



## GREYMOUTH GAS

28 August 2014

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Dear Ian,

### **RE: Gas Quality Information Protocol**

Greymouth Gas New Zealand Limited (“Greymouth Gas”) is pleased to make a submission on the Gas Quality Information Protocol (the “protocol”) following an invitation from the Gas Industry Company Limited (“GIC”) in August 2014.

It is easy to conclude that a number of the more material potential improvements to gas quality understanding and information<sup>1</sup> will be discussed and/or rolled-out in the gas industry transmission access working group, of which this is one of its work-streams.

However, Greymouth Gas considers that the GIC has done a good job of addressing a gap in the complex gas quality legislative, contractual and standards arrangements – i.e. in providing a base document that pulls everything together, even if it isn’t binding and only indirectly provides knowledge<sup>2</sup>.

Furthermore, GIC has done an even better job of getting the governance arrangements just right. It is logical and sensible for GIC to own this living document and to proactively manage its actual or potential conflicts of interest.

Greymouth Gas would particularly like to acknowledge and thank MRP, Genesis and Contact for their inexorable push to bring the protocol to fruition. While there are some potentially tricky issues to work through in the working group process, having the protocol is a valuable tool to hold up and say that we, as an industry, have given retailer, network, and TSO risk under the Gas (Safety and Measurement) Regulations 2010 (“GSMR”) some quality thought.

Nonetheless, Greymouth Gas considers that there are areas for improvement in the protocol before it becomes final, such as:

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<sup>1</sup> It is important to note that industry generally isn’t trying to improve gas quality itself – any assessment of this would need to revert to the Standards New Zealand review process.

<sup>2</sup> It is pleasing to note that the protocol now reflects the ‘base document’ vision (as we have suggested), rather than trying to be the tool with which some of the potential improvements may have been made.

- Principles of good industry practice<sup>3</sup>:
  - Must honour the confidentiality obligations as set out in TSO codes and bilateral interconnection and other agreements,
  - Must adhere to the notification processes set out in the TSO codes, and
  - Should also include an acknowledgement that it is the delivered aggregate gas quality (not the produced gas quality from individual producers) that is the counterfactual against which the GSMR obligations are made.
- The lead-in to section 2 should also note that gas quality can also be affected downstream of production stations, by sulphur and temperature, which are Vector, and the various pipeline owners' responsibilities, respectively, to manage.
- Footnote 5<sup>4</sup> is in the wrong place – the section talks about what happens at production stations, but the footnote refers to what happens on transmission pipelines.
- The discussion about gas quality vis-à-vis the TSO codes misses some important context in that those codes rightly place more emphasis on having production station's custody transfer meters properly designed, installed and commissioned, and then having the right process in place (with TSO ability to keep an eye on things), rather than on prohibiting (and denying the potential exists for) incidents or excursions. This appears to have been a robust process to date.
- The discussion about TSOs notifying relevant parties about non-specification gas incidents perhaps also misses some context. The codes actually require TSOs to provide advice if they consider that the aggregate blend may be passed onto the next in the supply chain. In practice, we understand that this is difficult, if not impossible, for the TSOs to form a firm view on because open access gas is aggregated and not accounted for at molecular level.

This leads nicely into the gap in the protocol: knowledge of aggregate gas quality at, or as close as possible, to end-users' ultimate demand. What would add real value to the industry (possibly subject to a cost-benefit assessment), is the provision of aggregate gas composition and gas quality<sup>5</sup> data at various points after which there are no more production stations<sup>6</sup>.

Based on the assumption that gas characteristics wouldn't materially change after this point, this non-confidential knowledge would help the relevant parties know if:

- A notified gas quality event has downstream implications
- There is a non-notified gas quality event

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<sup>3</sup> s1.2

<sup>4</sup> s2.1

<sup>5</sup> And pressure?

<sup>6</sup> While odourant reports are available, public information on gas composition is limited to CV, SG, CO<sub>2</sub>% and Nitrogen% - which is a small subset of what gas chromatographs and other instruments and tests can provide.

- Efficiencies are possible in end-users' gas appliances (and/or ruling out problems with those appliances)

Greymouth Gas imagines that these topics will be picked up in the working group's process – but the protocol should be reassessed to check that it adequately acknowledges the points made in our submission.

In summary, systems and processes seem reasonable at a production/upstream level and there must be good robustness regarding the actual counterfactual under the GSMR – i.e. the aggregate gas quality delivered to end-users. Industry must be careful to properly differentiate between the latter and the former.

We have not reviewed some of the other technical, contractual or legislative references in the protocol but at a high-level they seem accurate.

Yours sincerely,



Chris Boxall  
Commercial Manager