

31 July 2019

Ian Wilson  
Gas Industry Company  
P O Box 10-646  
WELLINGTON 6143

Uploaded to the Gas Industry Company website

Dear Ian

## Update of the gas quality requirements and procedures document 2019

First Gas welcomes the opportunity to provide comments on the proposed update to the “*Gas Quality Requirements and Procedures*” document (the document).

We understand the purpose of this update is to:

- Anticipate the Gas Transmission Access Code (GTAC) coming into effect; and
- Update any other areas of the document to improve accuracy and clarity.

While we consider that the proposed amendments broadly reflect the GTAC requirements for quality, we consider that more work is required. Further clarification is required around responsibilities for quality, and additional amendments would improve the clarity and consistency of terms within the document. We would welcome the opportunity to meet with the Gas Industry Company (GIC) to discuss our concerns prior to finalising the proposed update of the document.

Our submission focuses on three areas:

- Clarifying the scope of document to focus on only natural gas;
- Clarifying the responsibility for quality; and
- Consistency in the referencing of industry standards within the document.

We have provided minor comments and suggestions in **Attachment 1** to improve the accuracy and clarity of the document. We have also provided a marked-up copy of the document that highlights the points raised in our submission.

### Clarifying the document refers to only natural gas

We suggest that the scope of the document may be unclear, as it does not specify which type of gas the document refers to. “Gas” as defined in the Gas Act 1992 means:

*“any fuel that is supplied through pipes or in containers and is a gas at a temperature of 15°C and an absolute pressure of 101.325 kilopascals; and includes—*

- biogas, coal gas, liquefied petroleum gas, natural gas, oil gas, producer gas, refinery gas, reformed natural gas, and tempered liquefied petroleum gas;*
- any gaseous substance that the Governor-General declares by Order in Council to be a gas for the purposes of this Act;*
- any mixture of gases”*

As New Zealand’s energy industry continues to evolve, it is important that readers accessing the GIC documents are clear on what forms of gas the document refers to.

We understand the scope of the *gas quality requirements and procedures* document is the quality of natural gas only. We recommend that this be made clear in the document to remove any possibility of confusion. References to “gas” in the title and introduction, for instance, should be amended to “natural gas”. We also recommend defining “gas” in the glossary to only mean “natural gas” for the purpose of this document.

Whilst possibly outside the scope of this review, we encourage the GIC to consider what would occur if other gases were blended with natural gas. Would, for example, the gas quality requirements in this document be sufficiently robust to simply apply in such an instance, or would we expect to see further consultation with the industry? As the energy industry evolves, we should keep in mind the various requirements that will need to be reviewed and considered.

### **Clarifying the responsibility for monitoring quality**

We are concerned that the document as currently drafted, may indicate that First Gas has a greater responsibility to monitor gas quality and odourisation than we consider is correct.

#### **Gas specification**

We understand that as the transmission system operator/owner (TSO), First Gas is responsible for advising other parties of instances of non-specification gas (or suspected non-specification gas) entering the system. We will provide all the information we have to the industry, based on what the gas producer has advised to us. However, we do not consider that we are responsible for monitoring gas specification or are in the best position to assess how a non-specification incident may affect the quality of delivered gas.

The document states that the GTAC places responsibility for monitoring and ensuring gas quality with the injecting party.<sup>1</sup> However, we are a little concerned that the explanatory footnote (footnote 25) indicates that First Gas “monitors” aspects of gas quality. It is more correct to state that while First Gas records aspects of gas quality such as calorific value (CV), it only does so to determine the energy content of the gas for billing purposes. We recommend the footnote be updated to more accurately reflect First Gas’ responsibilities.

Section 6.1 of the document (gas specification) suggests that the TSO will assess how a non-specification incident may affect the quality of delivered gas. As a responsible and prudent operator (RPO) we believe our obligation is to make sure all parties are informed of the event and all information available rather than assess the affect.

Under the GTAC and individual interconnection agreements, there is a mutual obligation upon First Gas and Shippers/Interconnected Parties to advise each other of any instances of Non-Specification Gas (or suspected Non-Specification Gas) entering the transmission system. When there has been a minor excursion, First Gas requires the gas producer to confirm that given the extent, duration and nature of the excursion, and the co-mingling of gas, that the gas producer does not consider there will be any downstream implications.

A more serious excursion may require greater analysis and liaison with the gas producer to determine the severity. First Gas will issue a non-specification gas notice to system users as required under GTAC (section 12.4) as soon as First Gas becomes aware of, or suspects, non-specification gas may flow at a delivery point.

We recommend that Section 6.1 be extended to provide assurance over responsibilities and the flow of information should a non-specification event occur. Figure 3 should be amended to reflect updated narrative. We have provided some commentary for the GIC’s consideration in the attached marked-up version of the document.

#### **Odourisation**

Section 6.2 (odourisation) of the document suggests that the TSO has specific assessment obligations in instances of an odorant plant failure. We consider that it would be useful to clarify the First Gas obligations in the document. In our view, as a reasonable and prudent operator, our obligation is to make sure all parties are informed of the event and detail the extent of any deviation, customers affected etc. Customers can use this information to assess the impact for their business/down-stream customers.

We recommend that Section 6.2 be amended to update First Gas’ responsibilities. Figure 4 should also be amended to reflect updated narrative. We have provided some commentary for the GIC’s consideration in the attached marked-up version of the document.

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<sup>1</sup> Refer to page 24 of the marked-up version attached to this submission.

**Consistency in the referencing of industry standards**

To avoid confusion, we recommend that references to Standards are used consistently throughout the document. One of the central industry standards for our transmission business is AS 2885. In the document this standard is referred to interchangeably as AS 2885 or AS/NZS 2885. We recommend that all references to this standard be amended to AS 2885. Standard AS 2885 is followed by the transmission network in New Zealand but there is not an equivalent standard in New Zealand.

**Contact details**

As mentioned, we would welcome the opportunity to meet with the GIC to discuss our concerns prior to the finalisation of this document. To set up this meeting or discuss any points raised in this submission, please contact Lyn Taylor on 027 405 5634 or via email at [lynette.taylor@firstgas.co.nz](mailto:lynette.taylor@firstgas.co.nz).

Yours faithfully



**Lyn Taylor**  
Regulatory Advisor

### Attachment 1: Suggestions to improve the accuracy / clarity of the *Gas Quality Requirements and Procedures* document

Discussion point	Comment/suggestion	Area of the First Gas marked up document
<b>Accuracy:</b> Receipt and delivery points	Updating the narrative to reflect the single transmission network. While our Asset Management Plan (AMP) has not yet been updated, we consider the small change to wording in the extract taken from the AMP is more reflective of the single transmission network. <b>Suggestion:</b> Amend the discussion on First Gas' role as provider of odourisation services.	Page 10 and 11
<b>Clarity:</b> Define TSO	The meaning of TSO is not specified until some distance into the document. TSO is a key term meaning both the transmission network owner and transmission network operator. <b>Recommendation:</b> Define TSO the first time it is used in the narrative to avoid confusion of the dual roles covered by the single term.	Page 12
<b>Clarity:</b> Extend the narrative on the AMPs	AMPs are referenced throughout the document and are central repository of information on how gas pipeline businesses (GPBs) manage their assets and quality of service. <b>Suggestion:</b> We suggest the description of the AMP remit be extended.	Page 12
<b>Clarity and accuracy:</b> Update the section on price quality regulation	Price-quality regulation can take the form of a default price-quality path (DPP) or customised price-quality path (CPP). Default price-quality regulation was introduced in 2013 and reset in 2017. The 2017 DPP increased the quality path requirements for the gas transmission business. <b>Recommendation:</b> We recommend the document be updated to: <ul style="list-style-type: none"> <li>• Reflect there are two forms of price-quality regulation (a DPP or CPP); and</li> <li>• Include changes to the quality path introduced in the 2017 DPP Determination</li> </ul>	Pages 20-21
<b>Clarity:</b> Update the extent of information provided in the annual information disclosure	The information disclosure determinations (NZCC23 and NZCC24) require GPBs publish annual information on the performance of the networks, as well as separately publish an AMP or AMP update. The section on information disclosure in the document does not mention the annual information disclosure of network reliability, integrity and aspects of product quality information. <b>Recommendation:</b> We recommend extended the section on information disclosure to include the annual disclosures contained in schedules 10a and 10b.	Page 21
<b>Clarity:</b> Define CG to mean consumer guarantees act	To improve readability, it is useful to specifically define terms before using the acronym. <b>Recommendation:</b> We recommend changing "GC Act" to "Consumer Guarantees (GC) Act" in section 3.4	Page 21
<b>Clarity:</b> Reporting of non-specification gas entering a pipeline	Footnote 21 comments that there is no requirement for the TSO or NOs to disclose incidents of non-specification gas entering a pipeline. The TSO reports the number of gas specification incidents. <b>Recommendation:</b> We recommend extending the footnote to direct readers to the annual gas transmission information disclosure.	Page 21

Discussion point	Comment/suggestion	Area of the First Gas marked up document
<b>Accuracy:</b> Types of contract	<p>Contracts with provisions relating to gas quality are not those limited to buying, selling and transporting gas. Contracts relating to the injection and off-take of gas also have provisions relating to gas quality.</p> <p><b>Recommendation:</b> We recommend extending the list of contracts to include those relating to injecting and off-taking gas.</p>	Page 22
<b>Clarity:</b> Existing ICAs may continue	<p>The section on interconnection agreements (ICAs) only refers to GTAC receipt and delivery point ICAs. However, the ICA may be under the new GTAC or under the ex-Vector receipt point ICA. Parties may choose to remain on the ex-Vector ICA until their existing agreements expire or are terminated. The ex-Vector ICAs have very similar provisions for gas quality as the new GTAC ICAs.</p> <p><b>Recommendation:</b> We recommend clarifying by way of footnote that parties may chose to remain on the ex-Vector receipt point ICAs.</p>	Page 23
<b>Clarity:</b> Information system supporting the GTAC	<p>OATIS is the online interactive information system that supports the MPOC and VTC access codes. OATIS will be replaced by TACOS (transmission access code operating system) as the information system to support GTAC.</p> <p><b>Recommendation:</b> We recommend adding a footnote where OATIS is referred to for the first time that recognises the replacement of OATIS with TACOS. We further recommend adding TACOS to the glossary and noting under the OATIS definition in the glossary that OATIS will be replaced by TACOS.</p>	Glossary and in sections where OATIS is referred to for the first time
<b>Accuracy:</b> Figure 4 – communication when an odorant plant fails does not match the narrative	<p>Figure 4 portrays communication when an odorant plant fails. It lists steps 1 to 4 and illustrates that steps 1 to 3 are undertaken by the NO. This does not reflect the narrative that indicates steps 1 to 3 begin with the TSO.</p> <p><b>Recommendation:</b> We think the narrative is correct and recommend the GIC review Figure 4.</p>	Page 44
<b>Accuracy:</b> References to the Information Disclosure Determinations CC23 and CC24	<p>We think the references to the information disclosure determinations may be incorrect. We have included possible alternative references.</p> <p><b>Recommendation:</b> We suggest the GIC review/amend the references to ensure they remain correct.</p>	Pages 48 and 49