

31 October 2013

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Attention: Maui and Vector Transmission System Owners

Gas Transmission Access Arrangements

In July 2013, a Panel of Expert Advisers (PEA) provided Gas Industry Co with a second report on gas transmission access arrangements (PEA Paper). Gas Industry Co has now released its Analysis of Submissions on that PEA Paper, and on the Company's associated Gas Transmission Investment Programme (GTIP) Update. The Analysis of Submissions also sets out proposed next steps for the GTIP work.

One of the recommendations made by the PEA is that Gas Industry Co should invite signatories to the Maui Pipeline Operating Code (MPOC) and Vector Transmission Code (VTC) to adopt and operationalise a set of guiding principles developed by the PEA¹. In our Analysis of Submissions, we have accepted that recommendation. The purpose of this letter is to make that invitation (addressed to you as the Transmission System Operators (TSOs) and copied to the other code signatories), and to obtain responses to some questions (below) about how matters might be progressed.

Submissions on the PEA Paper indicate that the signatories have a range of views on the PEA's recommendations. However, we do not think that this need prevent improvements being made to address the problems identified by the PEA. The Maui and Vector open access regimes have been operating together since 2005, so it is timely to refresh them in light of experience and market developments. We consider that the work of the PEA and its economic advisers over the last two years, including the stakeholder input provided through workshops and submissions, provides an excellent platform for that review. Nevertheless, Gas Industry Co's Analysis of Submissions also accepts the PEA's recommendation that we develop a regulated solution as a counterfactual in the event that industry-led code changes either do not eventuate, or prove insufficient.

¹The full PEA Paper can be found on our website at:

http://gasindustry.co.nz/sites/default/files/consultations/254/pea_second_advice_report_on_transmission_access_and_pricing_186736.2.pdf

We consider that the parties best placed to co-ordinate an industry response to the PEA's proposals and to propose code changes are the TSOs. In addition, since the PEA considers that the concept of 'evolutionary convergence' should underlie any improvements, it would be ideal if there was close co-operation between the TSOs in the design and implementation of improvements. This letter accordingly seeks a response from the TSOs, but we have also published it together with the Analysis of Submissions so that other industry participants are aware of our approach.

We appreciate that refreshing the Codes is likely to be a significant undertaking. At this stage, we seek your response to the following: Will you, with support from code signatories and other interested stakeholders (as proposed by the PEA):

- develop an implementation plan that includes milestones that take account of shorter and longer term needs, and provides for identified changes to be made in a timely manner, subject to a public cost-benefit analysis justification;
- establish governance arrangements to support delivery of the plan;
- provide regular reports to Gas Industry Co on progress against the plan; and
- allow for consulting with wider stakeholders?

A prompt response would be appreciated. Please note that we intend to publish responses on our website as a means of promoting transparency. You should therefore indicate if there is any part of your response that you wish to remain confidential.

Yours sincerely



Steve Bielby
Chief Executive

cc:

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Steve Rawson Duncan Jared Sane-Mari Botha	Genesis Energy	Charles Teichert Blair Boswell	Todd Energy/Nova Energy
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