



10 October 2010

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Dear Ian

Gas Governance Issues in Quality – Issues Paper

Introduction

1. Mighty River Power welcomes the opportunity to respond to the Gas Industry Company's (GIC's) Gas Governance Issues in Quality-Issues Paper published on 7 September 2010. No part of the submission is confidential and Mighty River Power is happy for it to be publicly released.

Comments

2. It appears to us that the GIC is posing three main questions within this paper, these are:-
 - a) Should Vector transmission have formal interconnection agreements with the distribution network operators?
 - b) Should Gas Producers have continuous monitoring of all aspects of gas quality with regards to compliance with the Gas Specification NZS 5442?
 - c) Should Transmission System Operators have continuous monitoring of the water content of the gas within their transmission networks?
3. Mighty River Power believes that the lack of a formal interconnection agreement between Vector transmission and the distribution networks is clearly a shortcoming within the industry's contractual arrangements. We would therefore support the GIC mandating the implementation of interconnection agreements between Vector transmission and the distribution networks.

4. We have consulted with our gas suppliers with regards to gas complying with the Gas Specification and they have advised that they are unaware of any incidents of non-compliance. This is of concern given this information contradicts both the GIC's comments that the number of incidents of non-compliance has increased over the last few years and our own experience in the recent past.
5. Mighty River Power has experienced problems with gas quality at various times over the last two years at Southdown Power Station resulting in the abnormal build up of sulphur within Southdown's generation plant. As the sulphur deposits were found some time after the gas that caused them had been delivered we were unable to prove that non-compliant gas caused these deposits within the power station. This type of sulphur build up in the generation plant creates serious problems including pollutants within the production process and can lead to premature plant failure.
6. We are also aware that circa 2004-2005 and for a number of years thereafter there were problems with contaminants in the Southern transmission pipelines and specifically on the Powerco networks. Our understanding is that the transmission operator carried out an investigation into these problems but was unable to identify the source of the contaminants. Powerco like Mighty River Power became aware of the problem after the event and was therefore unable to prove that the problems that they were experiencing were the result of non-compliant gas.
7. Given the current lack of published information on gas quality it is impossible to determine at any given point in time if gas is compliant in terms of composition, contaminants and water content with NZS 5442:2008. Mighty River Power would therefore support the introduction of mandatory continuous monitoring of gas by Gas Producers prior to it being delivered into the transmission networks. Such a requirement must also include the need to publish the results of the monitoring daily and to report any instances of non-compliance immediately.
8. The GIC has correctly identified the problems with regards to assigning liability when these gas quality issues arise. Gas delivered to end users is however rarely provided from a single Gas Producer, rather almost all gas delivered to end users is mixture of gas injected into the transmission system by various Gas Producers.

9. It is our opinion that in order to address the liability issues associated with gas quality you first have to identify that the commingled gas being delivered to end users is out of specification. You then identify which Gas Producer or Producers have injected non specification gas into the transmission pipelines. In this way you firstly identify that a problem exists and then you can identify the causer(s).
10. Mighty River Power therefore recommends that both Gas Producers and Transmission System Operators be required to monitor gas quality on a continuous basis.
11. Our preference would be to see the above monitoring requirements implemented through a change to the Gas Specification NZS5442:2008 rather than through regulation by the GIC. Mighty River Power would however support regulatory intervention by the GIC if this were to become necessary to address these matters.
12. With regards to the GIC's concerns on the self monitoring of gas quality by the Gas Producers and Transmission System Operators we believe that these can be addressed in a similar manner as proposed by the Network and GMS operators when they implement their Safety Management Systems i.e. through a combination of internal and independent external audits.

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