



## **GREYMOUTH GAS**

18 October 2010

Ian Wilson  
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Gas Industry Company Limited  
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Dear Ian,

### **RE: Gas Governance Issues in Gas Quality: Issues Paper**

Greymouth Gas New Zealand Limited ("Greymouth Gas") is pleased to make a submission on the Gas Governance Issues in Gas Quality: Issues Paper (the "paper") submitted by the Gas Industry Company Limited ("GIC") to the industry on 7 September 2010.

#### Questionable Mandate

On one hand, some of the issues in the paper are worthy of discussion and Greymouth Gas will address these shortly. However, on the other hand, the GIC has a questionable mandate to spend money or to action a work-stream that is:

- not an explicit objective of section 43ZN of the Gas Act 1992 (the "Act"),
- not an explicit objective of the Government Policy Statement on Gas Governance dated April 2008,
- not part of the GIC Strategic Plan Scope of Operations 2010-2012.

The GIC largely notes the above, on page 15 of the paper, and counters this by saying that section 45F(2)(c) and 43G(2)(h) of the Act do provide an indirect window for considering gas quality issues. However, Greymouth Gas notes the following:

- There is no section 45F(2)(c) of the Act,
- If the reference was meant to be to section 43F(2)(c) of the Act, then the objectives of the GIC with regard to section 43F of the Act are set out in section 43ZN of the Act which do not explicitly include gas quality, therefore closing any window through section 43F(2)(c) of the Act,
- Section 43G(2)(h) of the Act only provides for minimum terms and conditions on contracts between domestic consumers and distributors/retailers – the GIC already has a Retail Contracts work-stream.

Further on page 15 of the paper, the GIC goes on to refer to sections 43ZN(a), (b)(i), (b)(ii) and (b)(v) of the Act looking for a way to assess gas quality. However, Greymouth Gas notes the following:

- Sections 43ZN(b)(i), and (b)(ii) of the Act have nothing to do with gas quality,
- Sections 43ZN(a), and (b)(v) of the Act refer to gas being delivered safely and security of supply respectively, both of which are physical considerations as acknowledged on page 16 of the paper.
- Physical issues are covered by gas quality being set by NZS 5442:2008 which is incorporated by regulations under the Act – Standards New Zealand (“SNZ”) likely has processes in place for updating the technical spec of gas quality from time to time.

Greymouth Gas considers that the only window available to the GIC, without duplicating any SNZ physical/technical parameters, is a consideration of section 43G(2)(h) of the Act. To open this window would require the objective of the paper to be significantly narrowed such that it only relates to domestic consumers, which in itself would then be a duplication of an existing work-stream.

### Fundamental Issues

The paper is not a gas quality paper.

Rather, the paper is a masquerade party for a select few invitees who have all been forced to wear the same gas quality mask. It's time to take off the masks:

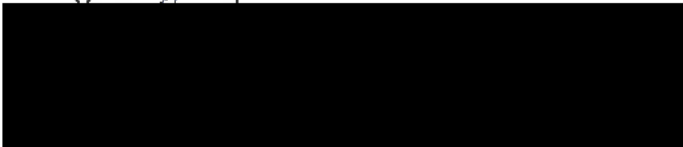
- Distributor's (and other party's) Interconnection Agreements (“ICAs”) with Transmission System Operators (“TSOs”) and the associated level of contractual risk:
  - Do all parties have such ICAs? If not, why not?
  - Is there standardisation and transparency across TSO processes?
  - Is it right for the GIC to get involved in how parties manage contractual risk?
  - To the extent that one party is unreasonably holding-out, why not regulate (if the Act allows)? If the Act does not allow, then how can the GIC facilitate this?
- Access to pipelines for spec and non-spec gas is a major issue and should be sorted out by the GIC in priority to any gas quality issues, given the latter's coverage by SNZ.
  - The GIC is aware of contractual exploration saturation and this should be regulated for immediately.
- The frequency and scope that gas spec is measured by TSOs should reflect the size of the market in New Zealand, the likelihood of risks materialising, and the extent to which gas spec measurement is not monitored further upstream.
  - Prima facie, and subject to other party's submissions on the paper, Greymouth Gas considers that the only physical inadequacy with the current arrangements are that TSOs should be required to provide full gas composition and net calorific value data to the industry for locations where they already provide some gas composition data.
  - If there are physical/technical/safety issues, address them via SNZ processes.

Greymouth Gas considers that the GIC has a questionable mandate for running this work-stream and that the paper and work-stream should stop (in its current form) after submissions are analysed.

However, Greymouth Gas considers that the GIC does have a role in the wider fundamental issues via other work-streams including Interconnection, Pipeline Access, code Change Requests, Distribution Issues and SNZ processes.

In addition, the GIC can continue to facilitate general industry discussion and co-operation particularly with participants who are more stubborn than others.

Yours faithfully



Chris Boxall  
Commercial Manager