

# Bridge Commitments: Progress Report

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## For the quarter ending 31 December 2012

The Bridge Commitments are a series of commitments made by the majority of shippers aimed at addressing short term concerns about competition on the North Pipeline. They have been in place since August 2011.

During the December quarter there was one offer, to buy a lease of capacity, listed on the Gas Transmission Exchange (GTX). This was not taken up. Three large gas users switched supplier during the period, but there was little or no gas tendering activity.

Mighty River Power (MRP) and Vector have concluded an agreement that will allow MRP to transfer supplementary transmission capacity reserved for Southdown, MRP's thermal power station on the North Pipeline. This development is consistent with the commitment for relevant parties to negotiate arrangements to enable the transfer of capacity held under Supplementary and Non-Code Shipper transmission services agreements, and follows the earlier conclusion of a similar agreement between Contact Energy and Vector in respect of the Otahuhu power station. Previously, capacity entitlements held under these types of contracts could not be traded and the new arrangements have the potential to achieve more efficient use of existing capacity by enabling its release to other parties.

Gas Industry Co understands, however, that neither Contact nor MRP have yet been approached to trade supplementary capacity.

Further information on the Bridge Commitments and previous reports are available at <http://gasindustry.co.nz/work-programme/short-term/bridge-commitments>

Commitment	Progress since September 2012
<p>1. <i>as a Shipper...</i></p> <p>a. <i>ensure that transmission capacity (capacity) is available to the preferred retailer...</i></p> <p>b. <i>provide that capacity and quantity information, ...</i></p> <p>c. <i>provide that information in paragraph 1(b) to the Gas Industry Company Limited (GIC), ...</i></p>	<p>In the past quarter, there was one capacity offer listed on the GTX, an offer to buy a lease of capacity. This offer was not taken up.</p> <p>Gas Industry Co understands that there was little or no gas tendering activity in the past quarter. There were three switches of ToU customers on the North pipeline in the period. In comparison, there were the following number of switches in September through December of:</p> <ul style="list-style-type: none"> <li>• 2011: 1 switch</li> <li>• 2010: 11 switches</li> <li>• 2009: 3 switches</li> </ul>
<p>2. <i>to ensure that within ten business days after the completion of the tender process initiated by the end user or Shipper, the information in paragraph 1(b) will be disclosed...</i></p>	<p>Information on capacity offers is available on the GTX (<a href="http://thegtx.co.nz/bid-book/trade">http://thegtx.co.nz/bid-book/trade</a>), which provides a platform where Shippers themselves can post and accept offers.</p> <p>The GTX includes all the offers that Gas Industry Co is aware have been made under Commitment 1.</p>
<p>3. <i>to negotiate, and where practicable agree, on a set of reasonable commercial terms to govern the transfer of capacity under Supplementary Agreements...</i></p>	<p>Gas Industry Co understands that an agreement has been signed between Mighty River Power (MRP) and Vector Gas Limited (Vector) that will allow MRP to transfer supplementary transmission capacity booked for Southdown, MRP's thermal power station on the North pipeline. A similar agreement in respect of Otahuhu supplementary capacity has previously been signed between Contact Energy and Vector.</p> <p>Gas Industry Co understands that neither Contact nor MRP has been approached to trade supplementary capacity.</p>

Commitment	Progress since September 2012
<p>4. to disclose to the GIC such information as the GIC reasonably requires to enable it to understand and assess the extent of the Northern Pipeline capacity constraint, the efficiency of the current capacity allocation mechanism and the need for asset investment...</p>	<p>Gas Industry Co has issued no requests for information in the past quarter.</p>
<p>5. to work with GIC on a review of the Northern Pipeline capacity constraint, with the results made public and presented in an open forum by a target date of 1 December 2011.</p>	<p>Vector has released a document, "Rotowaro – North Capacity Consultation," for public consultation in November 2012. This document explains the steps Vector takes in determining the capacity of a pipeline and concludes with a calculation of uncommitted operational capacity at significant delivery points on the North pipeline.</p>
<p>6. to work together to develop a platform (known as a Bulletin Board) to facilitate the open and transparent trading of capacity between willing buyers and sellers, by a target date of 1 December 2011.</p>	<p>The GTX has been operational since May 2012. In the past quarter, work has been undertaken to move the site to a new website host. Capacity offers are discussed under item 1 above.</p>
<p>7. to participate in a project with the objective of developing longer term market solutions; establishing the current need for gas transmission investment; and developing an effective pathway for gas transmission investment to take place, including correctly signalling the price of gas transmission capacity.</p>	<p>The work of the Panel of Expert Advisers (PEA) continues; meeting papers and updates can be viewed on Gas Industry Co's website at <a href="http://gasindustry.co.nz/work-programme/advisory-panels/panel-expert-advisers">http://gasindustry.co.nz/work-programme/advisory-panels/panel-expert-advisers</a> . The PEA has identified the following three areas as priority issues for near-term action: information transparency, congestion management, and nominations. In the last quarter the Supply/Demand study was finalised. The report can be found at <a href="http://gasindustry.co.nz/work-programme/information-projects/gas-supply-and-demand-scenarios-2012-2027-0">http://gasindustry.co.nz/work-programme/information-projects/gas-supply-and-demand-scenarios-2012-2027-0</a></p>