

Appendix A Recommended format for submissions

To assist Gas Industry Co in the orderly and efficient consideration of submitters' responses, a suggested format for submissions has been prepared. This is drawn from the questions posed in the body of this consultation paper. Submitters are also free to include other material in their responses.

Submission from:

Company: **Mighty River Power Limited**

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Question	Comment
<p>Q1: <i>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>Mighty River Power would like to propose an altered structure in the determination of material consumption errors and differences.</p> <p>Mighty River Power supports the narrowing of the percentage tolerance target to +/-10% but feel that there needs to be an absolute value set for measurement to ensure that the differences exceeding the +/- 10% tolerance are considered material. At all gas gates, Mighty River believes this absolute value should be set at +/- 50 GJ so as to remove large percentage yet immaterial changes from consideration. This approach has been used previously for error determinations in the Electricity industry with a fair degree of success.</p> <p>While Mighty River supports the narrowing of the tolerance target, we also feel that this value should be applied to the difference in Initial and Interim allocations, with a further narrow tolerance of +/-5% set for differences between Interim and Final. The absolute value of 50 GJ should still apply to this +/-5% tolerance for the same reason stated above. It is Mighty River's opinion that the majority of the differences in allocation submission will occur between the Initial and Interim allocations, and earlier identification of large variances will allow retailers better opportunity to improve the estimation processes they use in order to reduce amount of breaches of this tolerance.</p>
<p>Q2: <i>Do submitters consider the information available since go-live indicates that a change to the existing +/-15% percentage of error is appropriate</i></p>	<p>Mighty River agrees that the information currently available in the allocation system is sufficient to warrant a change. Actual data is available since go-live that covers the summer and winter months for analysis. Retailers have had a significant period of time in which to cement and develop their processes to the point</p>

Question	Comment
<p><i>or not? Please provide reasons.</i></p>	<p>that a narrower accuracy tolerance can be achieved. If retailers are meeting their obligations under rule 29.4.3 and 29.5, there should be no reason that difference between interim and final allocations should be negligible at best.</p>
<p>Q3: <i>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"> •<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> •<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> •<i>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.</i> •<i>Any other matters relevant to Gas Industry Co's determination.</i> 	<p>Mighty River agrees that the primary aim is to ensure accuracy of initial data submissions and this can be enhanced if the 2 tiered approach as suggested earlier is applied. This will encourage higher accuracy of data submissions at the initial and interim stage rather than at the final stage.</p> <p>The change to accuracy tolerance means that retailers become more dedicated in ensuring a high accuracy of initial allocation submission. On the other hand, the wash-ups are in place as it is well known that the initial allocations are unlikely to be 100% accurate. Every participant complies with the wash-up process, except the Transmission System Operator (TSO) in respect of balancing charges. The TSO knows the purpose of wash-ups however still invoices balancing charges based solely on the initial allocation. It is unclear why this is so especially given the TSO already uses the washed-up volumes to adjust running imbalance position of each retailer. The TSO not following all the wash-up processes removes a point of financial/commercial incentive from the process as retailers may be inclined to not necessarily markedly improve accuracy between Initial and Interim allocations, as no readjustment of balancing charges for more accurate Interim volume occurs. Pressure needs to be put on transmission operators to follow the wash-up schedule for all processes, including balancing charges.</p> <p>Mighty River is of the opinion that retailers should be able to comply with the +/- 10% error level between initial and interim and interim – final allocations as proposed. Where compliance is not achieved, retailers should be working towards improving the accuracy of data submissions. With a narrower reporting tolerance and transparent reporting of instances where these tolerances exceed, the Gas Industry will be in a better position to determine improvements to systems and process to ensure the narrower targets are being met.</p> <p>Mighty River does not believe that it will incur any significant costs to achieve the proposed +/- 10% error tolerance. There are improvements already in the process of being implemented to ensure the allocations are more accurate. Where costs are incurred as a result of achieving the narrower targets, these should be viewed as necessary. The paramount purpose of the global allocation process is to ensure improving the accuracy, at all stages.</p> <p>As the forward estimation process used by retailers is the key process in ensuring accuracy, especially for initial allocations, has the Gas Industry Co. considered developing an industry standard approach and/or algorithm for retailers to use? By removing the variability of retailers' interpretation of how forward estimation should work, the onus then returns to retailers' to ensure they have the most accurate data possible at the time of reporting.</p>