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Steve Bielby
Gas Industry Company Limited
PO Box 10 646
Wellington 6143

Dear Steve

Gas Transmission Access Arrangements

Thank you for your letter of 31 October inviting us to co-ordinate an industry response to the PEA's proposals. This letter provides an update on the progress that has been made to date and responds to the specific requests made in your letter. Vector's Shippers and MDL were provided with a copy of this letter prior to sending but, for clarity, the views expressed in it are those of Vector Transmission.

We are pleased to report that Vector Transmission and MDL have agreed a Memorandum of Understanding (MOU) to enable us to work together to co-ordinate an industry response to some of the PEA's proposals. A copy of this MOU is **attached**.

We are also pleased to report that representatives from Vector Transmission met with Shippers on 23 October to discuss governance matters and Vector and Maui Development Limited (MDL) met with most of our joint shippers on 21 November to agree a strategy and work programme for considering, evaluating and if appropriate implementing the PEA's recommendations.

Vector and MDL will work together with shippers as a working group to implement those aspects of the PEA's proposals that affect either or both pipeline systems. The working group will meet regularly - further meetings have been scheduled for dates in December 2013 and January, February and March 2014. The working group has agreed to report to the GIC quarterly, with the first quarterly report provided by the end of March 2014

The key outcome of the meeting on 21 November is the basis to develop an implementation plan that will include milestones, which 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. We will send you a copy of the implementation plan as soon as it is finalised.

The milestones against which progress will be measured include:

- Problem definition
- Compatibility assessment for both the Maui and Vector pipelines
- Identification of options
- Identification of preferred option(s), supported by cost-benefit analysis
- Consultation with wider stakeholders, where appropriate
- Implementation.

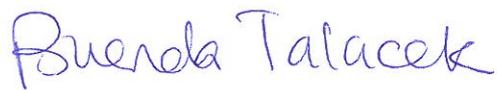
The working group acknowledges that some issues will be able to be resolved in the shorter term by moving through these milestones quickly. Other issues will take a longer timeframe to progress, working through these milestones over several meetings.

In the meantime, we can confirm that one of the first priorities agreed is to review Vector and MDL's code governance arrangements to support delivery of the plan. Aligning dispute resolution provisions will also be addressed.

The working group also agreed that better transparency of information is a priority, which includes ensuring that wider stakeholders are able to contribute to the work programme and particularly the assessment of options. Although the working group meetings will be attended by TSOs and shippers only, it is anticipated that aspects of the work programme will require consultation with and feedback from wider stakeholders. We are developing a communications plan to report to wider industry stakeholders and obtain their input to proposed gas transmission access arrangements.

We acknowledge that you intend to publish this response on your website and confirm that there is no part of it which we would wish to remain confidential.

Yours sincerely



Brenda Talacek
Transmission Commercial Manager

cc: Don Gray, MDL
Matt Wilson, MDL
Sharon Wray, Contact Energy
Duncan Jared, Genesis Energy
Matt Gardner, Methanex New Zealand
Jim Raybould, Mighty River Power
John Pitman, STOS
Anna Carrick, On Gas
Charles Teichert, Nova Energy
Matt Carnachan, Todd
Chris Boxall, Greymouth Petroleum
James Tipping, TrustPower