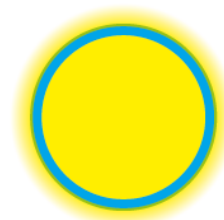


29 August 2014

Ian Dempster
Gas Industry Company
PO Box 10 646
WELLINGTON

[Submitted via Gas Industry Co website]

POWERCO



Dear Ian

Powerco Submission on Gas Quality Information Protocol

1. Powerco welcomes the opportunity to submit on the Gas Industry Co's (GIC) *Gas Quality Information Protocol* (the Submission), published on 8 August 2014.
2. Powerco supports the GIC's work to support the development of a gas quality information protocol (the Protocol). We consider this an excellent example of how the GIC is able to support industry participants to solve an operational problem without regulatory intervention.
3. An industry protocol, governed by the GIC, is a suitable mechanism to address the issues surrounding gas quality information sharing and assurances that have been an industry concern for a number of years. We acknowledge the work retailers have put into the previous iterations of the protocol and how this has contributed to the generally workable version that is the subject of this consultation.
4. We consider the evolution of the protocol has addressed the issue of it being retailer focused and we believe it now more accurately reflects wider industry participant requirements. Nevertheless, we believe that further work should be conducted to help ensure the protocol is developed in a way that recognises all participant gas quality information requirements and needs. Only minor amendments are needed to recognise when there is benefit from or should be an obligation to share information beyond retailers.
5. We have reviewed the protocol and provided specific responses to the GIC questions in Appendix A.

6. Thank you for the opportunity to make this submission. If the GIC wishes to discuss any aspects of this submission further, please do not hesitate in contacting me on 06 757 3397 or oliver.vincent@powerco.co.nz .

Yours sincerely,

Stuart Dickson
General Manager Gas

APPENDIX A – Responses to the consultation questions

QUESTION	COMMENT
<p>Question 1: The purpose of the Protocol is described in Section 1.1. The section also notes that Gas Industry Co has agreed to maintain the Protocol and periodically re-issue it in accordance with the governance arrangements set out in Appendix B. Do you consider that it is appropriate for Gas Industry Co to take responsibility for the governance of the Protocol?</p> <p>If so, are the Appendix B arrangements adequate?</p>	<p>Yes, as the gas industry body and co-regulator under the Gas Act, the GIC is best placed and resourced within the industry to develop, maintain and re-issue a voluntary gas quality information exchange protocol. While not a core legislative requirement for the GIC, being responsible for the protocol is aligned with the GIC’s aims of developing arrangements that support the effectiveness, co-ordination and performance of the industry and industry participants.</p> <p>The evolution of the protocol through the GIC’s involvement has meant that it is now no longer an agreement developed for the benefit of retailers but an industry wide protocol between, and potentially benefiting multiple participants, in the supply chain. Accordingly, it is appropriate that the GIC take a leadership role in the protocol’s development, maintenance and governance. This model allows the protocol to maintain a level of independence and become owned by the industry rather than one specific party or industry subset.</p> <p>We support the treatment of the protocol as a living document and consider that the governance arrangements proposed in Appendix B of the draft protocol are appropriate and fit for purpose.</p> <p>While contractual arrangements between parties contain confidentiality clauses, and specific legislative arrangements exist, we consider the GIC should make reference to the confidentiality of information shared as a result of the proposed protocol in the protocol itself.</p>
<p>Question 2: Do you agree with the principles of good industry practice in respect of gas quality as</p>	<p>Yes, we generally support the proposed principles of good industry practice outlined in section 1.2.</p>

<p>set out in Section 1.2?</p>	<p>However, we recommend the drafting of bullet point three of the principles be reviewed to reflect the need for information to be provided across industry participants. We propose the following drafting, or a variation of it, be considered:</p> <p>Current drafting for bullet point 3 of draft principles;</p> <ul style="list-style-type: none"> <i>service providers will make available to gas wholesalers and retailers all information relating to gas quality that the wholesalers and retailers reasonably need to demonstrate that they are complying with their legal obligations.</i> <p>Proposed drafting example for bullet point 3 of draft principles;</p> <ul style="list-style-type: none"> <i>service providers, gas wholesalers and retailers will make available all information relating to gas quality as defined in section 5 of the protocol that industry participants reasonably need to demonstrate that they are complying with their legal obligations.</i>
<p>Question 3: Is there anything in Chapter 2 overview of gas quality arrangements that you would wish to change?</p>	<p>No.</p>
<p>Question 4: Is there anything in Chapter 3 description of the legal framework for gas quality that you would wish to change?</p>	<p>No. We consider that section 3 comprehensively covers all the primary pieces of legislation relevant to gas quality.</p> <p>When considering contracts with provisions relating to gas quality, we consider that there should be renewed focus on progressing work related to developing interconnection agreements (ICAs) at transmission delivery points. The Guidelines on Interconnection with Transmission Pipelines¹ developed by the GIC (November 2009), in co-ordination with the industry participants, recommended that interconnecting parties should establish an ICA or amend their existing ICA.</p> <p>We recommend that the Guidelines on Interconnection with Transmission Pipelines should be referenced in the Gas Quality Information Protocol, and the ICA Transmission System Owner obligations should be aligned and consistent with the guidelines and protocol.</p>

¹ [http://gasindustry.co.nz/sites/default/files/u180/Interconnection Guidelines - updated November 2009 151977.pdf](http://gasindustry.co.nz/sites/default/files/u180/Interconnection_Guidelines_-_updated_November_2009_151977.pdf)

	<p>Secondly, we recommend that the GIC review ICA uptake progress since the Guidelines on Interconnection with Transmission Pipelines were published and, if required, support the advancement of the development of interconnection agreements. Consistent coverage of ICAs at TSO delivery points would generate many positive benefits, including formalising gas quality obligations. We would welcome further discussions with the GIC and industry participants on this subject.</p>
<p>Question 5: Is there anything in the Chapter 4 description of the technical standards for gas quality that you would wish to change?</p>	<p>No. However, a drafting correction is required as the introductory bullet points listed at the start of this section describe NZS 5258 (bullet point 3), but this standard has been replaced by AS/NZS 4645, which is correctly referenced through the remainder of the section. The reference in the introduction should be replaced.</p>
<p>Question 6: Is there anything in the Chapter 5 description of the gas quality obligations and means of compliance that you would wish to change?</p>	<p>Yes, we have a number of improvement comments.</p> <p><u>General comments on section 5</u></p> <ol style="list-style-type: none"> 1. The introduction to Chapter 5 should not only recognise that gas wholesalers and retailers have requirements for gas quality information under SM Regulation 41, but also that it is important that all parties in the supply chain communicate gas quality information regardless of legal obligations. This is an essential requirement to ensure the effective operation of the industry and help ensure a positive customer gas experience and the maintenance of a high level of confidence in the industry. Additionally, to a lesser extent in some situations, such as odourisation, NOs are reliant on third parties to provide services and information that allow the NO to meet legal obligations. 2. Distributors and retailers have recently undertaken significant work related to the development and monitoring of use of system agreements. These contain service standards related to gas quality. It is important that the provisions of these agreements are acknowledged when considering obligations to supply information as they contain negotiated and agreed schedules related to the supply of information between parties. Any protocol must be aligned with and recognise these agreements to avoid conflict and contradiction.

Specific comments on drafting and obligations

- Distribution Network Owner Gas **Specification** Obligations
 - The proposed drafting is consistent with the use of system agreements and current process/documentation.

- Distribution Network Owner Gas **Odourisation** Obligations
 - *Obligation 2.*
Drafting needs to reflect the fact that requirements for the provision of odourisation information are determined by the service standards in the use of system agreements. Additionally, for information that is not specified in the use of system agreements, the drafting should reflect the fact that information is made available as reasonably request by retailers. This ensures that means of compliance remain practical for all parties and ensures that compliance does not become onerous.

- Distribution Network Owner Gas **Pressure** Obligations
 - Development of 'one size fits all' Gas pressure obligations has to be carefully considered as they have to reflect the physical design and limitations of the network. An example of this possible limitation is developing expectations that maximum and minimum pressure monitoring will take place across the entire network. While, in theory, this may make sense, practically it may not be possible due to the network configuration and available equipment.

 - *Obligation 2*
The current drafting of the *Means of Compliance* for obligation 2 does not reflect the complexities of managing a distribution network or managing a network emergency. We recommend that the GIC further consider the drafting of the *Means of Compliance* and propose drafting along the lines of the following example:

Means of Compliance

Each NO will design and operate suitable pressure control equipment

	<p><i>and will notify affected parties of any pressure excursions or emergencies where it believes gas cannot be delivered at safe operational pressures. . Where multiple ICPs are at risk, each NO will declare a network emergency where it believes gas cannot be delivered at safe operational pressures as a result, for example, of damage to the network or supply/demand imbalance.</i></p> <p>The existing proposed <i>Means of Compliance</i> drafting has been combined to provide extra context for the emergencies that would be notified under the pressure control obligation. The proposed drafting is sufficient, ultimately, to allow compliance with regulation 42 while providing enough certainty to industry participants</p> <ul style="list-style-type: none"> • Gas Measurement System Operator Gas Pressure Obligations <ul style="list-style-type: none"> - We recommend that <i>it believes</i> is replaced with <i>becomes aware</i> in the drafting of the <i>Means of Compliance</i> as per below drafting. This provides all parties with more accurate information than being reliant on unconfirmed information of gas pressure variance. <p><i>Means of Compliance</i> <i>Each GMSO will design and operate suitable pressure control equipment and will advise affected retailers where it believes becomes aware gas cannot be delivered at agreed metering pressures as a result, for example, of low inlet pressures or GMS malfunction</i></p>
<p>Question 7: Is there anything in Chapter 6 description of gas quality exceptions and incidents that you would wish to change?</p>	<p>No</p>
<p>Question 8: Is there anything in Chapter 7 description of gas information that you would wish to change?</p>	<p>No</p>