



17 September 2009

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GIC
Level 8, The Todd Building
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Dear Ian

RE - Consultation on Rule 37 accuracy requirement under the Gas (Downstream Reconciliation) Rules 2008

E-Gas appreciates the opportunity to provide this submission in relation to the above subject.

Regards

Syd Hunt
General Manager
E-Gas Group of Companies

Q1. Do submitters support the determination of a +/- 10% or 15+/- percentage error for the consumption periods in the 2009/2010 gas year under rule 37.3?

E-Gas believes a tolerance of 15% is more appropriate given that the majority of consumers in the gas industry are non-TOU users. However, with this in mind its imperative that accuracy of information provisioning remains the central focus.

A 10% tolerance is too low because gas by its natural characteristics already has a natural loss factor even before allocation can be conducted. Therefore one can argue 15% is too low also, given that in the winter peak months the percentage error could well be outside of this.

Q2. Do submitters consider the information available since go-live indicates that a change to the existing +/- 15 percentage of error is appropriate or not?

One needs to consider the wider circumstantial events that could play a significant factor in causing unforeseen errors to occur. For example temperature (unusually colder periods) does have a significant bearing on load determination, UFG, allocation etc. A tolerance level is only as good as the conditions that the tolerance level has been designed for. It currently assumes that all factors remain constant which is not the case.

Q3. In respect of the proposed +/-10% or +/- 15% options for the percentage error, do submitters have any comments or information in the relation to the following:

- The primary aim of ensuring consumption information provided for initial allocation is as accurate as possible when compared with consumption information for final allocation.

Downstream suppliers, particularly non-TOU orientated suppliers like E-Gas are at the mercy of consumer reaction to wider economic and social factors - in particular residential and small business consumers where in the current economical recession there have been higher than normal liquidations and receiverships.

Another factor that has not been discussed is the role of meter-reading organisations and whether they are also to be made accountable for the information they provide. Non-TOU suppliers rely on these companies ability to conduct competent metering services and perhaps the GIC may want to consider examining the role these parties play in the provisioning of raw information prior to allocation. There are many instances where meter reads do not seem correct and we are forced to undertake checking to ascertain whether they are correct or not. Obviously it is not possible to capture them all and this could have inevitable consequences.

E-Gas is of the opinion that between the initial and final determination the 15% factor may not adequately cater for the non-TOU sector of consumers bearing in mind that some individual corrections by ICP could well be over 20% +/-

Perhaps, for consideration is that where ICP's are over the 15% threshold, they are declared separately to the Allocation Agent.

- The extent to which retailers are able to comply with the percentage or error for the accuracy of consumption information provided for initial allocation.

E-Gas is comfortable to work towards achieving the objectives set out to meeting tolerance level targets. However, we must again reinforce the fact that non-TOU orientated databases are subject to more variances and by that fact that the tolerance level needs to be flexible rather than restrictive.

- Any expected costs that would be reasonably incurred by retailers to achieve compliance with the percentage of error for the accuracy of consumption information provided for initial allocation.

The perfect solution obviously is to put a TOU unit on every gas connection. This would resolve most of the problems facing the industry as far as information accuracy is concerned and other associated costs both upstream and downstream. However, the capital outlay and the running costs would make this option totally uneconomical unless the Government is prepared to fund it as otherwise it would be an unreasonable cost to the end consumer.

The new system has come at a cost to all suppliers particularly those with significant databases. Any new additional works and development needs to be valued accordingly to ensure that the consumer receives a cost effective product.

- Any other matters relevant to the Gas industry Co's determination

When you consider that the non-TOU sector makes up 90% of the total ICP's in the gas industry, we believe the suppliers prepared to manage this high risk low user market need flexibility and the tolerance factor of 15% is a start in the right direction.