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31 August 2012

Ian Wilson
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Dear Ian,

Gas Governance Issues in Quality: Investigation Update – MDL Submission

1. Maui Development Limited (**MDL**) welcomes the opportunity to make this submission on the Gas Industry Company's (**GIC**) report entitled, *Gas Governance Issues in Quality: Investigation Update*. Responses to the GIC's questions are provided in the Appendix.
2. No part of this submission is confidential and MDL is happy for it to be made publicly available.
3. MDL considers that the contractual arrangements pertaining to gas quality contained in the Maui Pipeline Operating Code (**MPOC**), MDL's new interconnection arrangements and Vector's contractual framework are comprehensive and clear as to the relevant parties' obligations, responsibilities and liabilities in relation to gas quality.
4. MDL notes that its contractual framework does not permit non-Specification Gas to be knowingly injected into the Maui Pipeline and the notification obligations and procedures in the MPOC concerning suspected non-Specification gas events are clear. MDL would also like to reinforce that MDL and Vector (in its capacity as Maui Pipeline Technical Operator) (**TO**) would take the necessary steps as soon as it received notification of such an event.
5. MDL and the TO are examining the options for, and issues associated with, MDL periodically exercising its rights under MPOC to request that Direct and Indirect Injecting Parties (as defined in the MPOC) demonstrate compliance with Gas Specification. This could possibly be achieved through developing a standard set of questions and requests for information that MDL sends out to Producers. The extent of any information disclosure or reporting to other industry participants as part of such a potential process would form part of MDL's investigations.
6. MDL is not one of the "parties" that has been provided with the proposed "Gas Information Exchange Protocol" (the **Protocol**) referred to in the GIC Report. However, based upon the information outlined in the GIC Report, MDL believes it is possible that some of the objectives of the Protocol could be addressed as a result of MDL and the TO examining the options for, and issues associated with, MDL periodically exercising its rights under MPOC to request that Direct and Indirect Injecting Parties demonstrate compliance with Gas Specification.
7. 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.

Yours sincerely

A handwritten signature in purple ink that reads "Don Gray". The signature is written in a cursive style with a large, stylized "D" and "G".

Don Gray
General Manager, Commercial Operator, Maui Pipeline
for Maui Development Limited

APPENDIX – MDL’s Response to GIC Questions:

QUESTION	COMMENT
<p>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.</p>	<ul style="list-style-type: none"> ▪ In relation to the control of gas contaminants, MDL notes that section 1.7(m) of Schedule 1 MPOC states, <i>“The Physical Point Welded Party [...] shall ensure that: [...] at each Welded Point or Station there shall be suitable equipment located upstream of meters or other sensitive equipment, sufficient to prevent any contaminants that may be carried by the gas, such as solid matter, compressor oil or other liquids from affecting or damaging such equipment. Where Metering is selected that is not sensitive to the presence of such contaminants, and the upstream Pipeline Owner’s facilities are designed to prevent the production and/or carryover of such contaminants, the requirement for this equipment may be waived subject to the approval of the Metering Owner.</i> ▪ The GIC has recommended that MDL review its technical requirements (Schedule 1 of the MPOC) from time to time to ensure the requirements are aligned with current industry best practice. MDL intends to commence 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. However, MDL reiterates its view that the contractual arrangements pertaining to gas quality contained in the MPOC, new interconnection arrangements and Vector’s contractual framework are comprehensive and clear as to the relevant parties’ obligations, responsibilities and liabilities in relation to gas quality. ▪ MDL is surprised and concerned about the references to “occasional excursions” from the Gas Specification referred to on page 13 (and elsewhere) in the GIC Report. MDL believes that the notification obligations and procedures in the MPOC concerning suspected non-Specification gas events are clear and would like to reinforce that the TO and MDL would take the necessary steps as soon as it received notification of such an event.

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.

- As a minor point, page 15 of the GIC report states that “*section 17.3 of the MPOC requires Injecting Welded Parties to monitor all gas, in accordance with the Gas Specification, to demonstrate compliance.*” MDL notes that section 17.2 of the MPOC imposes the same obligation on “Direct Injecting Parties”. In the interest of clarifying MPOC terminology, section 17.1 of the MPOC defines:
 - a) a “Direct Injecting Party” as a party who injects gas into the Maui Pipeline directly from a gas production or processing facility;
 - b) An “Indirect Injecting Party” as a party who injects gas into a Transmission Pipeline that then flows into the Maui Pipeline.
 - c) An “Injecting Party” as a Welded Party who receives any quantity of gas from an Indirect Injecting Party which then flows into the Maui Pipeline.
 - Similarly, the reference to section 17.15 is equally applicable to Direct Injecting Parties.
 - As referred to in the GIC Report, where commissioning tests for a new Welded Point on the Maui Pipeline involves injecting gas into the Maui Pipeline, the Interconnecting Party must (among other things):
 - a) ensure the gas complies with the Gas Specification
 - b) monitor, in accordance with the Gas Specification, all such gas so as to demonstrate such compliance.
- MDL’s standard Agreement to Establish a New Welded Point on the Maui Pipeline also confirms that section 17 of the MPOC, with such modifications as are appropriate, shall apply to all gas used in testing / commissioning a Welded Point.
- The TO has previously advised that all equipment utilised to monitor the gas components at the Production Stations is owned and operated by the Producer. Neither MDL nor the TO has any authority or responsibility for the performance or accuracy of such equipment. An output signal from the equipment is provided to the Vector SCADA system. Outside of these programmed signals MDL / Vector is currently reliant on the Producers notifying the TO of any deviations.
 - Gas Chromatographs (GCs) are also located on the Maui Pipeline at Methanex’s Waitara Valley and Motunui facilities as well as the Huntly Power Station. These GCs are not listed in the GIC Report.
 - As a further minor point, the reference to “section 2.16 MPOC” on page 15 of the GIC Report should read “section 2.16 of Schedule 1 to the MPOC”. Also, the reference to “MDL ICA s6.9” in Table 2 should presumably refer to section 6.9 of MDL’s new interconnection policy.

<p>Question 3: As far as you are aware, are the requirements and current practices for reporting gas quality described accurately? If not, please explain why not.</p>	<ul style="list-style-type: none"> ▪ As a minor point, the reference to “section 1.12 of the MPOC” on page 22 of the GIC Report should read “section 1.12 of Schedule 1 to the MPOC”.
<p>Question 4: Do you have any comments on the discussion in relation to the monitoring of gas quality?</p>	<ul style="list-style-type: none"> ▪ We assume this question should refer to the “controlling” of gas quality. ▪ MDL disagrees with the statement that “Parties in the physical supply chain—producers and line businesses—will wish to minimise their risk exposure, so are unlikely to offer wholesalers and retailers strong gas quality commitments in their supply and service contracts.” While MDL cannot speak for Producers, MDL considers that the MPOC, ICA and new interconnection arrangement do provide for strong gas quality commitments. Indeed, MDL aims to ensure that non-Specification gas does not enter the Maui Pipeline. ▪ MDL again emphasizes that its contractual framework does not permit non-Specification Gas to be knowingly injected into the Maui Pipeline

Question 5: Do you have any comments on the discussion in relation to the monitoring of gas quality?

- It is assumed that reference to MPOC in footnote 18 of the GIC Report should be section 17.15 rather than section 7.5.
- MDL acknowledges the suggestion on page 30 of the GIC Report that states, “[i]t would be prudent for injecting parties and TSOs to formalise the frequency of testing for components that are tested less frequently than the default intervals set out in the MPOC or Vector ICA.”
- As noted previously, section 17.2 of the MPOC requires each Direct Injecting Party to ensure injected gas complies with, and is monitored in accordance with, the Gas Specification. Similarly, section 17.3 of the MPOC requires an Injecting Party to ensure the same obligations apply to any Indirect Injecting Party.

Each Direct Injecting Party is required to demonstrate that it has adequate facilities, systems and procedures in place to ensure that it is able to comply with section 17.2 requirements upon receipt of a reasonable written request to do so from MDL (section 17.9 MPOC). Similarly, Each Injecting Welded Party is also required to procure each Indirect Injecting Party to demonstrate compliance with section 17.3 requirements if requested by MDL (section 17.10 MPOC).

MDL and the TO are examining the options for, and issues associated with, MDL periodically exercising its rights under MPOC to request that Direct and Indirect Injecting Parties demonstrate compliance with Gas Specification. This could possibly be achieved through developing a standard set of questions and requests for information that MDL / TO sends out to Producers. Formalising the frequency of testing for components that are tested less frequently than the default intervals set out in the MPOC could form part of MDL / TO’s investigations in this area.

<p>Question 6: Do you have any comments on the discussion in relation to the reporting of gas quality?</p>	<ul style="list-style-type: none"> ▪ MDL relies on Direct Injecting Parties, Injecting Parties, and the TO for notification of non-Specification events on the Maui Pipeline. ▪ As noted previously, MDL and the TO are examining the options for, and issues associated with, MDL periodically exercising its rights under MPOC to request that Direct and Indirect Injecting Parties demonstrate compliance with Gas Specification. This could possibly be achieved through developing a standard set of questions and requests for information that MDL / TO sends out to Producers. The extent of any information disclosure or reporting to other industry participants as part of such a potential process would form part of MDL / TO’s investigations. ▪ MDL notes: <ol style="list-style-type: none"> 1. MDL is not one of the “parties” that has been provided with the proposed “Gas Information Exchange Protocol” (the Protocol) for review or comment, and consequently has not been referred to in the discussion of the Protocol in page 32 of the GIC Report; 2. It is possible that some of the objectives of the Protocol could be addressed as a result of MDL and the TO examining the options for, and issues associated with, MDL periodically exercising its rights under MPOC to request that Direct and Indirect Injecting Parties demonstrate compliance with Gas Specification;
<p>Question 7: Do you think we have correctly identified the opportunities for improvement?</p>	<ul style="list-style-type: none"> ▪ MDL believes there are alternate opportunities for improvement as referred to above. ▪ MDL agrees that it is reasonable that TSOs and producers should agree reduced monitoring in certain circumstances and acknowledges that such decisions, and the rationale for taking them may be obscure to stakeholders. As part of MDL’s investigations into periodically exercising its rights under MPOC to request that Direct and Indirect Injecting Parties demonstrate compliance with Gas Specification (referred to above), MDL will consider the possibility of publishing the monitoring requirements for each gas source on its website.

Question 8: Do you agree with our recommendations in relation to gas quality?

- MDL accepts that where they have not already done so, TSOs and Producers should formally agree the frequency of testing of gas quality components where the frequency is lower than the default specified in the [MPOC].
- MDL agrees with the GIC's observations that its investigation suggests that "*gas quality monitoring is generally being carried out in accordance with the Gas Specification and ICAs*" and "*it appears that little benefit would be derived by TSOs installing additional gas quality monitoring equipment*".
- 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.