have passed on the BPP Allocation Day. The proceeds of such sale shall be allocated to Shippers and Vector and paid out of the BPP Account as follows:

(i) each Shipper shall be entitled to receive from the BPP Account an amount calculated as follows:

$$\frac{\text{Amount Payable to a Shipper}}{\text{Shipper's positive RM}} \times (\text{Vector Funds} - \text{NCS Funds})$$

where, in respect of that Pipeline and on the BPP Allocation Day:

Shipper's positive RM means the Shipper's positive Running Mismatch;

Σ SRM means the aggregate of all Shippers' positive Running Mismatch;

VRI means positive Vector Running Imbalance;

Vector Funds means the funds received by Vector for the sale of such Gas; and

NCS Funds means the Non-Code Shippers' funds, calculated as follows:

$$\text{NCS Funds} = \frac{\Sigma \text{NCSRM}}{\Sigma \text{SRM} + \Sigma \text{NCSRM}} \times \text{Vector Funds}$$

where, in respect of that Pipeline and on the BPP Allocation Day:

Σ NCSRM means the aggregate of all Non-Code Shippers' positive Running Mismatch;

(ii) where Vector has a positive Vector Running Imbalance on the relevant Pipeline, Vector shall be entitled to receive from the BPP Account an amount equal to the Vector Funds less the NCS Funds (each as defined in section 8.19(b)(i) above) then multiplied by the proportion that any positive Vector Running Imbalance on that Pipeline on that BPP Allocation Day bears to the aggregate of any positive Vector Running Imbalance plus all Shippers' positive Running Mismatch, in each case on that Pipeline on that BPP Allocation Day."

Reasons for the amendment

8. The proposed changes relating to sections 8.12, 8.13(a), 8.13(b), 8.18 and 8.19 are primarily intended to clarify Vector's obligation to pay amounts allocated to Vector into the BPP Account.

9. The proposed changes to sections 8.14(c), 8.14(d) and 8.14(e) clarify that the relevant "claim" is made by a Claiming Shipper.

10. The proposed change to section 8.17(c) ensures that, to the extent an amount has been recovered from a Non-Code Shipper, Vector and Shippers will be liable to pay

an amount equal to the Adjusted Verified Claim less the amounts recovered from each such Non-Code Shipper.

11. The proposed changes to sections 8.19(a) and (b) rectify an error in the amount payable by, or to, Vector in respect of the BPP Account. The new wording removes the erroneous references to Non-Code Shippers' negative/positive Running Mismatch. A Powerpoint example of the current wording in operation, indicating the error, is appended together with an example of how things would work under the change proposed here.

Intended impact and effect of amendment

12. We describe in more detail below the Intended Impact and effect of each of the changes proposed above:
- (a) The proposed changes to section 8.12 expressly allocate the costs of any payment made to MDL pursuant to the indemnity in section 12.13 of the MPOC to Vector (as well as to Shippers) based on the proportion of that cost they are each responsible for (which, in the case of Vector, depends on the negative Vector Running Imbalance).
 - (b) The proposed changes to section 8.13(a) are intended to make it clear that the amount that can be allocated to Vector under section 8.13(a)(ii) is based on the Vector Costs less the NCS Costs (each as defined in the Shipper Allocation Formula).
 - (c) The proposed changes to section 8.13(b) are to make subparagraphs (ii) and (iii) internally consistent by adding appropriate references to "Non-Code Shippers".
 - (d) The proposed changes to each of sections 8.14(c), 8.14(d) and 8.14(e) are intended to make it clear that the "claim" referred to in each of those sections is a claim made by the relevant Claiming Shipper.
 - (e) The proposed change to section 8.17(c) is intended to ensure that Vector and Shippers shall not be liable under section 8.17 to pay into the BPP Account any amounts that have been recovered from Non-Code Shippers under section 8.16(b). As currently drafted, Vector and Shippers would potentially be liable for the entire amount of the Adjusted Verified Claims of all Claiming Shippers as determined under section 8.16(a).
 - (f) The proposed changes to sections 8.18(a) and (b) are to make those sections internally consistent by adding appropriate references to "Non-Code Shippers".
 - (g) The proposed changes to section 8.19 are intended to clearly specify how the costs of Gas purchased by Vector in connection with a Cash-out (in the case of section 8.19(a)) and sold by Vector in connection with a Cash-out (in the case of section 8.19(b)) are to be allocated between Shippers and Vector (based on, in the case of Shippers, their respective Running Mismatch positions and, in the case of Vector, the Vector Running Imbalance).

Effective Date of this amendment

13. The Effective Date for this amendment (as set out in this Change Request) is 1 December 2008.

We consent to the amendment to the Code as set out in this Change Request:

Vector Gas Limited

E-Gas Limited

Greymouth Gas New Zealand Limited

Mighty River Power Limited

On Gas Limited

Vector Gas Contracts Limited

Wanganui Gas Limited

Contact Energy Limited

Genesis Power Limited

Nova Gas Limited

4. **Change Request 4 - Matching payments in and out of the BPP Account**

This Change Request proposes several clarifications or changes to the way in which the amounts to be paid into and out of the BPP Account are calculated.

Pursuant to section 25 of the Code, it is proposed the Code is amended as follows:

4.1 **Change Request**

(a) Delete section 8.12 and replace it with the following:

To the extent that Vector, as a Welded Party, makes any payment to MDL pursuant to the indemnity in section 12.13 of the MPOC and has acted as a Reasonable and Prudent Operator:

- (a) each Shipper who has a negative Running Mismatch on the Pipeline with the relevant Welded Point at the time to which that indemnity relates shall pay into the BPP Account the proportion of that indemnity payment allocated to them as calculated pursuant to the Shipper Allocation Formula, where, for the purposes of that formula, the relevant Day is the time to which that indemnity relates. The BPP Trustee will pay such amounts out of the BPP Account to Vector; and
- (b) where Vector has a negative Vector Running Imbalance on the Pipeline with the relevant Welded Point at the time to which that indemnity relates, it shall be allocated and pay into the BPP Account an amount equal to the Vector Costs less the NCS Costs (each as defined in the Shipper Allocation Formula) then multiplied by the proportion that any negative Vector Running Imbalance on that Pipeline bears to the aggregate of any negative Vector Running Imbalance plus all Shipper's negative Running Mismatch on that Pipeline on the Day to which that indemnity relates.

Vector shall use its reasonable endeavours to cause Non-Code Shippers to pay into the BPP Account the relevant proportion of the indemnity payment attributable to them.

~~Section~~

(b) Delete paragraph 8.13(a) (but not the introductory words of section 8.13) and replace it with the following:

(a) an Incentives Pool Debit arising from an Excess Daily Imbalance in respect of a Day (the Claim Day) then the BPP Trustee shall make a payment out of the BPP Account to Vector or, if Vector requests, the Incentives Pool Trustee. The amount payable by Vector to the Incentives Pool Trustee will, in relation to a Pipeline, be allocated to Shippers and Vector as follows:

- (i) to each Shipper who has a negative Mismatch on that Pipeline on the Claim Day in the proportion calculated pursuant to the Shipper Allocation Formula, where, for the purposes of that formula, the relevant Day is the Claim Day, each reference to Running Mismatch is deemed to be replaced by a reference to Mismatch and each reference to Vector Running Imbalance is deemed to be replaced by a reference to Vector Imbalance; and
- (ii) where Vector has a negative Vector Imbalance on that Pipeline on the Claim Day, the amount allocated to Vector shall be equal to the Vector Costs less the NCS Costs (each as defined in the Shipper Allocation Formula) then multiplied by the proportion that any negative Vector Imbalance on that Pipeline bears to the aggregate of any negative Vector Imbalance plus all Shippers' negative Mismatch on that Pipeline on that Claim Day.

and Vector and each such Shipper shall pay the amount so allocated to it into the BPP Account. ~~Vector shall use its reasonable endeavours to cause Non-Code Shippers to pay into the BPP Account the relevant proportion of the Incentives Pool Debit attributable to them; or~~

~~Section~~

(c) Delete paragraph 8.13(b) and replace it with the following:

(b) a Peaking Limit being exceeded on a Day, the BPP Trustee shall make a payment out of the BPP Account to Vector or, if Vector requests, to the Incentives Pool Trustee. Where Vector, acting reasonably, determines such cost is an account of Gas delivered to:

- (i) one Shipper only and not to a Non-Code Shipper, that Shipper shall pay the total amount of such cost into the BPP Account;
 - (ii) more than one Shipper, or one or more Shippers and any Non-Code Shipper(s), Vector shall divide such cost among those Shippers and the Non-Code Shippers (if applicable) in the proportion that Vector identifies each Shipper's or Non-Code Shipper's Gas contributed to that cost; and each Shipper shall pay into the BPP Account any part of such cost so allocated to it; or
 - (iii) more than one Shipper, or one or more Shippers and any Non-Code Shipper(s), but Vector is unable to identify to which of them the cost should be allocated under paragraph (b)(ii) above, Vector will divide the cost among all those Shippers and the Non-Code Shippers (if applicable) on the Pipeline on which the Welded Point is located and for which that cost was paid, in the proportion that each Shipper's and Non-Code Shipper's quantity of Gas delivered on that Day on that Pipeline bears to the aggregate quantity of Gas so delivered on that Day on that Pipeline, and each Shipper shall pay into the BPP Account any part of the cost allocated to it,
- except that, to the extent that Vector has contributed to the Peaking Limit being exceeded by failing to act as a Reasonable and Prudent Operator, Vector shall pay the amount or such cost into the BPP Account (and the amount payable by a Shipper under section 8.13(b)(i), (ii) or (iii) shall be reduced accordingly). For the purpose of this section 8.13(b), a reference to a "Shipper" will not include any Shipper (and a reference to a "Non-Code Shipper" will not include any Non-Code Shipper) who has demonstrated to Vector's reasonable satisfaction that it did not cause Vector to incur, or contribute to Vector incurring, that cost.

~~(d) Adding the following words as a new paragraph immediately after the end of section 8.13(b):~~

~~Where a portion of any payment to be made to the Incentives Pool Trustee as contemplated by sections 8.13(b)(i), or 8.13(b)(ii) is attributable to Non-Code Shippers, Vector shall use its reasonable endeavours to cause the Non-Code Shipper(s) to pay into the BPP Account the portion of any such payment attributable to them.~~

(e) In sections 8.14(c), 8.14(d) and 8.14(e), add the words "by that Claiming Shipper" after the word "claim" in each place that the word "claim" appears in those sections.

(f) At the end of section 8.17(c), add the words "if less any amounts recovered from Non-Code Shippers pursuant to section 8.16(b)".

(g) Delete sections 8.18(a) and (b) (but not the introductory words of section 8.18) and replace them with the following:

(a) where Vector purchases Gas, the BPP Trustee shall make a payment out of the BPP Account to Vector or, if Vector requests, the Gas Provider who sold such Gas. Each Shipper who has a negative Running Mismatch on the relevant Pipeline on the BPP Allocation Day shall purchase a quantity of Gas from Vector. Such quantity shall be calculated by dividing the quantity of Gas so purchased by Vector among all Shippers and Non-Code Shippers with a negative Running Mismatch on the relevant Pipeline on the BPP Allocation Day in accordance with this section 8.18(a). Title to such Gas shall be deemed to have passed on the BPP Allocation Day. Each such Shipper shall pay into the BPP Account the

proportion of costs paid by Vector, in relation to the purchased Gas that such Shipper's negative Running Mismatch on that Pipeline on the BPP Allocation Day bears to the aggregate of all Shippers' and all Non-Code Shippers' negative Running Mismatch, in each case on that Pipeline and on the BPP Allocation Day;

(b) where Vector sells Gas, Vector shall pay the proceeds of such sale into the BPP Account. Each Shipper who has a positive Running Mismatch on the relevant Pipeline on the BPP Allocation Day shall sell a quantity of Gas to Vector. Such quantity shall be calculated by dividing the quantity of Gas so sold by Vector among all Shippers and Non-Code Shippers who have a positive Running Mismatch on the relevant Pipeline on the BPP Allocation Day in accordance with this section 8.19(b). Title to such Gas shall be deemed to have passed on the BPP Allocation Day. Each Shipper shall be entitled to receive from the BPP Account the proportion of funds received by Vector for the sale of such Gas that such Shipper's positive Running Mismatch bears to the aggregate of all Shippers' and all Non-Code Shippers' positive Running Mismatch, in each case on that Pipeline and on the BPP Allocation Day; and

~~(h) Add a new section 8.18(e) as follows:—~~

~~(e) where Vector purchases Gas in accordance with section 8.18(a), and a portion of the cost of that Gas is attributed to Non-Code Shippers, Vector shall use its reasonable endeavours to cause the Non-Code Shippers to pay into the BPP Account the portion of the costs attributed to Non-Code Shippers~~

(i) Delete section 8.19 of the Code and replace it with the following:

If, for a Day, a payment is required as a result of a Cash-out then:

(a) where Vector purchases Gas, the BPP Trustee shall make a payment out of the BPP Account to Vector or, if Vector requests, the Gas Provider who sold such Gas. Each Shipper who has a negative Running Mismatch on the relevant Pipeline on the BPP Allocation Day shall purchase a quantity of Gas from Vector. Such quantity shall be calculated and allocated by dividing the quantity of Gas so purchased by Vector from the Gas Provider among all Shippers with a negative Running Mismatch and Vector, if it has a negative Vector Running Imbalance, in each case on the relevant Pipeline on the BPP Allocation Day, in accordance with sections 8.19(a)(i) and (ii). Title to such Gas shall be deemed to have passed on the BPP Allocation Day. The costs paid by Vector in relation to the purchased Gas shall be allocated to Shippers and Vector as follows:

(i) each such Shipper with a negative Running Mismatch on the relevant Pipeline on the BPP Allocation Day shall be allocated and pay into the BPP Account an amount calculated pursuant to the Shipper Allocation Formula, where, for the purposes of that formula, the relevant Day is the BPP Allocation Day; and

(ii) where Vector has a negative Vector Running Imbalance on the relevant Pipeline, Vector shall be allocated an amount equal to the Vector Costs less the NCS Funds (each as defined in the Shipper Allocation Formula) then multiplied by the proportion that the negative Vector Running Imbalance on that Pipeline on that BPP Allocation Day bears to the aggregate of any such negative Vector Running Imbalance plus all Shippers' negative Running Mismatch on that Pipeline on that BPP Allocation Day;

(b) where Vector sells Gas, Vector shall pay the proceeds of such sale into the BPP Account. Each Shipper who has a positive Running Mismatch on the relevant Pipeline on the BPP Allocation Day shall sell a quantity of Gas to Vector. Such quantity shall be calculated by dividing the quantity of Gas so sold by Vector among all Shippers who have a positive Running Mismatch and Vector, if it has a positive Vector Running Imbalance, in each case on the relevant Pipeline on the BPP Allocation Day, in accordance with sections 8.19(b)(i) and (ii). Title to such Gas shall be deemed to have passed on the BPP Allocation Day. The proceeds

of such sale shall be allocated to Shippers and Vector and paid out of the BPP Account as follows:

(i) each Shipper shall be entitled to receive from the BPP Account an amount calculated as follows:

$$\text{Amount Payable to a Shipper} = \frac{\text{Shipper's positive RM}}{(\sum \text{SRM} + \text{VR})} \times (\text{Vector Funds} - \text{NCS Funds})$$

where, in respect of that Pipeline and on the BPP Allocation Day:

Shipper's positive RM means the Shipper's positive Running Mismatch;

$\sum \text{SRM}$ means the aggregate of all Shippers' positive Running Mismatch;

VR means positive Vector Running Imbalance;

Vector Funds means the funds received by Vector for the sale of such Gas; and

NCS Funds means the Non-Code Shippers' funds, calculated as follows:

$$\text{NCS Funds} = \frac{\sum \text{NCSRM}}{(\sum \text{SRM} + \sum \text{NCSRM})} \times \text{Vector Funds}$$

where, in respect of that Pipeline and on the BPP Allocation Day:

$\sum \text{NCSRM}$ means the aggregate of all Non-Code Shippers' positive Running Mismatch;

(ii) where Vector has a positive Vector Running Imbalance on the relevant Pipeline, Vector shall be entitled to receive from the BPP Account an amount equal to the Vector Funds less the NCS Funds (each as defined in section 8.19(b)(i) above) then multiplied by the proportion that any positive Vector Running Imbalance on that Pipeline on that BPP Allocation Day bears to the aggregate of any positive Vector Running Imbalance plus all Shippers' positive Running Mismatch, in each case on that Pipeline on that BPP Allocation Day; and

~~(c) where Vector purchases Gas in accordance with section 8.18(a) and a portion of the cost of that Gas is attributed to Non-Code Shippers, Vector shall use its reasonable endeavours to cause the Non-Code Shippers to pay into the BPP Account the portion of the costs attributed to Non-Code Shippers~~

4.2 Reasons for the amendment

The proposed changes relating to sections 8.12, 8.13(a), 8.13(b), 8.16 and 8.19 (see paragraphs 4.1(a) to (g) and (g) to (i) above) are primarily intended to clarify Vector's obligation (as applicable) to pay amounts allocated to Vector into the BPP Account or be otherwise responsible for the payment of those amounts and to ensure that if amounts are attributable to Non-Code Shippers then Vector will use reasonable endeavours to recover such amounts. As Non-Code Shippers can contribute to the requirement for Vector to make payments to the Incentives Pool Trustee and/or payments in respect of Balancing Gas and Cash-outs, Vector should allocate such costs to and use its reasonable endeavours to recover such costs from Non-Code Shippers.

The changes to sections 8.14(c), 8.14(d) and 8.14(e) clarify that the relevant "claim" is made by a Claiming Shipper.