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PO Box 10 646  
Wellington

Dear Ian

**CONSULTATION ON RULE 37 ACCURACY REQUIREMENT UNDER THE GAS (DOWNSTREAM RECONCILIATION) RULES 2008**

Thank you for the opportunity to comment on the rule 37 accuracy requirements under the Gas (Downstream Reconciliation) Rules 2008. I am responding on behalf of Energy Direct NZ Ltd (EDNZ).

EDNZ has endeavoured to submit initial and interim allocation data that is as accurate as possible:

- We attempt to read all of our gas meters monthly. For the month of August 2009 we read 98.9% of all group four meters we were responsible for during August, and 99.9% of all group four meters we were responsible for in the previous four months.
- The largest group four commercial customers' meters are read as close to the end of the month as possible to minimise the use of forward estimates. If we cannot obtain a read for these customers on the first attempt, we ask the meter reader to try again and contact the customer for a customer read.
- We use seasonal profiles for our initial allocations based on historic information published by the Allocation Agent for 2006-2007 and 2007-2008. Where these profiles were very different from year to year we took an average of the two years.

Despite our efforts, some of our interim allocation submissions have been more than +/- 15% different to our initial allocation results because:

- The SADSVs from the initial and interim allocations under the new allocation rules are very different to the historic Allocation Agent profiling information which we used to create our initial submissions.
- We have grown rapidly over the past two years and as a consequence have a high proportion of new customers in relation to our total customer base. Where possible we base our estimated annual load for these new customers on information provided by the customer, or tender agent. If this is not possible, an average for the customer's price plan is applied. However, the information provided by the customers and agents is not always accurate, and averages based on the information that we have available may not be representative of each individual customer's consumption.

- We are a small retailer with customers spread over a large geographical area. Of the 42 gates that we trade on: 13 gates have less than 5 EDNZ customers; 21 gates less than 20 EDNZ customers; and 30 gates less than 100 EDNZ customers. As our customer base is made up primarily of domestic and small commercial customers our consumption makes up a tiny percentage of the total gate consumption. Events such as a single domestic meter being misread, or different SADSVS applied to initial and interim submissions for the same month, can easily result in a difference of more than +/- 15% when there are only a handful of EDNZ customers at the gate.

In Wanganui, where we are the incumbent and report most of the consumption and customers on the gate we were well within the accuracy requirements for each month. According to our findings, retailers trading on a gate who have mostly TOU customers, or make up the majority of group 4 and 6 consumption on the gate will have more accurate data for several reasons:

- They have a greater influence on the initial shape values as they will make up the bulk of the group four consumption.
- If actual TOU reads were obtained at the time of the initial allocation submission, they are unlikely to change and there will be little or no difference between interim and final submissions.

We suggest that Gas Industry Company considers the following changes:

- The percentage difference of +/-15% should have some additional constraints, such as:
  - A minimum number of GJ (if this was set as low as 5 GJ, the number of EDNZ breaches of the limit of +/-15% would reduce by 25%); or
  - A minimum percentage of allocated GJ (in some cases we would breach the 15% limit but the difference would make up less than +/-0.00% of the total injected at the gas gate).

Without these constraints, retailers with small numbers of customers on a gate could be penalised unfairly. The more customers and consumption a retailer has on a gate the more likely it is that inaccuracies in their data would be “netted off”.

- Currently we are only required to use the Allocation Agent’s SADSVs for interim and final submissions. The Allocation Agent could publish provisional SADSVs for future periods which retailers could then be required to use for their initial submissions. This will ensure that all retailers are profiling on a consistent basis and hopefully reduce the differences between retailer developed profiles and the interim and final SADSVs released by the Allocation Agent.

If you would like to discuss our comments further please contact me by email at [tara.gannon@energydirectnz.co.nz](mailto:tara.gannon@energydirectnz.co.nz) or by phone on DDI 06 349 2055. Alternatively you can contact our General Manager, Michael Ram, by email at [michael.ram@energydirect.co.nz](mailto:michael.ram@energydirect.co.nz) or by phone on 06 349 0129.

Yours sincerely



Tara Gannon  
**Energy Trading Manager**

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CONSULTATION ON RULE 37 ACCURACY REQUIREMENT UNDER THE GAS (DOWNSTREAM RECONCILIATION) RULES 2008

Submission from: **Energy Direct NZ**

Contact: Tara Gannon, Energy Trading Manager

QUESTION	COMMENT
<p><i>Q1: Do submitters support the determination of a +/- 10% or +/-15% percentage of error for consumption periods in the 2009/2010 gas year under rule 37.3? Please provide reasons for your preference and indicate your views in respect of each option.</i></p>	<p>Based on our analysis of initial versus interim submissions we believe that a 15% limit is more appropriate than +/- 10%. However, we also think that materiality should be considered, either in the form of a minimum GJ difference and/or a minimum percentage of injected quantity at the gate.</p> <p>In some cases there may be a huge percentage difference between initial and interim allocations, but the difference may be only 2 GJ or less than 0.00% of the total quantity injected at the gas gate. Retailers with a small number of customers on a gate are more likely to breach the accuracy requirements because:</p> <ul style="list-style-type: none"> <li>• They have little influence on the total allocations at the gate. The SADSVs at the gate applied for the interim allocation are likely to be strongly influenced by the consumption pattern of the dominant retailer. Application of different SADSVs to those applied in a retailer's initial allocation submission can make a significant difference.</li> <li>• Even a small error in the reading on one meter can make a large percentage difference if a retailer only has one or two small customers on a gas gate.</li> </ul>
<p><i>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? Please provide reasons.</i></p>	<p>Yes. We believe that 15% is appropriate as a base limit, but as stated above we believe additional factors should be taken into consideration to determine materiality.</p>
<p><i>Q3: In respect of the proposed +/-10% or +/-15% options for the percentage of error, do submitters have any comments or information in relation to the following matters?</i></p> <ul style="list-style-type: none"> <li>•<i>The primary aim of ensuring consumption information provided for initial allocation is as accurate as possible when compared with consumption information provided for final allocation.</i></li> <li>•<i>The extent to which retailers are able to comply with the percentage of error for the accuracy of consumption information provided for initial allocation.</i></li> </ul>	<p>We agree that the primary aim should be to ensure that information provided in the initial allocation is as accurate as possible. EDNZ endeavours to provide the best information as possible by:</p> <ul style="list-style-type: none"> <li>• Attempting to read all group 4 gas meters every month. For example in August 2009 we read 98.9% of all the group four meters we were responsible for during August, and 99.9% of all the gas meters we were responsible for in the previous four months.</li> <li>• Reading all commercial customers' gas meters as close to the end of the month as possible, and if our meter reader cannot obtain a reading we attempt to obtain a customer read.</li> <li>• Applying seasonal profiling based on the past two years of allocation information provided by the Allocation Agent.</li> </ul> <p>Despite our efforts, it is difficult to consistently comply with the accuracy requirements</p>

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<p>•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.</p> <p>Any other matters relevant to Gas Industry Co's determination.</p>	<p>for gates where we have a very small number of customers and make up a small percentage of total gate consumption. This is because we have little influence on the SADSVs resulting from the initial allocation, which can be very different to the allocation results that we have based our own initial profiles on, and a misread on even one domestic meter can result in a difference of more than +/-15% for our submissions for the gate. We have found that on gates where we have higher customer numbers and make up a larger proportion of consumption at the gas gate, such as Wanganui, the difference between our initial and interim submissions is much smaller.</p> <p>In addition, events beyond the retailers control can occur which may cause inaccuracies, for example:</p> <ul style="list-style-type: none"> <li>• For one large commercial supply the meter operator failed to inform us that they had changed a meter, which resulted in an incorrect initial submission for one month.</li> <li>• For one supply the meter operator gave us incorrect information on the number of digits that should be read, which resulted in under reporting for several initial allocations.</li> <li>• When new supplies switch in, we base our forward estimates on information provided by the customer or tender agents about their historic consumption which may be inaccurate.</li> </ul> <p>We already do all that we can to ensure that our submissions are as accurate as possible. Unfortunately it is not practical or physically possible for us to have more meters read right at the end of the month, or to read more meters. We already base our initial profiles on actual historic information from the Allocation Agent for the gas gate. It is likely that increased costs to EDNZ relating to reducing the threshold would relate to penalties for breaches, rather than costs to improve the accuracy of our submissions.</p> <p>We believe that the difference between initial and interim allocations would be reduced if all retailers applied the same SADSVs for the initial allocations, provided in advance by the Allocation Agent. Otherwise in effect, we all apply our own profiles for the initial allocation, and then apply the SADSVs relating to the incumbent retailer's submitted data at the interim.</p>