



Consultation on correcting injection errors at TAU07001

1. Introduction and purpose

This paper recommends a pathway forward to manage the impact of an injection error which occurred at Taupo gas gate (TAU07001). The error was an over-submission of 26.7TJ across a 19-month period from April 2021 to October 2022.

Under the Gas (Downstream Reconciliation) Rules 2008, when a material error is discovered, Gas Industry Co must consider whether or not to direct special allocations to rectify the error (r44.4.2). In addition, Gas Industry Co may direct the allocation agent to correct and republish an annual UFG (AUGF) factor, if the current AUGF factor has a sufficiently unfair impact on allocation results (r46A).

Special allocations are considered in this paper as the errors fall within the available timeframe defined under rule 51 of the Gas (Downstream Reconciliation) Rules 2008.

This paper proposes:

1. Special allocations for those periods where uncorrected final allocations have occurred (April 2021 to October 2021)
2. No special allocations where incorrect allocations have been or will be corrected by a final allocation (November 2021 to October 2022)
3. No recalculation or correction of the AUGF factor because there are no TOU ICPs at this gate.

Gas Industry Co invites feedback from allocation participants on these proposals. We are also asking for feedback on whether the special allocations should be performed in a single month or split over a couple of months to spread out the impact of the volume changes on running mismatched positions.

2. Background

Gas Industry Co had been investigating the increase in UFG at this gate throughout 2022.

An injection error was discovered at this gate following testing of the meter on 14 October 2022 which resulted in a clear indication that the meter was malfunctioning. Firstgas has since advised that the GMS at the Delivery Point has now been replaced. Firstgas has also calculated corrected injection volumes and published these corrections on OATIS.

The affected period is April 21 to October 22 and impacts allocated volumes for all participants at this gate, who have been over-allocated gas. There are no time of use sites at this gate.

This error relates to breach 2023-04.

3. Impact

This error resulted in an over-submission of injection volumes by 26,736GJ from April-21 to October-22.

When we consider the allocation stage of each consumption period, there is a total of 10,356GJ which won't be washed up without special allocations (for consumption periods April-21 to October-21). Outside of this period, injections have been corrected or are still flowing through as corrections, via wash-ups.

Table 1: Status of each affected consumption period

Consumption Period	Allocation Stage	Status
Apr-21	Final	Incorrect
May-21	Final	Incorrect
Jun-21	Final	Incorrect
Jul-21	Final	Incorrect
Aug-21	Final	Incorrect
Sep-21	Final	Incorrect
Oct-21	Final	Incorrect
Nov-21	Final	Washed up and corrected
Dec-21	Final	Washed up and corrected
Jan-22	Final	Washed up and corrected
Feb-22	Final	Washed up and corrected
Mar-22	Interim	Still to wash up
Apr-22	Interim	Still to wash up
May-22	Interim	Still to wash up
Jun-22	Interim	Still to wash up
Jul-22	Interim	Still to wash up
Aug-22	Interim	Still to wash up
Sep-22	Interim	Washed up and corrected
Oct-22	Interim	Washed up and corrected

1.1 Allocated Quantities

Nine retailers were trading at Taupo during the affected period. The estimated impact that this error had on their allocated quantities is shown in Table 2. These volumes are for the periods that won't be corrected by final allocations.

Table 2: Difference between published and corrected allocated quantities and estimated financial impact for the injection error at TAU07001

Retailer	Original allocated quantities (GJ)	Corrected allocated quantities (GJ)	Change due to error (GJ)	Estimated financial impact (\$) ¹
Contact (CTCT)	20,029	18,013	-2,016	-\$18,072
Genesis (GENG)	29,388	26,420	-2,968	-\$26,639
Energy Online (GEOL)	2,670	2,404	-266	-\$2,388
Nova (GNVG)	37,465	33,622	-3,842	-\$34,405
Mercury (MEEN)	4,813	4,337	-476	-\$4,273
Megatel (MEGA)	12	10	-1	-\$11
Pulse (PUNZ)	2,237	2,018	-219	-\$1,958
Switch (SULG)	250	223	-27	-\$246
Trustpower (TRUS)	5,430	4,890	-540	-\$4,854

1.2 Annual UFG Factors

The error spans consumption periods that have been used in the calculation of the AUFG factor for the 2022-23 gas year and that will be used for the 2023-24 gas year.

An estimate of the AUFG correction for the 2022-23 gas year is detailed in Table 3. For the 2023-24 gas year, the corrections that have been published in OATIS will be used by the allocation agent to calculate the new AUFG factor.

Table 3: Published AUFGs and corrected AUFGs for 2022-23 gas year

Gas Gate	Original AUFG	Corrected AUFG	Difference
TAU07001	1.1443	1.0043	-0.1400

¹ Calculated as the difference between original and corrected allocation, multiplied by the relevant [MBIE quarterly nominal wholesale price](#).

4. Initial View

Gas Industry Co outlines its proposed resolution for this error below and seeks feedback from allocation participants on these options.

Please note that rule 51 of the [Gas \(Downstream Reconciliation\) Rules 2008](#) allows special allocations to be performed up to 12-months after the publish date for a final allocation, therefore special allocations are available this error.

Gas Industry Co considered the guidelines for determining the materiality of a special allocations. On this basis, our initial view is to run special allocations for the period where uncorrected final allocations have already occurred (i.e. April-21 to October-21). For the remaining periods from March-22 to October-22, we propose continuing to let corrected allocations wash through into finals. Special allocations could be directed for this latter period but we don't believe the error is significant enough to bring forward the wash-ups which will be completed anyway in the next six months.

We have also considered that there are no TOU sites at this gate, and therefore do not see corrections to the AUFG as being necessary for gas years 2022-23 and 2023-24.

5. Consultation

The preliminary view reached above is GIC's initial position only and is dependent on stakeholder feedback. It is important retailers give an indication of whether there are financial or other commercial drivers that will influence GIC's assessment of the unfairness of the submission errors. We request any retailer with a view to contact us via submission.

The deadline for submissions is close of business on 28 April 2023

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About Gas Industry Co

Gas Industry Co is the gas industry body and co-regulator under the Gas Act. Its role is to:

- Develop arrangements, including regulations where appropriate, which improve:
 - the operation of gas markets;
 - access to infrastructure; and
 - consumer outcomes;
- Develop these arrangements with the principal objective to ensure that gas is delivered to existing and new customers in a safe, efficient, reliable, fair and environmentally sustainable manner; and
- Oversee compliance with, and review such arrangements.

Gas Industry Co is required to have regard to the Government's policy objectives for the gas sector, and to report on the achievement of those objectives and on the state of the New Zealand gas industry.

SUBMISSIONS CLOSE:

28 April 2023

SUBMIT TO:

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