

Consultation on rule 37 percentage of error determination under the Gas (Downstream Reconciliation) Rules 2008

Submission prepared by: Contact Energy (contact person: Matt Chivers, Energy Reconciliation Manager)

QUESTION	COMMENT
<p>Q1 Do you support maintaining the current accuracy threshold of $\pm 10\%$? Please provide reasons for your preference</p>	<p>Contact supports maintaining the current threshold compared to any alternative of decreasing the value. We would strongly object to a reduction in the threshold as this would not be consistent with the matters the GIC has considered in making its determination.</p> <ol style="list-style-type: none"> 1. Accuracy: We do not believe that reducing the threshold would improve accuracy of submissions as retailers already take all practical steps to maximise accuracy. We question whether the previous reductions in threshold have led to improved accuracy. Given the natural variances due to temperature etc there is insufficient evidence to support this claim. 2. Ability to comply: Contact has already taken all reasonable steps to comply with rule 37 given system and financial constraints. A reduction in threshold would have no impact on improving our ability to comply. 3. Costs: The only change that Contact could make that could have a material impact on compliance would be to introduce monthly reads. The cost of this is prohibitive and would need to be passed on to customers if Contact felt compelled to go down this path due to the accuracy threshold. Also it can be seen that while monthly meter reads will improve compliance (judging by Mercury's performance) it is by no means a perfect solution. Therefore we do not believe this cost would be justified.
<p>Q2 Do you have any further comments or information relevant to Gas Industry Co's determination?</p>	<p>We again note that when this threshold was discussed by the GART group it was in the context of a performance measure to highlight retailers who are outliers to allow further investigation into their processes. It certainly wasn't envisaged then, nor when the rule was drafted, that it would result in reallocation of BPP costs.</p> <p>We believe that a more appropriate solution is to introduce a variant of the D + 1 methodology for determining initial allocations as this provides certainty for parties when managing their running mismatches and should largely remove the incidence of cash-outs..</p>