



31 August 2012

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Dear Ian,

Gas Governance Issues in Quality: Investigation Update

Introduction

1. Mighty River Power welcomes the opportunity to provide this submission on the Gas Industry Company's Investigation Update on Gas Quality dated 1 August 2012. No part of the submission is confidential and Mighty River Power is happy for it to be publicly released.

Comments

2. Our responses to the questions raised within the issues paper are attached below in the Appendix provided by the Gas Industry Company.
3. We believe that the Gas Industry Company has accurately pinpointed the main issues that need to be addressed in Gas Quality management which we would summarise as:-
 - The need for an industry wide agreement on the minimum monitoring requirements of gas composition components.
 - The need for an industry wide agreement on minimum monitoring frequencies of gas composition components.
 - Transparency on the criteria on immediate notification verses retrospective notification on non-specification gas incidents.
 - The need for Vector Transmission to monitor sulphur after the gas in its pipeline system has been odorised.
 - Agreement on the provision and/or publication of the above information.

4. We have found, both in the past and as recently as this week, sulphur deposits arising from gas streams during inspections at Southdown Power Station. We have also been advised of similar sulphur issues at other power stations. We are therefore keen to see that all of the above issues are addressed and that the Gas Industry Company's recommendations, and in particular the monitoring of sulphur in the Vector transmission system, are adopted and implemented by the gas industry.
5. The delivery of the above information would be a huge step forward in Gas Quality management and would greatly assist Gas Retailers in being able to demonstrate compliance with their obligations under the Gas (Safety and Measurement) Regulations.
6. The above however is still only the operational output of Gas Quality management. Equally important, in our opinion, is the provision of the appropriate supporting documentation that confirms that the producers and wholesalers have procedures in place to accurately produce this Gas Quality information and that their personnel involved in this work are competent.
7. The latest version of the Gas Retailers Information Exchange Protocol (Protocol) is now based on the provision of service providers' policies rather than procedures. The Protocol therefore requires the provision of supporting information on Gas Quality policies.
8. The main reason for the change from procedures to policies is that the gas producers' procedures in particular are likely to be technically complex and it is unlikely that all gas retailers will have the in-house expertise to fully understand them. One of the impacts of this change is to increase the importance of regular audits of the producers' and gas wholesalers' operations. Such audits would be a combination of internal and independent external audits.
9. Mighty River Power is represented on the Protocol working group and we fully support its development. We are therefore pleased that the Gas Industry Company has taken this opportunity to declare its support of the Protocol with regards to Gas Quality issues.
10. It is however our opinion that it would now be appropriate for the Gas Industry Company to take ownership of the Protocol and see it through to completion and implementation.
11. Regardless of whether the Protocol when completed is adopted by all gas industry participants we would hope that gas producers and gas wholesalers will recognise the current information gap on Gas Quality management and would adopt that part of the Protocol designed to fill this gap.

12. Mighty River Power has a preference for non-regulatory rather than regulator solutions to industry issues and problems. If however gas producers and gas wholesalers do not adopt the Protocol's Gas Quality arrangements and do not take appropriate steps to fill the Gas Quality management information gap, then we would support the Gas Industry Company developing the appropriate regulations on Gas Quality management and reporting.

Concluding remarks

13. If you would like to discuss any of our above comments directly with Mighty River Power, then please do not hesitate to contact me on 06 348 7926 or jim.raybould@mightyriver.co.nz.

Yours sincerely

A handwritten signature in black ink that reads "Jim Raybould". The signature is written in a cursive, slightly slanted style.

Jim Raybould
Gas Manager

Appendix A Format for submissions

To assist Gas Industry Co analyse responses, please use the table below to format submissions. The questions are the same as those contained in the body of this document. Submitters are free to include other material in their responses.

Submission prepared by: Jim Raybould for Mighty River Power

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>	<p>Yes as far as we are aware the practices for controlling gas quality are described accurately.</p>
<p>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.</p>	<p>Yes as far as we are aware the practices for monitoring gas quality are described accurately.</p>
<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>	<p>Yes as far as we are aware the practices for reporting gas quality are described accurately.</p>
<p>Question 4: Do you have any comments on the discussion in relation to the control of gas quality?</p>	<p>We generally agree with the GIC's summary on the control of gas quality.</p> <p>We are however of the opinion that the GIC has understated the incentives for Gas Retailers to demand strong gas quality commitment. Whilst the individual financial penalties may be relatively small in relation to the delivery of non-specification gas the resulting damage to a retailer's reputation could be significant.</p>

<p>Question 5: Do you have any comments on the discussion in relation to the monitoring of gas quality?</p>	<p>In our opinion there needs to be an industry wide agreement on the minimum requirements for the measurement and monitoring of gas composition components. Such an agreement should include the individual components to be measured and the frequency of measurement.</p> <p>Accepting that not all components of the Gas Specification will be monitored continuously or even at all then it is important that any agreed minimum requirements are sufficient to demonstrate acceptable compliance with the NZS 5442 and therefore the Gas Safety and Measurement Regulations.</p>
<p>Question 6: Do you have any comments on the discussion in relation to the reporting of gas quality?</p>	<p>Mighty River Power is a member of the Gas Retailers Information Exchange Protocol working group and we support the Protocols reporting proposals.</p>
<p>Question 7: Do you think we have correctly identified the opportunities for improvement?</p>	<p>Yes we agree that the implementation on an industry Protocol is the best way forward particularly if the producers would be prepared to publically publish their monitoring results. We would therefore propose that the GIC now takes ownership of the Protocol, complete its developments and has it implemented by the gas industry.</p> <p>We also agree that there needs to be more transparency over non-specification gas incidents but again this is covered in the draft Protocol.</p> <p>Given some historical incidents of excess sulphur at our Southdown power station we would support a requirement for Vector Transmission to monitor the sulphur content of odorised gas within Vector’s transmission pipelines.</p>
<p>Question 8: Do you agree with our recommendations in relation to gas quality?</p>	<p>MRP agrees with all of the GIC’s recommendations.</p>