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Dear Pamela

## **Submission on the Draft Gas Quality Requirements and Procedures**

### **Introduction**

1. Vector Limited ("Vector") welcomes the opportunity to make this submission on the Gas Industry Company's ("GIC") *Draft Gas Quality Requirements and Procedures* (the "*Draft Requirements and Procedures*"), dated February 2015.
2. We reiterate our support for the GIC's objective of promoting greater transparency about gas quality for industry participants and consumers. The development of the *Draft Requirements and Procedures* is a significant step towards achieving that objective.
3. No part of this submission is confidential and we are happy for it to be made publicly available.
4. Vector's contact person for this submission is:

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### **The Draft Requirements and Procedures**

5. We consider the *Draft Requirements and Procedures* to be a significant improvement over the version the GIC released in August 2014 (formerly referred to as the *Gas Quality Information Protocol*).

6. In particular, we welcome the removal of the requirement on transmission system owners/operators (“TSOs”), distribution network owners/operators, and even wholesalers and retailers to assess the “likely impact” and “possible consequences” of a gas quality excursion on customers downstream.
7. As indicated in our submission on the August 2014 version of the proposed requirements and procedures, an assessment of this nature would require the above parties to spend inordinate amounts of time making assessments they are not well placed to make.<sup>1</sup> This would also divert them from focusing on notifying parties downstream of any excursion and addressing it expeditiously.<sup>2</sup>
8. We also welcome the GIC taking into account our key suggestions and clarifications in that submission and reflecting them in the *Draft Requirements and Procedures*.

### Comments on specific sections

9. The table below sets out our further comments and proposed amendments regarding specific sections of the *Draft Requirements and Procedures*.

Page / Section	Comment / Proposed Amendment
Section 3, Legal framework for gas quality	We <b>recommend</b> that a paragraph or footnote be added stating that this section summarises the regulatory and contractual requirements in relation to gas quality, and the actual provisions in the contracts should be relied upon should conflicting interpretations arise. We believe this would be useful to avoid confusion regarding the status of this document.
Section 5, Obligations and means of compliance	<p>The <i>Draft Requirements and Procedures</i> do not particularly specify how confidential or commercially sensitive information should be handled during the notification process for gas quality excursions.</p> <p>We understand the Gas Industry Transmission Access Working Group (“GITAWG”) is developing arrangements regarding confidentiality of information. While this work only covers TSOs and shippers/retailers, its outcome could provide guidance on how the notification process and information sharing could be managed effectively without imposing undue risks on relevant parties.</p> <p>We <b>recommend</b> that, following GITAWG’s development</p>

<sup>1</sup><http://vector.co.nz/documents/101943/167564/Vector+Submission+Gas+Quality+Information+Protocol+%282%29.pdf/3b997c3e-ad1a-4938-8366-d1422d7d7e65>, page 3

<sup>2</sup>*ibid.*

Page / Section	Comment / Proposed Amendment
	<p>of the above arrangements, the GIC consult with stakeholders on their applicability to the <i>Gas Quality Requirements and Procedures</i>.</p>
<p>Section 5.1, Gas specification, pages 34-35</p>	<p>There are instances where gas can go off-specification in the gas transmission system but will not reach parties downstream. This could occur particularly in small volume sites.</p> <p>It is Vector Transmission’s understanding that the requirement to notify will not apply where a TSO has determined that the off-specification gas will not reach other parties.</p> <p>We <b>recommend</b> that the GIC clarify its expectations and requirements in relation to the above circumstances.</p>
<p>Appendix A, Testing frequencies for components of gas entering transmission pipelines, page 54</p>	<p>The online gas chromatograph at Vector’s Kapuni Gas Treatment Plant (“KGTP”) is not able to monitor oxygen continuously while the one in its laboratory can. KGTP undertakes an analysis for oxygen monthly using the laboratory chromatograph.</p> <p>The <i>Draft Requirements and Procedures</i> (page 30) states that “NZS 5442 s5.4 allows that the test frequency for a particular component can be lowered if that component is demonstrated to be absent or at very low levels relative to the limits”.</p> <p>The results of our monthly analyses always show the oxygen levels to be less than 0.001 mol% (our limit of detection), far below the 0.1% maximum allowed in the standard.</p> <p>Given the undetectable levels of oxygen in Kapuni gas, there is no benefit to be had from continuous online monitoring.</p> <p>We <b>recommend</b> that the specified frequency for monitoring oxygen in relation to gas entering the Vector Pipeline be amended from “continuously” to “as reasonably required, but at least quarterly”, similar to the monitoring frequency for hydrogen.</p>

### **Commerce Commission reset and future amendments**

10. We encourage the GIC to coordinate with the Commerce Commission as the Commission resets the price-quality paths for regulated gas pipeline services (under Part 4 of the *Commerce Act 1986*) for the 2017-2022 regulatory period. Previous Commission decisions have signalled that additional and updated gas quality standards will be considered for the next regulatory period.
11. Coordination with the Commission would ensure alignment between the two regulators' requirements and avoidance of unnecessary compliance costs to the relevant industry participants and consumers.
12. We **recommend** that any proposed amendments to the *Gas Quality Requirements and Procedures* in the future be subject to stakeholder consultation.

### **Concluding comment**

13. Please contact us if you have any questions or require further information.

Yours sincerely



Ian Ferguson  
**Regulatory Policy Manager**