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10 June 2016

Ian Wilson
Gas Industry Company
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Dear Ian,

Gas Transmission Security and Reliability

Genesis Energy Limited welcomes the opportunity to provide a submission to the Gas Industry Company ("the GIC") on the consultation paper "Gas Transmission Security and Reliability" dated April 2016 ("the Consultation Paper").

The Maui and Vector gas pipelines are critical infrastructure for New Zealand and in an emergency outage there are no alternatives for transporting this gas. As demonstrated during the 2001 Maui Pipeline outage, there is very little that can be done during the emergency event. Consequently, the focus for Gas Transmission Businesses ("GTBs") needs to be on appropriate maintenance and prudent investment to ensure pipelines remain fit for purpose without 'gold-plating' and avoiding unnecessary cost and outages for stakeholders. We believe transparency drives this, therefore, it is essential relevant, timely information is disclosed to stakeholders regarding how the GTBs are monitoring the infrastructure and how they intend to protect the pipelines to avoid unplanned outages.

Disclosing results of "intelligent pigging"

GTBs are required to disclose their Asset Management Plans ("AMPs") yet we do not think this provides sufficient detail about the condition of the pipelines. We know that GTBs carry out "intelligent pigging"¹. This initially provides a set of baseline data and subsequent intelligent pigging runs are then used to identify maintenance or other issues with the relevant pipeline.

¹ This uses technology to assess pipeline geometry and determine precise geospatial location

The intelligent pigging data is likely to be included in a Pipeline Integrity Management Plan (“PIMP”). However, a PIMP is a technical internal document and not required to be disclosed to stakeholders. We do not support the disclosure of the full PIMP, but more information must be made available to stakeholders so we can understand the state of the pipeline and adequacy of maintenance. For example, we propose the owner be required to undertake intelligent pigging, at set intervals, and disclose the results to stakeholders as this is a critical piece of information for stakeholders.

Presenting plans for managing landslide and erosion risks

We understand that the pipeline operator is undertaking continual monitoring and review of the landslide and erosion risk for the Maui Pipeline. Alternatives for addressing the erosion risk, particularly for the Maui Pipeline, are being considered (and in some cases, disregarded), by the pipeline owner. Given that these decisions could have a financial impact on stakeholders, we request this information be disclosed to stakeholders.

Code convergence

As noted in the Consultation Paper, both transmission systems are shortly expected to be under common ownership. This will necessitate considering the current operating codes for the two pipelines: Maui and Vector. We are particularly interested in the different disclosure obligations. We support the adoption of the Vector Operating Code disclosure obligations because information regarding the condition and maintenance of the pipelines is necessary for stakeholders assessing risk and understanding the security and reliability of the pipelines.

If you would like to discuss any of these matters further, please contact me on 04 495 3348.

Yours sincerely



Rebekah Cain
Regulatory Advisor

Appendix A: Responses to Consultation Questions

QUESTION	COMMENT
<p>Q1: Do you agree that the current disclosed metrics provided useful status and trend indications? If not, what information do you think is redundant or missing?</p>	<p>These metrics generally measure e.g. response times, once an emergency has occurred. Once an outage has occurred, there is little that can be done. As noted in our covering letter, this is critical infrastructure for New Zealand. The information we are most interested in is in relation to maintenance and investment programmes. A comprehensive maintenance plan that doesn't seek to 'gold plate', while it won't eliminate outages, will minimise outages and, potentially, shorten the outage time.</p> <p>Intelligent pigging is important information for stakeholders. This should be periodically required and the results disclosed.</p>
<p>Q2: Do you agree that the metrics could usefully be summarised and displayed in a 'dashboard' format, accompanied by the GTB's interpretation? Are there other improvements you would suggest?</p>	<p>As GIC has noted, the AMP is a large, dense document. Simplifying the presentation of the information would be useful.</p>
<p>Q3: Do you agree that there are strong reputational, contractual and legislative drivers for a GTB to achieve effective S&R? If not, what else do you think is needed?</p>	<p>Yes but reputational and contractual drivers cannot be relied upon where it relates to a monopoly business. Legislative requirements ensure that standards of information disclosure are maintained that allows stakeholders to assess risks arising from the operation of the relevant pipeline.</p>
<p>Q4: Do you think we have correctly identified the requirements to achieve the S&R objectives? If not, what requirements are unnecessary, or missing?</p>	<p>Yes.</p>

QUESTION	COMMENT
<p>Q5: Do you think the gap analysis is adequate? If not, what gaps have not been identified?</p>	<p>We do not think that AMPs provide the level of detail sufficient to understand the condition of the pipeline and, therefore, the security and reliability of transmission. There is some information included in PIMPs that would be useful, for example, intelligent pigging results. This would provide additional detail about the state of the pipeline itself and provide necessary background information to stakeholders that the pipeline operators are using to make maintenance and investment decisions.</p> <p>Further, the Certificate of Fitness focusses on safety but not necessarily economic concerns for stakeholders of an outage or the requirement for pipeline operators to maintain a critical piece of infrastructure.</p>
<p>Q6: Do you agree that it is not necessary to mandate security standards?</p>	<p>Yes. We see a mandated security standard for the pipeline as likely to lead to over-investment. The pipeline should not be “gold-plated” but should, instead, ensure that there is appropriate and prudent maintenance of the pipeline. We are reliant on the pipeline owners to undertake appropriate and prudent maintenance and transparency drives this. Consequently, access to information about the state of the pipelines, maintenance scheduling and how they are intending to invest in the infrastructure is essential.</p>
<p>Q7: Do you agree that the current AMPs are generally adequate, but missing a layer of GTB interpretation?</p>	<p>We agree greater interpretation of, or accessibility to, the information contained in the AMP would be useful.</p>

QUESTION	COMMENT
Q8: Do you agree that it is unnecessary for a GTB's PIMP to be disclosed?	Some of the information, especially around intended maintenance and the integrity of the pipeline would be useful. This may not be the entire PIMP which we understand to be very detailed.
Q9: Do you agree that there are statutory arrangements to permit scrutiny of a GTB's decisions to invest, or not invest (albeit that these arrangements have not yet been tested)?	<p>Yes.</p> <p>As noted in the Consultation Paper, both transmission systems are shortly expected to be under common ownership which should address concerns regarding un-coordinated investments. However, we agree that a potential concern remains that some system security and reliability will be lost if the Vector pipeline is abandoned. As a monopoly, these wider security and reliability implications for stakeholders need to be considered.</p> <p>We agree that as a reasonable and prudent operator, it is the responsibility of GTBs to disclose and discuss investment options with stakeholders.</p>
Q10: Are there any aspects of the gap analysis that you do not agree with?	While we agree that the full PIMP does not need to be disclosed, there are gaps in information available to stakeholders with regard to efficient investment decisions which are contained in the PIMP but not the AMP. The integrity of the pipeline and corresponding investment and maintenance decisions are important for stakeholders.
Q11: Do you agree with our suggested action points? Are there any other actions that you believe are necessary?	Please see our response to question 10.