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Submission on Gas Industry Co's Advanced Gas Metering Infrastructure – Consultation Paper

Introduction

1. Vector Metering¹ welcomes the Gas Industry Company's (Gas Industry Co) engagement with stakeholders on advanced gas metering infrastructure (AGMI) issues through its *Advanced Gas Metering Infrastructure – Consultation Paper* (the Consultation Paper), dated 7 August 2023.
2. Vector Metering appreciates Gas Industry Co's engagement with the AGMI working group that was established to provide advice on issues related to the deployment of advanced gas meters (AGMs) in New Zealand – which informed the development of the Consultation Paper.
3. We broadly agree with the proposals and recommendations outlined by Gas Industry Co in the Consultation Paper. We agree with Gas Industry Co's approach of identifying AGMI issues of the highest priority and urgency ("Priority A issues") and focusing on the development of solutions to these issues. We believe this would enhance the ongoing deployment of AGMs, and unlock and deliver the greatest benefits from AGMs to gas industry participants and consumers in a timely manner.
4. We generally support Gas Industry Co's proposed approach of developing guidance to address some of the identified priority issues, rather than impose more prescriptive arrangements that could limit AGM-enabled innovation and choice for consumers. We further support Gas Industry Co's intention of developing such guidance in conjunction with the AGMI working group.
5. As suggested by Gas Industry Co, we focus our responses on the Priority A issues identified in the Consultation Paper and associated draft recommendations, and make a few suggestions for improvement. For completeness, we also provide high-level comments on the rest of the issues (i.e. the non-priority issues) that have been considered since the commencement of the AGMI workstream.

Priority A issues

Access to, use, and security of consumer data

6. In Vector Metering's view, the issues outlined in the Consultation Paper regarding consumer data access, use, and security in relation to AGMs are not new, or entirely new. These issues, particularly in relation to time-of-use gas metering data, have been in existence for some time.

¹ Vector Metering provides cost-effective end-to-end suite of energy metering and control services to energy retailers, distributors, and consumers in New Zealand and Australia.

In general, we believe these issues are being effectively managed by the relevant industry participants.

7. In our experience, retailers and metering equipment providers (MEPs) are very much aware of their roles and responsibilities in ensuring the security of meter reading data and consumption data. Many of these parties also operate in the electricity sector and, as such, would already have in place processes to deal with the access, security, storage, and use of 'smart meter' data.
8. We suggest that Gas Industry Co, while keeping a watching brief on the above consumer data-related issues, allow industry-based approaches to address these issues. This is particularly important as AGMs continue to be deployed and are beginning to be used for the development of new and innovative services. We have no issues with Gas Industry Co considering any such issues where their resolution can be facilitated by a more coordinated approach, in conjunction with the relevant industry participants and/or the AGMI working group. We further suggest that any proposals arising out of these processes that involve significant changes to participants' processes and systems be subject to public consultation.

Minimum data standards and file formats

9. Gas Industry Co has correctly identified the need for standardised file formats but not at the expense of innovation in the AGM market.
10. We agree that the AGMI working group should initially consider the development of appropriate file formats that will be needed for reporting AGM consumption under the *Gas (Downstream Reconciliation) Rules 2008* (Gas Downstream Reconciliation Rules). Thereafter, the AGMI working group could assist in the development of new Gas Information Exchange Protocol (GIEP) files.
11. For all other file formats and data standards, the relevant industry participants should be allowed to develop these as and when they are required by those participants.

Gas Registry and switching process changes

12. Vector Metering agrees with the AGMI working group that any proposed changes to the Gas Registry and the switching process should be able to deliver clear significant benefits to industry participants and consumers. This is because of the potential system-wide and industry-wide impacts and costs of many of these changes.

Gas Registry changes

13. Gas Industry Co indicates that there will be a need to identify AGMs within the Gas Registry. We suggest that this is done through a new category in the Gas Registry for AGMs that are communicating and providing data. We will need rules around when an AGM is shown on the Gas Registry as operationally communicating or not communicating, akin to the approach used in the electricity sector.
14. We agree with Gas Industry Co that the responsibility for maintaining metering status information within the Gas Registry should remain with the MEP.

Switching process changes

15. We share Gas Industry Co's view that while the rollout of AGMs could allow further streamlining of the switching process, any changes to this process is unwarranted:

The main benefits of these changes would be more timely switching and more accurate switch reads. However, we believe that switching timeframes are already at an excellent level...and the number of switch read renegotiation requests suggest that there isn't any significant concern with the accuracy of switch reads. Hence, we do not propose any changes to the switching process or timeframes as the marginal benefits would be unlikely to exceed the cost of implementation.²

Downstream Reconciliation and D+1

16. Vector Metering strongly supports the incorporation of AGMI into the Gas Downstream Reconciliation Rules.

Allocation group definition

17. We agree that communicating AGMs should be reported as a separate allocation group.
18. With regards to using Allocation Group 3³ and Allocation Group 5⁴, we would defer to retailers as to whether they have any plans to use profiles for reporting monthly consumption data. If retailers agree that these allocation groups can be used, then we would recommend that:
- Allocation Group 5 is used for reporting ICPs that would normally be in Allocation Group 6 but with AGMs. This group's consumption should be reported to the Allocation Agent daily.
 - Allocation Group 3 is used for reporting ICPs that would normally be in Allocation Group 4 but with AGMs. This group's consumption should also be reported to the Allocation Agent daily.
19. Should retailers wish to retain Allocation Groups 3 and 5, as currently designated in the Gas Downstream Reconciliation Rules, then we would recommend that two new allocation groups be created for AGMI ICPs.
20. To the best of our knowledge, there are currently no AGMs available for deployment for Allocation Group 4⁵ customer sites. We believe this type of equipment will become available in the future and suggest that an appropriate allocation group be reserved for these meters.

Allocation methodology and UFG calculation

21. We agree with Gas Industry Co's proposal to apply the Annual UFG (Unaccounted-for-Gas) factor to consumption from AGMs. This should be applied until such time that 80% of the

² Page 21 of the Consultation Paper

³ Under the Gas Downstream Reconciliation Rules, Allocation Group 3 is "assigned to ICPs where the daily gas quantities are determined by application of an approved static deemed profile to monthly gas quantities taken from register readings that are required under rule 29 [*Retailer to ensure certain metering interrogation requirements are met*] to be recorded monthly".

⁴ Under the Gas Downstream Reconciliation Rules, Allocation Group 5 is "assigned to ICPs where the daily gas quantities are determined by application of an approved dynamic deemed profile to monthly gas quantities taken from register readings that are not required under rule 29 [*Retailer to ensure certain metering interrogation requirements are met*] to be recorded monthly".

⁵ Under the Gas Downstream Reconciliation Rules, Allocation Group 4 is "assigned to ICPs where the daily gas quantities are determined by application of the gas gate residual profile to monthly gas quantities taken from register readings that are required under rule 29 [*Retailer to ensure certain metering interrogation requirements are met*] to be recorded monthly".

consumption at gas gates is reported daily – at which time allocations should be based on the G1M (global) allocation method.

D+1

22. Having considered several options, we agree that currently, “D+1 uses the best information available the day after gas has flowed to estimate each retailer’s gas deliveries”.⁶ We therefore strongly support Gas Industry Co’s intention “to transition D+1 into the Reconciliation Rules imminently”.⁷ This would help increase accuracy in downstream market reconciliation, lowering costs for industry participants and consumers.
23. Where AGM consumption data fits into the D+1 Allocation, we suggest that this data be reported daily by retailers.

Type B issues – non-priorities

Costs and benefits to consumers

24. Vector Metering agrees with Gas Industry Co that the deployment of AGMs is a decision for retailers to ultimately make. In making such a decision, retailers will have determined the costs and benefits of deployment to their business and customers.

Alignment of GMSAs

25. In agreement with Gas Industry Co’s view, we do not see any material efficiency gains in prescribing common or benchmark terms, or more standardised arrangements, for Gas Metering Service Agreements (GMSAs). We believe this flexible approach provides a much wider scope for tailoring AGM services to suit each customer’s needs.

GMSA payment provisions

26. Vector Metering agrees with Gas Industry Co that no action is required regarding GMSA payment provisions. We note its observation that:

. . .It is current industry practice that on the disconnection of a gas customer’s ICP, the retailer’s obligation to pay for gas metering services at that ICP is typically suspended until the ICP is reconnected. This is a pragmatic industry practice which seems to work.⁸

AGMI redundancy risk

27. Gas Industry Co recommends that no action is required in relation to concerns around deployed AGMI becoming redundant due to Government policy settings aimed at phasing out fossil-fuel derived gas as a fuel source in New Zealand.
28. We agree that no action is required to particularly address the above issue at this time. We note that the Government’s *Gas Transition Plan Issues Paper*, released for consultation after the publication of Gas Industry Co’s Consultation Paper, indicates that:

⁶ Page 24 of the Consultation Paper

⁷ Page 23 of the Consultation Paper

⁸ Page 26 of the Consultation Paper

...The Government does not propose phasing out existing residential gas connections.⁹

Centralised data provider

29. In relation to the option of establishing a centralised data provider, Gas Industry Co's assessment is that "the key issue is the data access framework and data sharing" and "given the small scale of the market a more pragmatic approach might be more economic".¹⁰
30. We share Gas Industry Co's view that the New Zealand gas market is too small to deliver the necessary efficiencies that a centralised data provider can in much larger gas markets such as in the UK. We agree with Gas Industry Co's recommendation not to consider this type of solution at this point:

...given the costs associated with a centralised data provider compared to any benefits associated with an incremental improvement in access [to] gas advanced meter data and the small size of the New Zealand gas industry. It is also unclear how this type of solution would interact with the framework in the Consumer and Product Data Bill [sic¹¹] if that framework is extended to the energy sector.¹²

31. In addition, having a centralised data provider would relegate MEPs' role to mere data collectors, rather than as innovators and competitors that continuously strive to deliver new and improved services to their customers. This is not in the long-term interest of MEPs' customers, and ultimately, end consumers.

Advanced meter displacement

32. Vector Metering considers it too early in the deployment of AGMs to ascertain whether AGM displacement will become a material issue. We agree with Gas Industry Co that "there is no case for regulatory intervention at this stage" and that "participants should be able to negotiate commercial solutions if the issue becomes material".¹³
33. Retailers have GMS Agreements with all MEPs until recently (with the establishment of Vector Metering as a separate entity), except for the Firstgas networks where the primary provider was the local network company.
34. As far as we know, retailers have signed agreements for the deployment of AGMs with a single metering provider. It remains to be seen whether retailers will eventually sign GMS Agreements for AGMs with all GMS providers, thus avoiding potential meter displacements when switching customers.

Open access AGMI systems

35. Vector Metering agrees with Gas Industry Co that no action is required on these matters. We agree with its assessment that "at this point, there is no indication that access to third party AGMI systems is a barrier to the uptake of AGMs".¹⁴

⁹ <https://www.mbie.govt.nz/dmsdocument/27255-gas-transition-plan-issues-paper-pdf>, page 21

¹⁰ Page 9 of the Consultation Paper

¹¹ Customer and Product Data Bill

¹² Page 16 of the Consultation Paper

¹³ Page 29 of the Consultation Paper

¹⁴ Page 9 of the Consultation Paper

Technology standards

36. Vector Metering agrees with Gas Industry Co that no action is required regarding technology standards at this time, and that the AGM market should be allowed to develop/evolve. We agree that “work in relation to other issues will promote an element of standardisation in relation to industry processes”.¹⁵

Preferred supplier provisions in legacy GMSAs

37. In Vector Metering’s opinion, preferred supplier provisions under existing GMS Agreements are not a barrier to the choice that retailers have in selecting their AGM supplier. This is because existing GMS Agreements do not include an option for AGMs or AGM-specific provisions.
38. We note Gas Industry Co’s statement that:

At this stage Gas Industry Co has no evidence that the existence of these provisions is a major issue requiring regulatory intervention.

Decisions on the regulation of GMS providers under part 4 of the Commerce Act are a question for Parliament and the Commerce Commission...¹⁶

Type C issues – non-priorities

GMS ownership and works

39. Vector Metering agrees with Gas Industry Co’s categorisation of issues regarding “GMS ownership and works” as Type C issues. We are confident that industry participants will be able to resolve such issues through commercial or industry-based arrangements, i.e. without the need for regulated solutions. Gas Industry Co itself “considers that detailed commercial arrangements required to address these issues will evolve”.¹⁷
40. We note Gas Industry Co’s statement that it “does not see itself as having a role in determining ownership of AGMs or components of metering infrastructure”.¹⁸

Advanced metering consumer education

41. Vector Metering believes that retailers will now have sufficient knowledge of, and experience with, handling the deployment of advanced electricity meters to be able to efficiently manage the introduction of AGMs to their customers. We therefore consider retailers to be well placed to provide information or ‘educate’ their customers regarding AGMs, in conjunction with industry associations such as GasNZ and with Gas Industry Co’s support.

Market competition

42. Vector Metering supports Gas Industry Co’s classification of the topic of market competition as a Type C issue (i.e. no action is required).

¹⁵ Page 10 of the Consultation Paper

¹⁶ Page 34 of the Consultation Paper

¹⁷ Page 30 of the Consultation Paper

¹⁸ Page 10 of the Consultation Paper

43. We agree with Gas Industry Co's observation that "smart gas meters provide for the opportunity to develop a service differentiation" and that "the level of a potential service differentiation provided to retailers and consumers may enhance the level of competition".¹⁹

Remote disconnections and reconnections

44. Vector Metering is of the view that remote disconnections of AGMs are likely to become the norm in the future.
45. However, we believe the risks associated with remote reconnections is significant – a view that is reflected in industry participants' previous submissions. As such, we consider it unlikely that the remote reconnection function of AGMs will be adopted in New Zealand's retail gas market in the immediate future.

Multiple trading relationships

46. Multiple trading relationships (MTR), which allow more than one party to provide services at a single ICP, are being trialled in the electricity sector. While MTR could potentially provide value for large gas time-of-use customers, we do not see this as a viable option for mass market customers (small consumers) in the gas sector.
47. We agree with Gas Industry Co that the gas market lacks the flexibility of the electricity market, e.g. half-hour spot pricing and the capability of electricity ICPs to be enrolled in demand side response programmes. As such, we agree that introducing MTR arrangements for small gas consumers does not have clear benefits and is therefore not warranted at this stage of market development.

Critical Contingency Regulations

48. Vector Metering agrees with Gas Industry Co's view that while AGMs may have potential value in managing critical contingency events:

...load curtailment, which could potentially be provided by small commercial consumers is so small that it is neither pragmatic nor effective to design rules regulating small consumer curtailment by using a gas smart meter".²⁰

49. Gas distribution businesses may find it beneficial to include in their Gas Use-of-Systems Agreements (GUoSAs – with retailers) arrangements for the remote disconnection of AGMs during network emergencies or incidents. This is particularly the case where isolation of parts of their gas pipeline network is required.

Concluding comments

50. We look forward to the Statement of Proposal on the Priority A issues that Gas Industry Co intends to issue later this year and seek more substantial feedback on.
51. We are happy to further discuss AGMI issues or any questions Gas Industry Co may have on this submission, or share our experience so far in the deployment of AGMI. Please contact Luz Rose (Senior Regulatory and Policy Partner) at Luz.Rose@vectormetering.com in the first instance.

¹⁹ Page 33 of the Consultation Paper

²⁰ Page 38 of the Consultation Paper

52. No part of this submission is confidential, and we are happy for Gas Industry Co to publish it in its entirety.

Yours sincerely

A handwritten signature in grey ink, appearing to read 'Neil Williams', with a long horizontal flourish extending to the right.

Neil Williams
Chief Executive