

Curtis Gregorash

From: Jo Murray [Jo.Murray@vector.co.nz]
Sent: Thursday, 2 October 2008 12:49 p.m.
To: Jo Murray; LOVE, Alex; Anna Carrick; Blair Boswell; Charles Teichert; davidemerson@multigasnz.com; Duncan.Jared@mightyriver.co.nz; Jim Seymour; Lara; Michael Ram; Roger.Johnston@genesisenergy.co.nz; Syd Hunt; jim.raybould@mightyriver.co.nz; Wray, Sharon
Cc: Coull, David; Whiteley, Tim; CTSY - Brigid McArthur; Paul Hodgson; Steve Kirkman
Subject: RE: Urgent: Contact VTC Change Requests

All,

Vector Gas Limited ("Vector") has concluded its analysis of Contact's Change Requests:

Change Request 1: Vector consents to this Change Request;

Change Request 2: Vector consents to this Change Request;

Change Request 3: Vector does not consent to this Change Request. Vector is comfortable with all of the changes suggested under this Change Request except for the addition of the paragraph "and where for the purposes of any calculation under sub-paragraphs (a) to (e) above, the relevant quantity on any Day prior to 1 December 2007 shall be deemed to be zero,". Prior to the 1 Dec 2007 VTC, Vector took responsibility for the difference between the sum of Shipper Mismatch and MDL Operational Imbalance. The VTC made this "taking of responsibility" express by introducing the concept of Vector Imbalance (and Vector Running Imbalance). Responsibilities for (and the numbers associated with) Operational Imbalance on the MDL System, Shipper Mismatch and the numerical difference between them stem from the commencement of the MPOC arrangements in 2005. Shipper Running Mismatch and Vector Running Imbalance (in its express VTC form or its earlier non-express form) have been tracking since 2005. It would make no sense to say that Vector's contribution prior to 1 December 2007 was zero – as if we did that and looked at today's numbers – Shippers' Running Mismatch + VRI would not equal the ROI position on the MDL System. That said, Vector believes it understands the issue that Contact is trying to address – that there was no express VRI prior to 1 Dec 2007. If Contact re-submits this Change Request without this paragraph, Vector believes it would be in a position to consent to it and accordingly, encourages Contact to do so;

Change Request 4: Vector does not consent to this Change Request. Vector is comfortable with all of the changes suggested under this Change Request except for the requirement on Vector to use reasonable endeavours to cause Non-Code Shippers to pay into the BPP Account. Vector has provided the BPP as a mechanism for the recovery of costs associated with balancing (including those payable to MDL). Vector, as a Transmission Pipeline Owner, is no more responsible for the recovery of these costs as any one or more Shippers. Accordingly, Vector does not believe that it should incur costs in chasing Non-Code Shippers who refuse to pay what has been allocated to them. If anyone should chase Non-Code Shippers, under the current arrangements, it should be the BPP Trustee who would then need to recover the costs associated with the chase from Shippers (and Non-Code Shippers). Accordingly, in order to be able to consent to this Change Request, Vector would need (i) the responsibility to be on Vector, as the BPP Trustee; and (ii) for section 8.20 to be amended to expressly allow for the recovery of the costs associated with any chase. If these changes are made or the requirement to chase is removed – in both cases ensuring that Vector does not have to incur costs it cannot recover, then Vector believes it would be in a position to consent to this Change Request;

Change Request 5: Vector does not consent to this Change Request. This Change Request requires Vector to subsume the difference between what Shippers (and Vector) choose to pay into the BPP and what must be paid out to MDL or to a seller of Balancing Gas via contract. Vector is not a bank – it is not willing, nor is it appropriate for it, to take on the credit risk

associated with Shippers choosing whether or not to pay their BPP invoices on time and without dispute. The BPP Account has been set up so that it will go into overdraft if necessary;

Change Request 6: Vector does not consent to this Change Request. Vector is in favour of transparency of information. Accordingly, when Non-Code Shippers agree to make a similar change to their TSAs, Vector believes it will be in a position to consent to this Change Request. If Shippers who are also Non-Code Shippers believe in the merits of this Change Request they should have no difficulty consenting to an amendment to their Non-Code TSAs;

Change Request 7: Vector does not consent to this Change Request. Vector is in favour of transparency of information and has stated that it will consent to disclose its VRI when Shippers agree to disclose their Mismatch positions. A recent poll of Shippers suggested that they were not willing to have their Mismatch positions disclosed. Transparency of this type of information is either meritorious or not – if it is, then Shippers should happily disclose their Mismatch positions. Vector also reminds Shippers that they have the protection afforded by the annual audit and a separate right to call for an audit themselves if they are concerned that their BPP positions have been mis-calculated; and

Change Request 8: Vector consents to this Change Request.

Accordingly, Vector has signed the documentation associated with Change Requests 1, 2 and 8. Please contact me directly if you have any queries regarding the above.

Kind regards, Jo

Jo Murray

Commercial Manager - Gas Transportation

Vector Gas Limited

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Email: jo.murray@vector.co.nz

From: Jo Murray

Sent: Thursday, 11 September 2008 12:27 p.m.

To: 'LOVE, Alex'; Anna Carrick; 'Blair Boswell'; 'Charles Teichert'; 'davidemerson@multigasnz.com'; 'Duncan.Jared@mightyriver.co.nz'; Jim Seymour; 'Lara'; 'Michael Ram';

'Roger.Johnston@genesisenergy.co.nz'; 'Syd Hunt'; 'jim.raybould@mightyriver.co.nz'; 'Wray, Sharon'

Cc: 'Coull, David'; 'Whiteley, Tim'; 'CTS - Brigid McArthur'; Jo Murray; Paul Hodgson; Steve Kirkman

Subject: Urgent: Contact VTC Change Requests

Importance: High

All

Attached is an email from Contact Energy which itself attaches 8 VTC Change Requests, a covering letter and a marked-up VTC. Vector is forwarding this email (and the Change Requests) to you in accordance with section 25.4 of the VTC. If you require any further detail on the Change Requests please contact Alex Love or Sharon Wray directly.

In accordance with the VTC you have 15 Business Days in which to respond – if you agree with a Change Request please sign it and return it to Vector; if you disagree with a Change Request and wish to make that known, please email Vector.

If you have any questions about the change request process, please call me.

Kind regards, Jo

Jo Murray

Commercial Manager - Gas Transportation

Vector Gas Limited

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