

By email

18 December 2014

Brenda Talacek
Group Manager, Commercial Relationships – Networks
Vector Limited
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Newmarket
Auckland 114

Dear Brenda

Proposal to amend the VTC change request process

Gas Industry Co welcomes the opportunity to comment on the re-designed Vector Transmission Code (VTC) code change process developed by the Gas Industry Transmission Access Working Group (GITAWG).

We consider that the re-designed process will generally be an improvement in terms of the ability of Gas Industry Co and other stakeholders to influence code changes, and by improving the transparency of the process.

While we appreciate that there is no perfect process, we note a few concerns that we have with the re-design that are material to our assessment. Also, we offer a few drafting comments on the redlined version of Section 25 you gave us to review. There is some cross-over between these.

I note that our response provides only comments on a draft proposal, aimed at assisting the GITAWG's discussions, and does not provide a precedent for other future proposals.

Difficult changes

With the re-designed arrangements in place, it may be that difficult changes, that cannot obtain 75% approval, will not be progressed. Under current arrangements the appeals process would permit such a change if Gas Industry Co assessed that it would better align the code with the Gas Act objectives.

Similarly:

- a) a shipper who doesn't want a change to occur, but is in the minority, can currently appeal any approved change to Gas Industry Co; and
- b) a shipper who considers that Vector has inappropriately withheld its consent to a VTC change, can currently appeal to Gas Industry Co

You have advised that the intention is for the dispute resolution section of the Code to be amended to also allow for any difference between Vector and one or more shipper(s) arising out of the operation of the Code to be treated as a dispute and handled as per schedule two of the Code (which details the agreed dispute resolution procedure). Ensuring this change is made to the draft is material to Gas Industry Co's assessment of the redesigned process.

Good faith consultation with non-shipper stakeholders

While we recognise that submissions from stakeholders are only possible at the appeal stage under the current process, stakeholders can be confident that their views will be fully considered. Any drafting that can convey the intent that such views will also be given full consideration in the re-designed process would be a worthwhile addition.

Also, we understand the intent is that Gas Industry Co will be consulted on amendments, but the proposed drafting is not this strong. The current drafting requires consultation between Vector and its shippers, but enables Gas Industry Co only to provide comment. Gas Industry Co requests that the drafting be amended such that it be provided a copy of all change request-related notices and be included in all consultation on proposed changes to the Code.

Timeframes

The draft section 25 provided for Gas Industry Co to review details numerous specific timeframes for consideration of change requests, but section 25.7 provides that a simple majority of the parties to the Code can consent to an extension to the timeframe and a party's consent to a proposed new timeframe must not be unreasonably withheld or delayed. We have some concerns that this clause could be used by a majority to unreasonably delay consideration of a change request proposed by a small shipper. We question whether the clause is needed.

We also question whether the consultation timeframes as drafted allow sufficient time for stakeholders who are not signatories to the VTC, and therefore not as familiar with the VTC as Vector and shippers, to fully assess change proposals.

Support of VTC signatories

You have advised that the re-designed process is supported by VTC signatories. That is material to Gas Industry Co's assessment, because the signatories are effectively giving up rights under the current process in return for the intended improvements. Please let us know if this support is not retained for any reason.

Conclusion

We appreciate the efforts of the GITAWG to improve the VTC code change process and hope that our comments will be accepted as being helpful and constructive. In short, and assuming that the above matters are taken into account, Gas Industry Co has no objection to the re-designed amendment process for the VTC being implemented.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Ian Dempster', with a small flourish at the end.

Ian Dempster

General Manager Operations