



## GREYMOUTH GAS

22 February 2014

Ian Dempster  
General Manager Operations  
Gas Industry Company Limited  
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Dear Ian,

### **RE: Gas Industry Co Guidelines for Determining Regional Critical Contingencies**

Greymouth Gas New Zealand Limited ("Greymouth Gas") is pleased to make a submission on the Gas Industry Co Guidelines for Determining Regional Critical Contingencies dated 12 February 2014 (the "paper") following an invitation from the Gas Industry Company Limited ("GIC").

The paper appears to meet the requirements of r45(3) of the amended Gas Governance (Critical Contingency Management) Regulations 2008 that come into effect on 1 March 2014 ("CCMR"). However, a couple of points of caution on the detail:

- The first paragraph in section 3.3 of the paper is incorrect – if the damage is on Vector Gas Limited's ("Vector") Frankley Road pipeline, then it is impossible for that damage to also be upstream of the Kapuni Treatment Station (which implies a problem with the Kapuni field or that spur line, not with the Frankley Road pipeline).
- Contrary to the paragraph underneath the diagram in section 3.3 of the paper, the loss of Kupe gas would not necessarily pose a significant loss of supply to points on the Maui pipeline and north. It may, but it would depend on whether Vector's Frankley Road Welded Point was previously acting, or was about to act, as a receipt or a delivery point in terms of physical demand, what stabilisation could be provided by Vector's 200 pipeline, and also on whether or not Kupe gas could still flow into the Frankley Road pipeline in either direction.
- Keeping the pipeline schematic at a high-level is okay – but it is a bit confusing and could be more accurate, for example:
  - o the spur line from the Kupe Production Station does not go into the Kapuni Treatment Station, but directly onto the Frankley Road pipeline;
  - o it may be good to show Methanex New Zealand Limited's 2<sup>nd</sup> plant;
  - o the 'Points of Supply' are actually delivery points, or 'Points of Demand';
  - o open-access spurs to various delivery points are inconsistently presented, e.g. Tauranga is included, but Mt Maunganui and delivery points on the Morrinsville lateral pipeline are not;

- Huntly is to the east, not the west, of the open access pipelines according to Vector's schematic on Oatis;
- There is perhaps a missing scenario that canvasses no supply issues, but excess demand, causing a critical contingency with or without curtailments.

There are also strategic problems with the paper having regard to r45(3) of the CCMR because the CCO must *have regard* to the guidelines, as published, (and arguably only have regard to those published guidelines) when determining the regional status of critical contingencies in accordance with r52A(1) of the CCMR. The problems and solutions are:

- There may be other, better, or more detailed information, or a scenario that isn't able to be condensed into one of the examples in the paper, yet the CCO might not be able to have regard for that if it is not in the paper. An inadequate paper may expose the CCO to legal risks and delays in making a determination.
  - Solution: The paper should be as exhaustive as possible. There could be a reference in the paper that allows the CCO to obtain such other, better, or more detailed information from elsewhere, or, if this provides more power to the CCO via the guideline note process than is permitted by r52A(1) of the CCMR, the paper should either be high-level enough to capture all scenarios and relevant information or it should be detailed enough to do the same.
- The pipeline schematic and the dialogue of the paper blur the line about what is relevant for the CCO when considering regional critical contingency status. For example, the CCMR is only for open-access pipelines, and an upstream event (even if during a critical contingency event) may not be relevant to the CCO's obligations under r52A(1) of the CCMR.
  - Solution: It might be better for the paper to remove references to non-open-access pipeline stations/points and rely on their manifestation in the form of receipt points when making a determination.

Another issue with the paper is that it should canvass (and consult) about fringe issues such as:

- whether the status of a regional critical contingency is set up front, or whether it can change over the course of an event – GIC seems to suggest the latter in its invitation to comment on the paper, although the CCMR could be interpreted either way;
- if the regional critical contingency status can and does change at a time that is not midnight, clarifying the status of the regional critical contingency on that day given the two intra-day determinations;

Incorporating timing and logic guidance into the paper would add real value. For the CCO and retailers, it is surely better to solve these issues now, rather than during an emergency.

The guideline note needs a slight re-work to avoid further problems and to ensure it is effective. Ultimately, all shippers need to know is the right determination in a timely manner.

Yours sincerely,



Chris Boxall  
Commercial Manager