



Shell New Zealand (2011) Limited

Level 10, ASB Tower
2 Hunter Street
P O Box 1873
Wellington 6011
New Zealand

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Gas Industry Company
Level 8, The Todd Building
95 Customhouse Quay
PO Box 10-646
WELLINGTON 6143

Attention: Ian Wilson

Dear Ian

Submission on First Gas Documents

We provide here our feedback to First Gas Ltd on the revised “Gas Transmission Access Code” documents (GTAC2) that First Gas has developed in response to the Gas Industry Company’s (GIC) Final Assessment Paper (FAP) of the first GTAC submission.

We concentrate our comments in this submission to those issues that are consistent with the scope of the recent facilitated consultation which was conducted on the basis of addressing only the issues addressed in the GIC’s FAP.

The GIC has separately invited submissions to identify to the GIC the areas it should focus its analysis pursuant to MPOC s22.16(b). We intend to comment in that submission on the areas of GTAC design which concern us and which are not amenable to simple drafting changes, or which have been clearly rejected by First Gas (e.g. retention of MPOC RPO standard).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'M E Jackson', written over a faint, illegible background.

M E Jackson
Shell New Zealand (2011) Limited

Gas Transmission Access Code (GTAC2) – required changes

Reference	Requested Change for GTAC
<p>Definition</p> <p>Metering Requirements</p>	<p>Amend definition as follows:</p> <p><i>“Metering Requirements means the documents of that name published on OATIS and which includes the specification of all technical requirements that are necessary for design, construction, operation, and maintenance of each Receipt Point or Delivery Point”</i></p> <p>The definition is important in the scope of GTAC clause 7.13(g). It is necessary for an orderly transition for all interconnected parties under MPOC to be assured of interconnection under an ICA without having to make technical changes that are not already required under MPOC in 2019.</p>
<p>Clause 6.20</p>	<p>Clause 6.20 should contain an acknowledgement by First Gas that title to Shipper’s gas remains with the Shipper at all times except if traded or sold pursuant to clauses 6.6 or 8.6.</p> <p>This is a necessary component to ensure a Shipper can be confident that title can be tracked, and to clarify the basis by which First Gas provides line pack to support shipper mismatch.</p>
<p>Clause 9.5</p>	<p>At an early stage in GTAC discussions First Gas decided to standardise the terminology as regards obligations which are inherently a matter of practicability or reasonableness. It was chosen to standardise on “reasonable endeavours” as opposed to using various other forms such as “all reasonable endeavours”, “best endeavours” or simply “endeavours”. However, “best endeavours” has now been inserted into clause 9.5. By inserting “best endeavours” here it inherently downgrades the meaning of “reasonable endeavours” in the rest of the document. Therefore, if “best endeavours” is to be retained in this clause, we would expect that where “reasonable endeavours” is used elsewhere in GTAC it may need to be revised to this higher standard, e.g. in clause 8.2.</p>
<p>Clause 19.2</p> <p>Term of Code</p>	<p>Change specified “10 years” to at least “17 years” from September 2019. The life of code should reflect the life of current gas production assets, which will be operating after 2029.</p> <p>Shell considers that producer should be able to rely on predictable gas transmission arrangements to be in place until 2036 at least, being the term of the Pohokura mining licence.</p>

Reference	Requested Change for GTAC
Clause 19.2 (a) and (b) Term of Code	<p>The GTAC should reflect the terms of the MPOC such that if a new code is proposed, and the proposed new arrangements must be “materially better” than the GTAC arrangements.</p> <p>The mechanism proposed in 19.2(b) gives little assurance that transmission services will be offered beyond 2029 on reasonable terms and conditions.</p>
Clause 20.19 Contractual Privity	<p>Amend to provide contract privity in respect of clause 7.12 to third parties who seek to enter into an interconnection agreements or arrangement, else these clauses might have no useful effect for new entrants.</p>
Schedule 1, GTA Requirements Clause 2.1	<p>Add to clause 2.1 (c) of this Schedule 1 as follows:</p> <p>2.1 (c) “provide unambiguous rules for determining the quantity of Gas transferred by the transferor to the transferee. <u>First Gas shall provide standard rules able to be selected within OATIS that are able to determine the allocations of metered quantities on the basis of Approved NQs. Such rules will include <i>pro-rata</i>, swing, and ranking</u>”.</p> <p>These are common allocation arrangements applied internationally, and constitute good gas industry practice, but the functionality will need to be provided in OATIS for parties to apply them. The new OATIS IT system must have the capability for Interconnected Parties to select standard allocation arrangements.</p>
Schedule 1, GTA Requirements Clause 3.1 (c) (ii)	<p>“transferee’s nominations” is not defined in GTAC. Revise 3.1 (c) (ii) as follows:</p> <p><i>“where thethe Gas Transfer Agent shall complete the transfer of the metered quantity on a pro-rata basis across each Shipper’s Approved NQ;”</i></p>

Requested Changes for Schedule 5: Interconnection Agreements for Receipt Points

Reference*	Requested Change for Schedule 5
	<p>Note: These comments on Sched 5 also apply to their equivalent provisions in GTAC and Sched 6</p>
Hazardous	<p>After reference to AS 2430, add words: “ <i>or whichever equivalent standard has been applied by the interconnected Party to assess the hazardous areas.</i>”</p> <p>The referenced standard is out of date.</p>
Interconnection Point	<p>Delete phrase : “being the demarcation point between the Parties’ respective assets” and replace with the “<i>being the demarcation point at which custody and control is transferred</i>”.</p> <p>For interconnected pipelines where metering is remote from the Interconnected Point (as exists with the EPJV pipeline), there may be a pipeline operated by a third party separating Metering from First Gas assets.</p>
Clause 2.4	<p>Add words “ and Additional Receipt Points included in this agreement” after “...ensure that all Receipt Points”.</p> <p>Ensure that other receipt points that the IP does not control are not included</p>
Clause 2.4	<p>Add to this clause:</p> <p><i>“All technical requirements under this Agreement are provided a transitional period of two years for Receipt Points which exist and are operating as of 30 September 2019 (such transitional arrangements may be applied for a longer period in order to avoid the necessity of interruption to production, but such agreed transitional period shall be no longer than four years).”</i></p> <p>It is important that all parties connected under existing codes are given a reasonable opportunity after October 2019 to meet any new technical requirements without requiring shutdowns. Two years may not be sufficient to avoid loss of gas production.</p>
Clause 2.10	<p>Change to: “<i>The Interconnected Party, if it is the owner of the interconnected Pipeline, shall ensure that its Pipeline</i>”</p> <p>The Receipt Point of SENZL and Delivery Point of Methanex may be connected to First Gas pipelines by the EPJV pipeline.</p>
Clause 3.1 (a)	<p>Start clause with “Subject to section 3.2 below, it is.....”</p> <p>Shell’s assets, and many other assets in Taranaki, have been designed on the assumption that backpressure will not exceed the TTP limit.</p>

Reference*	Requested Change for Schedule 5 Note: These comments on Sched 5 also apply to their equivalent provisions in GTAC and Sched 6
3.2	<p>Modify clause to remove the “reasonable endeavours” caveat and restore the MPOC obligation to the effect that “The Target Taranaki Pressure shall be between 42 and 48 bar-gauge”.</p> <p>Change reference to section 9 to section 4 of GTAC, to make it analogous to clause 2.20 in MPOC. See also the deletion sought for clause 9.1 (g)</p> <p>Because First Gas has adopted the position that it will meet the standard of MPOC in respect of TTP and so it must apply all the relevant MPOC provisions that manage TTP. (See also MPOC clauses 2.5 (c), 2.19, 2.20, 3.1)</p>
3.5	<p>Disclosure should only be required for unscheduled outages materially affecting the IP’s injection of gas.</p> <p>For scheduled outages, notices should be required only for the later of: “as soon as reasonably practicable” and 12 months prior.</p> <p>Limiting disclosure to material ones, and only for those within 12 months reduces the obligation to make updates as plans change. Plans generally firm up only 12 months in advance.</p>
5.4	<p>Provide commitments to replicate the functionality of MPOC OATIS (e.g. see clauses 9.3(a) to 9.3(e) of MPOC) for nomination confirmation in the new OATIS to ensure there is adequate flexibility for Interconnected Parties to provide confirmations, curtailments, or rejections;</p>
Clause 6.10	<p>Modify such that oxygen monitoring is not required if it is reasonably likely to be below measurable levels, with no likely source</p> <p>Continuous oxygen monitoring is not practicable for low oxygen levels</p>
6.15	<p>Align treatment of contaminants with NZ5442</p> <p>Treatment of contaminants does not align with NZS5442</p>
6.16	<p>Modify such that retention of the data is only required from inception of the agreement</p> <p>Data that was generated prior to inception of the agreement should not be required under the agreement.</p>

Reference*	Requested Change for Schedule 5 Note: These comments on Sched 5 also apply to their equivalent provisions in GTAC and Sched 6
6.17	Delete the phrase “any injection by it of Non-Specification Gas” Inclusion of this phrase means it departs significantly from the standard of MPOC in this matter. These “deeming” provisions have been the subject of previous submissions and is unacceptable to Shell.
9.1 (d)	Delete 9.1 (d) This clause is not necessary, and should be managed by the confirmation process for nominations.
9.1 (g)	Delete 9.1 (g). Given that First Gas has committed to TTP being managed in GTAC consistently with MPOC, it is not consistent that curtailment for high pressure should be in Section 9 (because there is no reference to TTP in section 15 of MPOC). See comment in relation to 3.2.
9.2	A direct notice needs to be given by First Gas to the IP, in addition to notice being delivered on OATIS. Important notices must be sent directly to the appropriate party.
9.4	First Gas should be required to reimburse any cost of complying with First Gas requests for assistance under this clause.
9.9	Delete clause. Actions are required under regulations and do not need to be duplicated here.
13.2 (c)	Modify c by reducing to the following: <i>“First Gas must obtain a Work Permit from the interconnected Party before any Approved Persons enter a Receipt Point to carry out any work under the Interconnected Party’s Permit to Work system.”</i>
13.2 (d)	Make deletion in first sentence of d) as follows: “ First Gas will give the Interconnected Party at least 48 hours’ written notice of its requirement for a Work Permit (and such Work Permit will be issued within that time period unless there is good reason that it should not be so issued). Work Permits must be issued on the day of work and cannot be issued in advance.

Schedule Five /Schedule Two: Technical Requirements

Reference*	Requested Change for Schedule 5, Schedule Two: Technical requirements
1.1 (a)	<p>Existing Receipt Points facilities that were satisfactory under MPOC that are in operation at 1/10/2019 must be regarded as conforming to good gas industry practice.</p> <p>The deadline for transition of 1 October 2021 might not be adequate for some equipment if the next turnaround is programmed for 2022 (e.g. Maui).</p>
1.1 (b)	<p>Where an installation is designed to a superseded code but where the risk is managed to be ALARP (as low as reasonably practicable), there should be no automatic requirement to upgrade to meet the other requirements of 1.1 (b)</p>
1.2	<p>Ensure it is clear that 1.2 is subject to 1.1 (a) that will make clear that items in operation as of 1/10/2019 will be deemed compliant with section 1.2</p>
1.2 (a)	<p>Change to: “Appropriate security to prevent unauthorised access (for example: fencing)”.</p>
1.2 (g)	<p>Change to: “An appropriate isolation valve to allow First Gas to securely and safely isolate its Pipeline from the Interconnected Party’s pipeline, which may be controlled by the Receipt Point Operator”</p>
1.2 (j)	<p>Remove this clause because it is dealt with by the gas specification requirements.</p> <p>Ensure First Gas Metering Requirements document specifies that the need or otherwise for equipment such as filters will be determined by the standard of BS EN 1776.</p>
1.2 (k)	<p>Modify so that it is conditional on whether a Receipt Point can exceed a meter’s operating range.</p>
1.2 (l)	<p>Modify to say that: “The Receipt Point facilities must prevent reverse flow through a Receipt Point” (.e.g. by installation of a check (non-return) valve.)</p>
1.3(b)	<p>Ensure 1.3 is subject to 1.1(a) that will make clear that receipt points in operation as of 1/10/2019 will be deemed compliant with section 1.3 if they are compliant with MPOC</p>

Reference*	Requested Change for Schedule 5, Schedule Two: Technical requirements
1.6	Replace entire clause 1.6 with “ <i>The risk of overpressure to and from the First Gas Pipeline shall be assessed and reduced to ALARP (“as low as reasonably practicable”) using established codes . If a Safety Instrumented Function is required to achieve this then it shall be specified and managed using IEC 61508/61511</i> ”
1.8	Change to the following: “ <i>First Gas may require that there shall be an agreed protocol to remotely control the flow at a Receipt Point</i> ”