

18 October 2010

Responses from Maui Development Limited to specific questions in Issues Paper for Gas Governance Issues in Quality by the Gas Industry Company Limited

Question 1: Are there any significant effects of non-specification gas, other than those identified in section 2.3, that Gas Industry Co should consider?	No comment.
Question 2: Do you agree with the assessment of the types of non-specification gas and potential causer, as set out in Table 3?	Yes, we agree.
Question 3: Do you agree with the proposed regulatory objective? If you disagree please explain why and/or provide an alternative.	<p>Not quite. The scope for risks addressed in the Gas Act are those "relating to security of supply". Therefore, the regulatory objective should remain within that scope too. This can be achieved with the following regulatory objective:</p> <p style="padding-left: 40px;">"To ensure industry arrangements include reasonable terms and conditions regarding gas quality that: allow for the safe, efficient, and reliable delivery of gas; and provide for risks relating to security of supply to be properly and efficiently managed by those parties best able to manage such risks".</p> <p>We should also mention that we disagree with the notion that: "where the causers (of damage caused by a gas quality issue) cannot be identified, or the costs of doing so are disproportionate to the benefit, all potential causers should meet the costs of any damage caused". This notion is listed as possible evidence of gas quality efficiency.</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?	We agree with the summary of the MPOC provisions. We have no comment on other codes and contracts. With respect to the MPOC we do not agree with the statement in section 4.9 of the paper that "the arrangements do not meet the proposed regulatory objective in all respects".

<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>We only comment on liability arrangements within the MPOC. Those comments are provided in our main submission. We can reiterate here that many of our liability arrangements are guided by the practicalities arising from the requirement for each Welded Party (in section 20.10 of the MPOC) to maintain liability insurance.</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>We only comment on liability arrangements within the MPOC. As stated in our main submission these arrangements are specified in great detail, after having been negotiated extensively among all parties. Any amendments to liability arrangements would need to be reflected in the MPOC. If such amendments are generally considered to be desirable we propose using the modification process within the MPOC, rather than imposing regulations.</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>We remain to be convinced that more prescriptive arrangements are justified.</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>Yes, to some extent. Even without a detailed quantification, we expect that industry participants could use their industry knowledge to make an initial cost/benefit assessment for options to be considered.</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>Perhaps, but the benefits need to be worth the extra costs. TSOs can perform additional monitoring, but required investments and costs would need to be recoverable and would lead to higher transmission tariffs.</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>We would not object against moving audit responsibility to a third party.</p>

