



7 May 2020

Submissions
Gas Industry Company

By website upload: www.gasindustry.co.nz/work-programmes/downstream-reconciliation/operations/exemptions/new-submission

Consultation on Urgent Exemption (DR20-01: COVID-19 Lockdown) under the Gas (Downstream Reconciliation) Rules 2008

Thank you for the opportunity to submit on this urgent exemption. Contact Energy supports the urgent exemption as a result of the Covid-19 pandemic response.

Q1: Do you support the exemption from the rules impacting meter interrogation?

Yes - Contact supports this exemption. However we believe the GIC's assessment of the impact to rule 29.4 should also recognise:

- 29.4.2 – both Alert Levels 3 and 4 are impacting businesses ability to operate – with the access to a number of allocation group 4 premises being impacted by business shutdowns

Q2: Do you expect the exemption will also be required under Alert Level 3 or lower levels? Do you have a view on the timeframe required to return to a rules-compliant level of meter reading frequency?

Yes – we believe there will still be a number of businesses shutdown under level 3 where these premises are unable to be accessed by field staff.

Our view is the part of the exemption around meter read frequency should remain until the alert level is dropped to Level 2.

Q3: Have the right rules been identified to mitigate the impact of the lockdown on meter reading?

No – in addition to rule 31.3 we believe this exemption should cover the following rules:

37.4 – the inability to retrieve data from allocation group 2 installation and the resulting interim estimations will have impacted the Allocation Agents ability to calculate accurate seasonal adjustment daily shape values (GGRP) for retailers to use for the calculation of historic estimates.

We believe that given the unique situation that COVID-19 lockdown has created in relation to the operations of a number of businesses – retailers having to estimate daily consumption volumes for allocation group 2 installations are likely to struggle to align these interim

estimations with actual consumption patterns. This will likely result in allocation group 2 consumption volumes being outside the +/- 10% threshold. This inaccuracy will then also impact D+1 calculations and apportionment of volumes between retailers.

Additionally the likely inaccurate allocation group 2 volumes will impact the accuracy of the seasonal adjustment daily shape values that retailers will now use for calculating their allocation group 4 & 6 volumes across a number of submission months until the allocation group 2 volumes can be more accurately calculated / estimated and provided to the Allocation Agent to allow them to publish revised seasonal adjustment daily shape values. This will likely result in consumption volumes for allocation groups 4 & 6 being outside the current +/- 10% threshold.

We recommend that the GIC publish a new determination for rule 37.3 to recognise that this initial urgent exemption has had an adverse impact to the Allocation Agents ability to calculate accurate seasonal adjustment daily shape values therefore retailers allocation group 4 & 6 submissions are also likely to be inaccurate as a result of this scenario.

We also have concerns regarding UFG allocations as a consequence of this exemption permitting such large scale estimation of daily values for allocation group 2 installations where the UFG exposure of the volumes for these installations is limited to the AUFG factor limits published by the GIC. Retailers submitting allocation group 4 & 6 volumes will be exposed to any additional UFG fluctuations outside these published AUFG thresholds. Given the likely proportion of estimated allocation group 2 volumes we believe the Allocation Agent should be instructed to suspend the application of AUFG factors to Allocation group 2 (Rule 46.2) volumes and move to apply monthly UFG factors while this exemption is valid to ensure all retailers are being treated equitably while this situation continues for New Zealand.

Q4: Do you support the exemption from rule 31.1 where the lockdown prevents compliance with the requirement to provide daily metered energy quantities?

Yes

Q5: Do you consider that the alternative method of estimation provided in the exemption is necessary and sufficient?

Yes – with the caveat that the GIC needs to recognise that any estimation inaccuracies of allocation group 2 volumes have a flow on affect to allocation group 4 & 6 volumes through the use of seasonal adjustment daily shape values in calculating historic estimate volumes. The overall impact of this needs to be shared across all allocation groups and retailers therefore we believe the GIC needs to instruct the Allocation agent to also apply the monthly UFG factor to allocation group 2 volumes until it can be shown that the estimated allocation group 2 volumes no longer impacts the integrity and accuracy of the seasonal adjustment daily shape values.

Q6: Do you expect the exemption will also be required under Alert Level 3 or lower levels? What is your view of the likelihood that interim submissions could also be impacted?

Yes – as explained above, not all premises will be able to be accessed during level 3.

Also as explained above we believe interim submissions will be impacted across multiple submission months due to the corruption of the seasonal adjustment daily shape values.

Q7: Have the right rules been identified to mitigate the impact of the lockdown on provision of TOU data?

We believe that the following rules require inclusion or recognition in this exemption

- Rule 29.4.2 – recognise that the monthly reads for allocation group 4 ICPs is also not able to be achieved during alert levels 3 & 4
- Rule 37.4 – Reflect the impact this issue will have on retailers ability to provide accurate allocation group 4 & 6 submission volumes due to the flow on corruption of the calculation of seasonal adjustment daily shape values and increase the submission accuracy threshold accordingly
- Rule 46.2 – Recognise the impact that the large scale estimation of allocation group 2 submission volumes has on the monthly UFG factor and instruct the Allocation Agent to apply the MUFG factor to allocation group 2 in addition to 4 & 6 until such time as the GIC is confident that the estimated allocation group 2 volumes have been replaced by actual volumes or accurate permanent estimates where the limited data storage capacity of these loggers has resulted in loss of actual consumption data.

Q8: Are there other issues impacting downstream reconciliation or the wider gas market that Gas Industry Co should be aware of or consider? Do you have any further comments?

We believe that D+1 calculations and apportionment of volumes due to the large scale estimation of allocation group 2 installations where retailers have reduced confidence in their estimation accuracy due to the size and nature of this shutdown – has been impacted. This in turn will have a flow in impact to the balancing pool as submission wash ups are processed in the future.

We hope the GIC is aware of this risk and also will consider the impact to retailers with no allocation group 2 volumes regarding cash outs as a consequence of these wash ups. We hope these retailers will not bear the financial cost of these future corrections.

Also we suggest that once New Zealand is at Alert Level 2 and these affected data storage devices at these installations is retrieved and validated - that the GIC consider instructing allocation group 2 retailers to submit revised GAS050 files to the Allocation Agent and a special allocation is performed in order to correct the seasonal adjustment daily shape values as soon as possible and not wait until interim allocation before there is an opportunity to correct these seasonal profiles for retailers of allocation group 4 & 6 installations.

Should you have any questions, please contact me.

Yours sincerely



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