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Submission on the Proposed Gas Quality Information Protocol

Introduction

1. Vector Limited ("Vector") welcomes the opportunity to make this submission on the Gas Industry Company's ("GIC") proposed *Gas Quality Information Protocol* ("the proposed Protocol"), dated August 2014.
2. Overall, we consider the GIC's proposed Protocol to be a significant improvement over previous versions issued outside the GIC's purview, which were more prescriptive and potentially onerous. We support the GIC's intention of promoting greater transparency about gas quality for industry participants and consumers.
3. However, we are disappointed that we have not been consulted in the drafting of this particular version of the proposed Protocol, given its wide-ranging implications for Vector's gas businesses. As an arrangement initiated by some gas retailers, we believe it would have been appropriate that the views of other industry participants with significant roles to play in the Protocol's implementation were taken into account prior to its release for wider stakeholder consultation. Had we been consulted, many of the errors in the proposed Protocol that we identify below could have been avoided.
4. No part of this submission is confidential and we are happy for it to be made publicly available.
5. Vector's contact person for this submission is:

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The proposed Protocol

6. We consider the proposed Protocol to be a significant improvement over previous versions issued outside the GIC's official purview. We recognise the GIC's efforts in keeping the proposed Protocol high level and departing from the more prescriptive and potentially onerous provisions of previous versions. This would also allow industry participants greater flexibility to further discuss what would comprise reasonable expectations in relation to parties' compliance with the draft Protocol's various requirements.

Aligning expectations

7. In a submission we made to the GIC on a previous version of the proposed Protocol, emailed on 15 October 2013, we expressed willingness to discuss the requirements in more detail, i.e. to clarify what particular documentation is expected to be provided against particular provisions. We provided the names and contact details of managers of our gas businesses who would be happy to meet with regulators and retailers to achieve an alignment of expectations regarding parties' compliance with the Protocol.
8. We have not been privy to any formal discussions with either the GIC or retailers since making that submission.
9. As suggested in that submission, we **recommend** that the GIC facilitate face-to-face discussions, or working groups where required, for each section of the proposed Protocol with the relevant parties, for example, between distribution network owners/operators ("NOs") or transmission system owners/operators ("TSOs"), and retailers. The purpose of these discussions, in addition to the two whole-of-industry workshops conducted by the GIC last year, is to achieve a shared understanding of the GIC and industry participants' expectations on how the proposed Protocol should be implemented. We set out our comments and queries on specific sections of the proposed Protocol in the table below.

Implementation issues

10. Some of the implementation issues that require greater clarity and can be further discussed, but need not be in the actual Protocol, include but are not limited to the following:
 - form and content of the notification;
 - frequency of providing particular documentation;
 - manner in which a notification is to be provided. Section 1.2 of the proposed Protocol lists some principles of good industry practice, but does not include any principle in relation to the exchange or management of information;

- interrelationships between the proposed Protocol and existing rules and regulations; and
 - transitional arrangements or period leading to the Protocol 'going live'.
11. In particular, we are concerned with the requirement on TSOs, NOs, and even wholesalers and retailers to assess the "likely impact" and "possible consequences" of an incident on customers downstream, as illustrated in Figures 3, 4, 5 and 6 in the proposed Protocol. We seek clarification regarding the "assessment" that is required in relation to specific 'incidents', i.e. would this be in the nature of a commercial, operational or technical assessment?
 12. Regardless of the nature of the assessment(s) required, the above parties are not in a position to make judgement calls for customers downstream, given they do not have full information about these customers. Some of the parties are one or more steps removed from the final users of gas. This could be tantamount to 'asking for the impossible' and requiring these parties to spend inordinate amounts of time making assessments they are not well placed to make (and risk making the wrong call) instead of focusing on addressing the incident or providing improved services to their customers.
 13. For example, TSOs do not have detailed knowledge of downstream users' assets, design and operating environments. In addition, full information on the nature and extent of the incident may not be available. It would be irresponsible for TSOs to be providing advice without the requisite knowledge. However, we believe it is reasonable and prudent that the TSO advise downstream users of any departures from quality standards as soon as they are known. This is consistent with current practice.
 14. Adding to the complexity and challenges of making the required assessments are the multiplicity of downstream users at different locations. Pipeline conditions could also change with the passage of time from the point the excursion was discovered and notified, requiring several notifications.
 15. Downstream users of gas are better placed to assess the impact of incidents on their businesses, informed by data from upstream parties, e.g. whether they should curtail the use of gas at particular times.
 16. It should also be considered how the additional costs of complying with the proposed Protocol would impact consumers, who are likely to ultimately bear these costs.

Comments on specific sections

17. We set out in Table 1 our comments, queries and proposed amendments in relation to specific sections of the proposed Protocol.

Table 1. Comments on specific sections

Page / Section	Comment / Proposed Amendment
Page 9, last bullet under section 1.2, Principles of good industry practice	<p>The proposed Protocol states that “service providers will make available to gas wholesalers and retailers all information relating to gas quality that the wholesalers and retailers reasonably need to demonstrate that they are complying with their legal obligations”.</p> <p>As suggested above, the GIC should facilitate further discussions with the relevant parties and retailers/wholesalers to clarify the form any information required in addition to what is already being disclosed should be provided, e.g. should it be audited, etc? Also, if such information can only be delivered at significant costs to the party providing the information (for example, employing additional staff to compile and ensure the information is in the right format or traceable), how would the costs be allocated between parties to the proposed Protocol?</p>
Page 11	A map supposedly showing the locations of odourisation plants is missing.
Page 14	<p>Figure 1 should include NZS 5258, which specifies standards for gas distribution networks. We note that NZS 5258 is included in the list of technical standards on page 26.</p> <p>Figure 1 should also include New Zealand pipeline regulations and NZS/AS 2885 pipeline standards.</p>
Page 18, footnote 11	The 180-minute duration to respond to emergencies under Part 4 of the Commerce Act applies to gas transmission and distribution systems. The requirement to respond within 60 minutes to 80% of emergencies is a metric for regulated NOs only.
Page 20	Figure 2 should include wholesale contracts.
Page 22, first paragraph after the bullet points	<p>The proposed Protocol states that “[i]f Vector suspects that gas being supplied is non-specification, the interconnected party must promptly investigate. If the gas is non-compliant, Vector must terminate flow”.</p> <p>This is not correct. Vector’s template receipt point ICA</p>

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	(posted on OATIS) provides that if Vector suspects non-specification gas is being injected, it must promptly notify the interconnected party <i>and the interconnected party</i> is then required to stop the flow.
Pages 20-25, section 3.4, Contracts with provisions relating to gas quality	Gas measurement systems are reflected in Figure 2 but are not described or discussed in this section.
Page 26	AS/NZS 4645 is not included in the list of standards on this page but is reflected in Figure 1 on page 14.
Page 26, fourth bullet point	<p>NZS 5259 does not have anything to do with chromatographs. This should read:</p> <p style="text-align: center;">NZS 5259 Gas measurement, that sets requirements for the on-going calibration of gas chromatographs and associated equipment that form part of a GMS. and testing of GMS and associated equipment.</p>
Pages 26-29, section 4, Technical standards for gas quality	This section appears to be primarily relevant for NOs; most of it does not apply to TSOs. This should be made clear.
Page 27, last sentence of the second paragraph	"Appendix B" should be amended to "Appendix A".
Page 28	Footnote 18 is blank.
Page 30	<p>It is noted that Regulation 30(5) of the Gas (Safety and Measurement) Regulations 2010 states that:</p> <p style="text-align: center;">(5) This regulation does not require a safety management system in respect of a gas measurement system on a gas transmission system.</p> <p>The reference to "TSOs" in the first bullet point should therefore be removed, and this point should be made clearer throughout the proposed Protocol.</p>
Page 31, Table 2 – gas specification obligations and	We suggest that reporting thresholds be adopted in relation to the reporting of gas quality excursions. Vector's Kapuni Gas Treatment Plant ("KGTP")

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actions, GP	<p>recommends adopting the guidelines developed by the Australian Energy Market Operator to cover short-term excursions outside the gas quality specifications.¹</p> <p>The KGTP is also happy to provide copies of its monthly gas monitoring reports to Vector Transmission on a confidential basis.</p>
Pages 31-32, Table 2 – gas specification obligations and actions, TSO	<p>The first obligation, which refers to SM Regulation 30, is incorrect. In fact, and as stated above, Regulation 30(5) does not require an SMS on a gas transmission system.</p> <p>As discussed above, the assessment of the impact of non-specification gas on all other gas customers would be difficult, and in some circumstances, impossible. This is because TSOs do not have full information, commercial or otherwise, about all gas customers downstream.</p> <p>We note that frequencies can be specified only where there is one.</p>
Page 32, Table 2 - gas specification obligations and actions, NO	<p>The only specifications a NO can check is odorant and pressure; it has no means of measuring other factors, i.e. full specification (chemical makeup of the gas being transported).</p>
Page 33, Table 3 – odourisation obligations and actions, TSO	<p>The first sentence, under “Means of Compliance”, should read:</p> <p style="padding-left: 40px;">Vector will conduct spot checks from time to time (but not at all delivery points), to test whether the gas in the distribution-transmission network meets the detectability requirements set out in NZS 5263.</p> <p>Further, the second sentence should read:</p> <p style="padding-left: 40px;">. . .If not, Vector will advise affected shippers and NOs as soon as reasonably practicable and take all reasonable steps to remedy the situation (s13.3 of VTC).</p>
Page 34, Table 3 – odourisation obligations	<p>Again, and as indicated above, SM Regulation 30(5) does not require an SMS on a gas transmission system.</p>

¹ Operating Procedure Gas Quality Guidelines, Document Ref: 224235, Australian Energy Market Operator Ltd.

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and actions, TSO (second obligation)	
Page 34, Table 3 - odorisation obligations and actions, NO	With reference to the second obligation of "mak[ing] odorisation documentation available", we seek clarity whether there is a requirement for this documentation to be audited.
Page 35, Table 3 - odorisation obligations and actions, W/R	Wholesalers and retailers may not have the odorisation documentation or sufficient information; they can only pass on information provided by NOs.
Page 36, Table 4 - gas pressure obligations and actions, NO	How will the minimum and maximum pressure settings be agreed? Are these the settings contained in the Gas Distribution Asset Management Plan ("AMP")?
Pages 38-42, Figures 3, 4, 5 and 6	<p>As discussed above, TSOs cannot possibly make an assessment of the likely impact (particularly economic and financial impact) of departures from quality standards for downstream parties, whose customers would be unknown to TSOs.</p> <p>TSOs can only advise all counter-parties of the possible consequences of an incident where these are known and apparent to the TSO. The same applies in respect of the notification obligations of NOs, wholesalers and retailers.</p> <p>In addition, the interrelationships of obligations under the draft Protocol with various parties' existing obligations, for example, under the Gas Governance (Critical Contingency Management) Regulations 2008 need to be clarified.</p> <p>Downstream users of gas are best placed to determine the best course of action in response to data from upstream parties or suppliers, e.g. whether to withdraw from using gas at particular periods.</p> <p>We suggest that the GIC, in consultation with the above parties, clarify and facilitate industry agreement over this proposed obligation.</p>
Page 39, last sentence	The gas retailer or wholesaler "should notify" the GMS owner, rather than "may...notify".

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Page 40, Odourisation	There is no mention of over odourisation, which increases the PRE rate on the network and at GMS locations.
Page 40, item 1	<p>This should be amended to:</p> <ol style="list-style-type: none"> 1. Vector continuously monitors the operation of its larger odourant plants. A SCADA alarm will alert system operations to any failure on these assets.
Page 41, Odourisation	Where a low odourant incident is reported on a distribution network, Vector Transmission will take a sample at the relevant delivery point. It would not be reasonable for Vector Transmission to increase dosing at its own cost for a distribution network issue.
Pages 43-44, Table 5, Specification	The information contained in this section does not make sense. It appears to quote the wrong MPOC section.
Appendix A, page 49	Halogen does not need to be included in the column for Vector pipeline. It is used only for non-petroleum based gases, e.g. for landfill gas.

Related initiatives

18. We note that there are recently established processes intended to promote greater transparency for industry participants and consumers. These include, for example, the requirement that Vector and other regulated businesses release, under Part 4 of the Commerce Act, AMPs covering the next 10 years. They are required to issue AMPs every two years and update them in interim years.
19. There are also ongoing initiatives that similarly promote the intention of the proposed Protocol to improve transparency. The Gas Industry Transmission Access ("GITA") Working Group, facilitated by Vector and Maui Development Limited, aims to improve access and capacity arrangements on the Vector and Maui pipeline systems. One of the Working Group's work streams is considering gas quality issues, including potential amendments to the Vector Transmission Code and the Maui Pipeline Operating Code to align gas quality provisions between the two codes.
20. The development of formal/written operational arrangements between TSOs and NOs, which is noted in the draft Protocol, is also being considered by the GITA Working Group.

21. Another initiative is the GIC's proposals to improve accuracy and transparency of the Gas Registry. Amendments to the Gas Registry, proposed by the GIC and informed by the work of the Registry Amendments Project Team, are currently under stakeholder consultation.
22. We suggest that the GIC consider the outcomes of the GITA Working Group and its consultation on the Gas Registry amendments in further developing the proposed Protocol. This would ensure consistency in regulatory or industry arrangements, avoiding duplications and overlaps and minimising unnecessary compliance costs.

Concluding comments

23. Vector would like to be actively involved in any discussions or working groups to further clarify how each relevant party can comply with the proposed Protocol and meet the GIC's and various stakeholders' expectations. While some matters remain unclear and uncertain, we cannot accurately assess the proposed Protocol's impact on our businesses, including whether some of these requirements are in addition to what we already disclose under the Commerce Act's comprehensive information disclosure regime or whether they are potential duplications (i.e. some of this information could already be public or be made public in the future).
24. Our proposed discussions would help establish shared expectations on the details of the Protocol's implementation, e.g. exact form of documentation or notification that is to be provided, its timing and manner of delivery.
25. We **recommend** that the GIC facilitate such discussions to further clarify the above issues. We do not expect this process to require more than a couple of face-to-face discussions for each segment of the gas supply chain. The sooner these matters are clarified, the sooner the GIC's work on gas quality can be progressed, if not concluded.
26. We also **recommend** that the proposed Protocol be subject to further consultation, following this consultation and the proposed smaller group discussions above, before it is finalised.
27. As we suggested in previous submissions, it is good regulatory practice to provide stakeholders ample time to respond to regulatory proposals that could require changes to industry participants' operations. We further **recommend** that any future consultation on the Proposed Protocol (or any issue of significant importance for that matter) be subject to the standard consultation period of four to six weeks.

Yours sincerely



Bruce Girdwood

Group Manager Regulatory Affairs