Gas Governance Issues in Quality: Investigation Update

Submission by Contact Energy Limited

QUESTION	COMMENT
Question 1: As far as you are aware, are the requirements and current practices for controlling gas quality described accurately? If not, please explain why not.	In Contact's view, while section 2 of the GIC's report is largely correct, it does not accurately describe the requirements and current practices for controlling gas quality. In particular, we note that at the end of section 2.1 of the report, the GIC indicates that it has reviewed a number of transmission receipt and delivery point interconnection agreements and found that these require "filtration adequate to prevent solid or liquid contaminants from affecting metering equipment". This is not entirely correct for the reasons stated below. In respect of the Maui pipeline, schedule 1 of the Maui Pipeline Operating Code (MPOC) sets out technical requirements for welded points and stations. Interconnected parties are required to comply with these requirements. Section 1.7(m) of schedule 1 requires that there shall be suitable equipment located upstream of meters or other sensitive equipment sufficient to prevent any contaminants that may be carried by gas, such as solid matter, compressor oil or other liquids, from affecting or damaging equipment. This requirement may be waived with the approval of the metering owner where metering equipment is not sensitive to such contamination and the pipeline owner's facilities are designed to prevent the production and/or carry-over of such contaminants. This doesn't necessarily require filtration. Schedule 1 of the MPOC also sets out other requirements related to the maintenance of quality, such as Maui Development Limited's (MDL's) right to access quality monitoring data. These are publicly stated requirements.
Question 1 continued	The position differs in respect of Vector, where executed interconnection agreements relating to the Vector transmission system are confidential. In Contact's view, this is unsatisfactory. While Vector currently publishes pro forma interconnection agreements on the Open Access

	Transmission Information System, our understanding is that Vector may choose to depart from a published pro forma at any time. Section 7 of the published pro forma agreement requires an interconnected party to ensure that all gas injected at the relevant receipt point be free of both solid and liquid contaminants including dust, compressor oil and other hydrocarbon liquids, wax and sludge, and any other contaminants to the extent that such contaminants might damage or interfere with the proper operation of Vector's station equipment, pipeline, or the transmission system. While filtration may be required to achieve this standard, there doesn't appear to be a specific requirement for filtration. Whether this is a requirement of all current interconnection agreements is unclear. Similar to interconnection agreements under the MPOC, interconnection agreements under the Vector Transmission Code (VTC) contain other requirements related to ensuring that gas meets the required quality standard, such as rights of access to quality monitoring data. In section 2.2 of its report, the GIC describes how the scale and reliability of processing can vary across fields. Contact believes this is an important observation, not least because Contact expects gas supplies to become increasingly diverse. As an example, TAG Oil and New Zealand Energy Corp. are already proposing to process gas from new fields not identified in the GIC's list of new developments. Contact believes that as gas supplies become more diverse and the number of gas processing facilities increases, it is even more important to ensure that there are rigorous and effective means to ensure all gas injected into the open access transmission system meets the required quality standard.
Question 2: As far as you are aware, are the requirements and current practices for monitoring gas quality described accurately? If not, please explain why not.	The GIC has broadly outlined the current requirements and current practices for monitoring gas quality but these are not described accurately. The GIC states in section 3.1 of its report that section 2.16 of the MPOC requires that large stations make available all measured and calculated parameters for remote monitoring. Contact notes that the reference is to section 2.16 of schedule 1 of the MPOC. As indicated in Contact's response to question 1 above, a requirement for an interconnected party to monitor the characteristics and components listed in the gas specification under a Vector transmission system interconnection agreement does not necessarily mean that such a requirement has been included in all extant Vector transmission system interconnection agreements as these are confidential to Vector and the relevant interconnected party.

	In table 2 of section 3.1 of the report, the GIC sets out its view of the required frequency of monitoring of various gas characteristics. Contact believes that in respect of the MPOC, these requirements are misstated by the GIC. In particular, Contact notes that the requirement under section 17.2 of the MPOC that each direct injecting party ensures that all gas it injects complies with the gas specification overrides these requirements. This may necessitate more frequent monitoring of the characteristics than indicated in table 2. Contact notes that MPOC interconnection agreements do not include a clause 6.9 that the GIC says it has referenced in constructing table 2. It is Contact's understanding that section 2.13 of schedule 1 of the MPOC requires calculation of both spot values and the daily average of a number of the characteristics set out in table 2. Contact notes however that these requirements do not apply to MPOC small stations. The GIC also fails to state who is able to access the information listed in table 2. Much of this information is only available to MDL and the relevant direct injecting party. Unsatisfactorily, much of the information is not available to users of the Maui pipeline (Welded Parties and Shippers). Table 2 similarly misrepresents the requirements of the Vector pipeline interconnection agreements. Significantly, interconnection agreements relating to the Vector pipeline are confidential to Vector and the relevant interconnected party under the interconnection agreement. It is therefore not possible to say the requirements set out in table 2 are requirements of interconnection agreements under the VTC. Contact notes, however, that under section 12.2 of the VTC, Vector is required to ensure that all the gas the counterparty injects into the Vector transmission system complies with the required gas specification. This requirement may require more frequent monitoring of the gas characteristics listed in table 2. Similar to the Maui pipeline, and again in our view unsatisfactorily, much of this information is not available to users of the Vector pipeline. The lack of public access to this information makes it unclear whether the party responsible for complying with the obligation is in fact complying. It is not correct to say that neither the MPOC nor the VTC contain express provisions for monitoring contamination. Both the MPOC and the VTC require injecting parties to demonstrate compliance with the gas specification. If there is risk of contamination then the injecting party must meet the requirements of clause 5 of the gas specification (requiring monitoring of the level of contamination).
Question 3: As far as you are aware, are the requirements and current practices for reporting	The report states that the VTC provides for Shippers to require Vector to exercise its right to request information from an injecting party (on a Shipper's behalf) and, furthermore, that any

gas quality described accurately? If not, please explain why not.	Shipper can require gas quality information from any party injecting gas into the Maui/Vector transmission system. This is not correct. Under the VTC a Shipper can request that Vector investigate, but Shippers have no right to the information. Under the MPOC those rights are between MDL and Welded Parties. As an example, Contact made a recent request regarding non-specification gas under the VTC but is yet to receive any clear answers. However, as a result of that request, Contact has found that there have been other recent non-specification gas incidents. These are not publicly reported and in Contact's view they should be. One of the inadequacies of daily reporting is that there could be gas specification excursions within the day that are not captured. In Contact's experience even short-term excursions can cause power station de-loading resulting in costly damage or Transpower charges.
Question 4: Do you have any comments on the discussion in relation to the monitoring of gas quality?	Contact believes that real-time monitoring should be made available to Shippers. This information should be gas composition data sourced directly from gas chromatographs and not specification characteristics and components calculated from gas chromatograph composition data.
Question 5: Do you have any comments on the discussion in relation to the monitoring of gas quality?	Yes. Where the information has not been provided, have Vector/MDL been asked if they have received the information from the field in the monitoring period prescribed? Could Vector/MDL confirm that where the frequency of monitoring differs from the requirements that these variations have been approved by the TSO? Additionally Contact believes that Shippers should be made aware of monitoring requirements and variations agreed to.
Question 6: Do you have any comments on the discussion in relation to the reporting of gas quality?	Please see Contact's response to question 4 above. As well as real-time monitoring, the data should be reported as this will provide valuable information to those operating plant that is susceptible to damage should it receive non-specification gas. Monitoring gas quality, in the way set out in our response to question 4, would also show any trend in gas quality changes.
Question 7: Do you think we have correctly identified the opportunities for improvement?	The Gas Information Exchange Protocol is a good starting point; however, it would be useful to understand information providers' level of commitment to it.

Question 8: Do you agree with our recommendations in relation to gas quality?	Contact does not believe the protocol is sufficient to meet gas users' concerns about gas quality. While the protocol proposed in section 5.4 of the report may meet the requirements of gas retailers acting under the Gas Measurement and Safety Regulations, Contact does not think the protocol meets the wider requirements for gas quality information. Contact also thinks the approach adopted in the regulations, whereby gas traders are responsible for gas quality, is not the most effective means of ensuring gas delivered to end users meets the required gas quality specification. In Contact's view, responsibility for ensuring gas meets the required quality specification should rest with the parties able to control gas quality, that is, those who are injecting gas or operating the transmission and distribution pipelines. Contact believes that in order to meet the wider needs of gas users, daily information should be published for points where gas is injected into the transmission system. Transparency of this information would help to ensure gas quality was appropriately monitored and identify any party failing to meet the requirement that all gas injected into the transmission system must comply with the required gas specification. In Contact's experience, and under the current arrangements where transmission system users do not have access to this information, it is too easy for a gas user's concerns about gas quality to be brushed aside. Contact also recommends that if the recommendations made in relation to gas quality are followed it would be useful for a timeline to be implemented. This will ensure that the process remains on track and allow for feedback on the effectiveness of the recommendations.