

31 January 2013



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John McLaren
Chief Advisor
Regulation Branch
Commerce Commission
WELLINGTON

Dear John,

Potential amendments to input methodologies for gas pipeline services for February 2013

1. Vector welcomes the opportunity to submit on the Commerce Commission's (Commission) consultation paper "Potential amendments to input methodologies for gas pipeline services for February 2013", dated 21 December 2012. No part of this submission is confidential and Vector is happy for it to be publicly released.

2. Vector's contact person for this submission is:

Robert Allen
Senior Regulatory Advisor
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3. Vector supports the proposed amendments contained in the consultation paper in full.

Unaccounted for gas

4. In addition, we refer the Commission our previous comments on unaccounted for gas (UFG) in which we expressed the following view:¹

Vector's view is that the purchase of unaccounted for gas is the same thing as purchase of balancing gas, i.e. gas to rebalance the linepack in the pipeline. Hence UFG costs are also recoverable costs under the gas transmission business (GTB) input methodology (IM).

5. If the Commission does not agree that this is a correct interpretation of how UFG should be treated, we submit that the Input Methodologies be amended to ensure UFG can be treated as a recoverable cost.

Critical Contingency Operator

6. The Commission should also remove any reference to the Critical Contingency Operator (CCO) function from the gas transmission IM. The CCO function, while currently provided by Vector, is a contestable service. Vector does not need to provide the service in order to provide gas transmission services.

7. We refer the Commission to the section 9.9 of the GIC's "Statement of Proposal - amendments to the Gas Governance (Critical Contingency Management) Regulations 2008", 12 November 2012. The GIC is proposing to amend the Critical

¹ Paragraph 12, Vector, "Submission to the Commerce Commission on Revised Draft Decision on the Initial Default Price-Quality Path for Gas Pipeline Services", 6 December 2012.

Contingency Regulations to reflect that it is a contestable service and provide that it is able to appoint any suitable person as the CCO.

Yours sincerely,

A handwritten signature in blue ink that reads "B. Girdwood". The signature is written in a cursive style with a period at the end.

Bruce Girdwood
Regulatory Affairs Manager