13 March 2015

Maui Development Limited
PO Box 23039
Wellington 6140

Telephone: (04) 460 2540
Fax: (04) 460 2549
commercial.operator@mauipipeline.co.nz

Ian Wilson
Gas Industry Company
PO Box 10-646
Wellington

Dear Ian,

**Draft Gas Quality Requirements & Procedures – MDL Submission**

1. Maui Development Limited (**MDL**) welcomes the opportunity to make this submission on the Gas Industry Company's (**GIC**) proposed Gas Quality Requirements & Procedures document (the **GIC Report**), dated February 2015.

2. No part of this submission is confidential and MDL is happy for it to be made publicly available.

3. As noted in previous submissions in the GIC's gas quality work-stream and on the draft Gas Quality Information Protocol (the **draft Protocol**), MDL and the Maui Pipeline operators acknowledge there may be areas where processes can be improved or implemented and wish to work collaboratively with the GIC and review areas where the industry has signalled an interest or concern.

4. MDL was not formally involved with the development of the draft Protocol or its previous versions that were led by industry stakeholders other than the GIC. However, MDL did take the opportunity in August 2014 to provide input and comments on the proposed objectives of the draft Protocol published by the GIC and the specific Transmission System Owner (**TSO**) obligations and methods of compliance contained within.

5. As was the case with previous submissions, MDL's comments predominately pertain to the "Gas Specification" component of the GIC Report.

6. MDL is pleased to see that a number of the comments and suggestions in its submission on the draft Protocol have been taken into account in the draft GIC Report. However, MDL considers that there are still some issues and inaccuracies within the GIC Report that should be addressed prior to being formally released to stakeholders.

7. We set out our comments on specific sections of the draft GIC Report in the table found in Appendix 1 of this letter.

8. Appendix 2 of this letter sets out a number of potential opportunities for improvement in the areas of gas quality control, monitoring and reporting that TSOs are in the process of progressing as part of the Gas Industry Transmission Access Working Group (**GITAWG**). Consultation with industry representatives will be a key step in progressing and implementing these opportunities for enhancement. Indeed, presentations to industry were carried out by the TSOs in this area at the end of 2014. MDL considers that the implementation of the potential opportunities for improvement in the areas of gas quality control, monitoring and reporting will assist with the objectives contained in the GIC Report.

9. MDL would be happy to discuss any aspect of this submission further if required.

Yours sincerely

John Blackstock
Technical Advisor, Commercial Operator, Maui Pipeline
**for Maui Development Limited**

**APPENDIX 1 – MDL's Specific Comments on the GIC Report:**

| Draft GIC Report Reference (Page / Section) | MDL Comments |
|---|---|
| *Section 1.2*<br>*Principles of Good Industry Practice*<br>*Pages 8-9* | • The last bullet point in the Principles of Good Industry Practice section of the GIC Report states that "*service providers, gas wholesalers and retailers make available all information they possess relating to gas quality, as detailed in section 5 of this document, that industry participants reasonably need to demonstrate that they are complying with their legal obligations.*" MDL notes that the qualification "as detailed in section 5 of this document" has been added to this principle since last published in the draft Protocol. However, to the extent that MDL is a "service provider", MDL considers that this obligation could still be too onerous and potentially inefficient. MDL suggests that further consultation should take place between relevant industry participants to determine what information is considered necessary, in what form, and provided by whom, to assist the relevant parties in meeting their legal obligations. The allocation of any significant costs associated with compiling or processing such information may also need to be examined. |
| *Section 3*<br>*Pages 15-28* | • Section 3 on page 16 makes reference to both Vector and MDL working to develop Pipeline Management Systems under the updated AS2885.3 (2012) standard.<br>MDL can confirm that Vector has developed and implemented a Pipeline Management System (PMS) Manual in 2013 to meet the requirements of AS2885.3 (2012). This document replaced the Safety and Operating Plan (S&OP) required under AS2885.1 (2007). The PMS Manual applies to both Vector and MDL assets. |
| *Section 5*<br>*Table 2*<br>*Gas Specification Obligations and Actions for TSOs*<br>*Pages 31-32* | • The TSO section of table 2 in section 5.1 provides the following "Obligation" and "Means of Compliance" for TSOs in the area of Gas Specification<br><br>***Obligation*** *– "Each TSO must ensure all practicable steps are taken to ensure that the pipeline is designed, constructed, operated and maintained, and suspended or abandoned (as the case may be), in accordance with the appropriate part of parts of AS/NZS 2885. (HSE Regulations 8(1)), AS/NZS 2885 does not specifically address gas specification, but does require that a Safety and Operating Plan will be in place to address, among other matters, the safe operation and maintenance of the pipeline, (AS/NZS 2885.3 s3.3.1(c))*<br><br>***Means of Compliance*** *- "Each TSO develops, maintains and implements a Safety and Operating Plan that, for example, relies on the provision of information by gas producers and/or allows for continuous monitoring of gas specification at key locations throughout its system; another example is the maintenance of equipment (filters and separators) and systems to ensure that the liquid and dust contamination of gas delivered from the* |

| Draft GIC Report Reference (Page / Section) | MDL Comments |
|---|---|
| | *system is, as much as practicable, within specification."*<br><br>• As noted in previous submissions, MDL disagrees with the statement that a TSO is required to continuously monitor gas specification at key locations throughout its system. This appears to be suggesting that the TSOs are required to install and maintain equipment on its system to monitor the whole spectrum of gas components and characteristics contained in NZS 5442. MDL does use gas chromatographs (GCs) at selected locations on the Maui Pipeline system. However, these GCs are required to source information for metering purposes rather than monitoring compliance with gas specification.<br><br>• MDL notes the reference in the "means of compliance" text to the Safety and Operating Plan required under AS/NZS 2885 "relying on the provision of information by gas producers". As noted in previous submissions (and reiterated in Appendix 2 of this current submission), MDL is looking to standardise the process for injecting parties demonstrating compliance with the Gas Specification by requesting, on a periodic basis, that injecting parties submit the "checklist" found as Appendix E to the Gas Specification. As part of this exercise, MDL will work with its Technical Operator to determine the extent to which any information flows between Producers and MDL should be incorporated into its Safety and Operating Plan.<br><br>• The difficulties associated with the assessment of the impact of non-specification gas on all downstream gas consumers is discussed further in the ensuing section of this submission. |
| *Section 6.1 Communication Arising From the Injection of Non Specification Gas into a Transmission Pipeline Pages 41-42* | • The GIC Report makes reference to it being "inherent" within the RPO standard for TSOs to assess and provide information on the "general effect a non-specification gas incident will have on the quality of gas delivered from the transmission system." MDL considers this is an improvement from the "likely consequences" terminology used in the corresponding paragraph in the previous draft Protocol. However MDL notes that the term "likely consequences" is still used in the second paragraph in point 3 on page 42 of the GIC Report. MDL still holds reservations around the use of the phrases such as "likely consequences" and "general effect on the quality of gas delivered from the transmission system".<br><br>• As noted in MDL's previous submission on the draft Protocol:<br><br>1. MDL does not have detailed knowledge of the downstream users' assets, design and operating envelopes. Indeed, it would be inappropriate for TSOs to provide such advice as the TSO is simply not able to place themselves in the shoes of the downstream users without the appropriate knowledge. It is however reasonable and prudent that the TSOs advise the |

| Draft GIC Report Reference (Page / Section) | MDL Comments |
|---|---|
| | downstream users of any quality excursions as soon as they are made aware of such an excursion, which as noted above is current practice. If the possible consequences or general effect of an incident are known, or have been conveyed to MDL, this information would be passed through to the relevant counterparties.<br><br>2. MDL also considers that such "likely consequences" or "general effect" advice could be difficult to provide given factors such as:<br><br>(a) the array of different end-users at different locations;<br>(b) the co-mingling of gas;<br>(c) the possible time that has elapsed since the event was discovered and notified;<br>(d) the unique pipeline operating conditions on the day;<br>(e) the specific nature and extent of the gas quality excursion etc.<br><br>3. MDL believes that all parties in the gas supply chain should have in place documented plans for responding to contingencies involving non-specification gas. Indeed, it is those end users of gas themselves who are best placed to determine the best course of action in response to any notifications or data from a TSO or upstream parties or suppliers.<br><br>4. Appendix 2 of this submission lists some potential opportunities for improvement that MDL is considering in the areas of gas quality control, monitoring and reporting. One potential opportunity is the development and implementation of a "Standard Operating Procedure" (SOP) in relation to notification of Non-Specification events and the steps which may be taken by the pipeline operators in response to such events. Such an SOP could also incorporate the Australian Energy Market Operator (AEMO) Guidelines to cover short-term gas quality excursions outside the Gas Specification. |
| *Section 7*<br>*Gas Quality Information*<br>*Table 5*<br>*Page 47* | • In the "ICA" row, the references to Maui Pipeline ICAs should be clarified. Section 2.1 MPOC allows MDL to enter into ICAs with particular parties that contain special terms and conditions (i.e. over and above the provisions of the MPOC). If MDL does enter into such an ICA there is a requirement for that agreement to be made publicly available on MDL OATIS. All other ICA's are considered to be "standard" and are not published on MDL OATIS. |
| *Appendix A*<br>*Testing Frequencies*<br>*Table 6* | • MPOC reference to "s2.13" should read "s2.13 of Schedule 1 MPOC.<br>• MDL does not follow the reference to "MDL ICA s6.9". |

**Appendix 2 – Possible Opportunities for Improvement in Gas Quality**

MDL is examining the following potential opportunities for improvement in the areas of gas quality control, monitoring and reporting:

| | Potential Opportunities For Improvement |
|---|---|
| **Control** | • The GIC has recommended that MDL review its technical requirements for Welded Points and Stations (Schedule 1 of the MPOC) from time to time to ensure the requirements are aligned with current industry best practice. MDL intends to continue discussions with Vector in its capacity as Maui Pipeline Technical Operator (TO) in relation to reviewing and potentially updating Schedule 1. As part of this exercise, MDL will work with the TO to establish whether any specific MPOC changes may be required in relation to gas quality management on the Maui Pipeline. |
| **Monitoring** | • Formalise and standardise the process for injecting parties demonstrating compliance with the Gas Specification by requesting, on a periodic basis (possibly annually), that injecting parties submit the "checklist" found as Appendix E to the Gas Specification.<br>• Amend section 17.15 of the MPOC to require continuous monitoring for water content and for hydrocarbon dew-point.<br>• Amend section 17.15 of the MPOC to remove the requirement to monitor total halogens.<br>• Amend section 17.15 of the MPOC for the monitoring of oxygen to no longer be carried out continuously, but rather as required and in any event no less than quarterly.<br>• Work with injecting parties to formalise the frequency of testing for components that are tested less frequently than the default intervals set out in the MPOC. |
| **Reporting** | • Publish the monitoring requirements for each gas source, with any approved exceptions and supporting rationale, on OATIS.<br>• As MDL already publishes calorific values and relative density figures on OATIS for different gas streams, it is proposed that a Wobbe Index field is also included on OATIS.<br>• The TO and direct injecting parties discuss the feasibility of Gas Control at Bell Block receiving greater Gas Specification alarm information via SCADA or other telemetry.<br>• Publish a "Standard Operating Procedure" in relation to notification of Non-Specification events and the steps which may be taken by MDL in response to such events. MDL could look at adopting the approach of the Australian Energy Market Operator who has developed guidelines to cover short-term gas quality excursions outside the gas quality specifications. These guidelines set notification, alert and curtailment limits for each component of the Australian gas specification. |