



Gas Industry Company Limited

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Hon David Parker  
Minister of Energy  
Parliament Buildings  
WELLINGTON

COPY

25 July 2006

Dear Minister

### **Review of Specification for Reticulated Natural Gas**

The Gas Industry Co is required by the Government's Policy Statement on Gas Governance (GPS) to provide for *"the development of protocols and standards applying to wholesale gas trading, including quality standards, balancing and reconciliation"*.

Shortly after the Gas Industry Co was formed, the Wholesale Markets Working Group (WMWG) was established to assist with delivery of the GPS objectives. The WMWG interpreted *"quality standards"* as applying to the standard for reticulated natural gas and suggested that it was appropriate to explore the current gas specification to ensure it continues to be adequate in the light of potential new gas fields coming on stream. There can often be a tension between gas producers seeking a wide specification, large gas users who seek strict control on the gas specification to maximise plant performance, and retail consumers who have an installed appliance base which requires a particular specification to ensure safe and reliable operation.

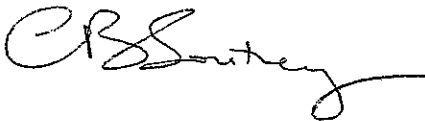
The attached report presents the Gas Industry Co's recommendations relating to the specification for reticulated natural gas in New Zealand. The recommendations consider (a) the limits defining NZS 5442:1999 and (b) the current arrangements to enforce the gas specification. The recommendations are the culmination of a technical review undertaken by an independent consultancy firm (Plant and Platform Consultants Ltd) and a rigorous consultation process by the Gas Industry Co.

The main recommendation is that the current limits on the gas specification do not need to change as they provide appropriate levels of safety and reliability for consumers whilst achieving an appropriate balance between the various commercial interests of industry participants. Submissions from industry

participants highlight that the industry is generally supportive of this recommendation. The report also recommends that further work is done on arrangements to ensure compliance with the standard. This work has already been foreshadowed in the Gas Industry Co's Transmission Access Issues Review report (currently out for consultation).

We would be happy to discuss these recommendations with you at your convenience.

Yours sincerely

A handwritten signature in black ink, appearing to read 'C. Southey', with a long, sweeping horizontal flourish extending to the right.

Christine Southey  
Chief Executive