

G005

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[By email]

Attention: Ian Wilson

Dear Ian

SUBMISSION ON GAS GOVERNANCE ISSUES IN QUALITY

I thank you for the opportunity to make a submission on the above document and attach GasNet's comments in the format requested.

As GasNet considers that it has insufficient knowledge or experience in some of the topics addressed in the Paper, we have chosen to make no comment in response to a number of questions rather than risk specific comments unfairly influencing conclusions drawn from the submissions received as a whole or undermining those respondents who are in a better informed position.

However GasNet is particularly encouraged that the issue of non-specification gas has been raised and welcomes the possibility of this matter being resolved across the industry as a whole. Although fortunately we have not been faced with the prospects of receiving non-specification gas into our networks, we have nevertheless had to make operational and commercial provisions for it within our agreement with the retailers. These provisions were again reviewed prior to release of our latest draft Use of Systems Agreement earlier this year, but even now we are not confident that these will be sufficient should an event occur as affected retailers will inevitably be seeking recourse from those that caused the event. Other than the agreements with the retailers themselves, GasNet has no other agreement with any other party within the supply chain so other than our obligation under the retailers agreement we have no other commercial avenues available to assist in resolution.

With respect to confidentiality of this submission we do not consider any comments to be commercially sensitive and therefore subject to non-disclosure.

Should you wish to discuss any aspect of our submission please do not hesitate to contact me either by phone at (06) 349 0131 or by email at geoff.evans@gasnet.co.nz.

Yours sincerely



Geoff Evans
General Manager

GasNet Limited

Submission on Gas Governance Issues in Quality

QUESTION	COMMENT
<p>Question 1: Are there any other significant effects of non-specification gas, other than those identified in section 2.3, that Gas Industry Co should consider?</p>	<p>In situations where the non-specification gas has a low CV there is likely to be increased throughput which, in extreme situations, could cause supply issues within the distribution system affecting capacity and/or delivery pressures to consumers.</p> <p>Water entering a distribution system can be a major problem not only in its affect on reduced capacity and supply pressures but in locating and removing the water deposits within the system. If it is possible for the water content in gas entering a distribution system (ie excluding water ingress within the system itself) to be sufficient in quantity and/or duration to build up in low points within the distribution system then this should also be considered. GasNet has no awareness of water entering its distribution systems from the transmission system but has experienced a number of occasions when water has entered the system, typically from damaged water pipes adjacent to our gas pipes.</p>
<p>Question 2: Do you agree with the assessment of types of non-specification gas and potential causer, as set out in Table 3?</p>	<p>Yes, although it should be noted that GasNet still operates a reasonable quantity of metallic pipes with 24% of our networks constructed from metallic pipe. Our low pressure metallic mains, which comprise 64km, or 16% of the total system length, typically predate natural gas and have over the decades gradually built up with dust, scale and other residual contaminants from the original manufactured gas. It is possible therefore, that GasNet's networks could also contribute to contamination, not just TSO's as set out in table 3.</p>
<p>Question 3: Do you agree with the proposed regulatory objective? If you disagree please explain why and/or provide an alternative.</p>	<p>As mentioned in GasNet's submission on Gas Governance Issues in Distribution, we are concerned that with the inclusion of safety in the proposed regulatory objective that there is a risk of conflict with GANZ and its own safety mandate.</p> <p>We question whether the proposed regulatory objective could not be more assertive about the management and resolution of non-specification gas events. GasNet wishes to see comprehensive robust arrangements in place where non-specification gas has, or could, enter a distribution system. Whilst the proposed regulatory objective should satisfy this (ie by ensuring that industry arrangements include reasonable terms and conditions....etc), in reality this is likely to be difficult to achieve in the short to medium term as there are just too many parties involved.</p>
<p>Question 4: Do you agree we have interpreted the provisions contained within the transmission codes and contracts correctly? Are there additional contracts or provisions that should be considered?</p>	<p>No comment.</p>

QUESTION	COMMENT
<p>Question 5: Are there any aspects of the discussion in section 6.1 that you believe to be inaccurate or misleading? If so, please explain what these are.</p>	<p>No comment.</p>
<p>Question 6: Do you consider that liability for quality issues is best addressed through contractual arrangements or regulation? Please explain why.</p>	<p>GasNet favours regulation over contractual arrangements on the basis that there are too many parties at different positions within the supply chain for the latter to be robust enough in the case of a major event occurring. GasNet is of the view that non-specification events should sit under the Gas Governance (Critical Contingency Management) Regulations and be managed under the existing CCO arrangements. Responsibilities would be defined alongwith liabilities in the case of a non-specification event occurring.</p>
<p>Question 7: Do you think the proposed regulatory objective would be better achieved with more prescriptive arrangements for the monitoring of gas composition and contaminants?</p>	<p>With the introduction of the Gas (Safety and Measurement) Regulations 2010 it is inevitable that retailers will be seeking appropriate assurances from the various parties within the supply chain that they are delivering specification gas to the consumers. In order to meet this need the monitoring regime should be documented and supported by evidence of compliance. Once documented and understood, the regime will either stand or fall against scrutiny from the retailers and other interested parties.</p>
<p>Question 8: Do you think further work to identify the options for more active gas quality monitoring, and to quantify the costs and benefits of those options, is justified?</p>	<p>No comment.</p>
<p>Question 9: Do you think TSOs should monitor gas quality more actively (for example, by continuously monitoring the water content in the transmission system to manage the risk of hydrate formation)?</p>	<p>Only if after analysis of each scenario and its associated risk (ie consequence and probability) there is a cost benefit.</p>
<p>Question 10: Currently, the TSOs audit producers' monitoring of gas composition. Do you think this arrangement provides sufficient assurance against the delivery of non-specification gas?</p>	<p>GasNet is unsure how the effectiveness of the existing regime can be questioned or improved if the historic occurrences of non-specification gas entering the TSO's system are unknown?</p>