



Submission on Consultation on Exemption Applications under the Gas (Downstream Reconciliation) Rules 2008:

**Application DR09-01-U regarding a new direct connect consumer gas gate at Stratford
Applications DR09-02-S and DR09-05-S regarding negative values for the gas gate residual profile
Application DR09-03-T regarding allocation of injection quantities where no consumption has been submitted
Application DR09-04-S regarding rule 39 notification timeframes and the submission of zero data**

From

Contact Energy Limited

5 February 2009

Introduction

Contact Energy Limited (“Contact”) welcomes the opportunity to provide feedback to Gas Industry Company (“GIC”). Contact’s feedback follows - we use the GIC’s suggested submission template.

For any questions related to this submission, please contact:

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Question	Comment
<p><i>Q1: Do submitters have any comments on the exemption DR09-01-U proposed by Contact regarding the new Stratford 3 direct connect gas gate?</i></p>	<p>In response to the issues raised by the GIC:</p> <ul style="list-style-type: none"> • The characterisation is correct • The same policy rationale applies • While Contact agrees that consistency is important, it would seem rule 41 should not apply if the allocation agent is not required to perform an allocation.
<p><i>Q2: Do submitters have any comments on exemptions DR09-02-T proposed by Gas Industry Co and DR09-05-S from Mighty River Power regarding potential arrangements to address negative GGRP values??</i></p>	<p>Contact agrees that the adoption of a floor of zero consumption for non-TOU metered Groups 4 and 6 customers for any day is the most pragmatic and least distortionary option to deal with negative gas gate residual profile issues. It is noted that this issue was raised by Contact in November, and we suggested this solution.</p> <p>We consider the Mighty River Power proposal would allow potential gaming, and would remove the discipline introduced by regulating via rules the processes and formulas to be used by participants and the allocation agent.</p> <p>However, this does not deal with what should be allocated to TOU Groups 1 & 2 on any day when total consumption submitted x the AUFG factor exceeds the gas gate quantity on that day (or indeed the total quantity submitted for TOU for the month exceeds the gas gate total for the month).</p> <p>Contact suggests that for all gas gates where the TOU load is dominant (say > 90%), then the UFG allocation methodology at these gas gates should change to the Global 1 Month UFG allocation methodology. Ultimately Contact considers all gas gates should have UFG allocated using this methodology.</p> <p>This exemption application highlights the issue that Contact has been raising for a long time, and that is that the accuracy of TOU metering (customer or gas gate) cannot be guaranteed as 0%, or even within the required accuracy tolerances, and that UFG should be allocated to TOU and non-TOU on a consistent basis as for electricity.</p> <p>It is noted that all meters used for TOU sites (and their associated TOU correctors) have allowable accuracy tolerances that even if the meters and correctors are compliant with</p>

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	<p>NZS5259 can cause negative UFG on any day or across a month at a gas gate where TOU load is dominant.</p> <p>We agree also that if the level of negative UFG associated with TOU metering at any gas gate exceeds the allowable tolerance, then GIC should require the participants who are responsible for the metering to investigate and produce evidence of the metering accuracy. This would address the GIC's concern that the zero consumption for non-TOU floor option may lessen the incentive on allocation participants to rectify metering and/or data errors that are causing negative GGRP values. Alternatively an event audit could be initiated if nothing shows up.</p>
<p><i>Q3: Do submitters have any comments on the transitional exemption application DR09-03-T proposed by Gas Industry Co regarding the arrangements for any residual unallocated gas?</i></p>	<p>Contact considers the quantity should be allocated across all Retailers trading at the gas gate in proportion to the last allocation when positive quantities were submitted at the gas gate by one or more of the Retailers.</p>
<p><i>Q4: Do submitters have any comments on the exemption DR09-04-S proposed by Contact regarding the rule 39 notification deadlines and the submission of zero data?</i></p>	<p>Contact considers this issue has no impact on allocations, provided a zero consumption file is submitted.</p> <p>The gas submission deadlines are already very tight and require a significant amount of work (along with electricity reconciliation submissions due one day later for dual energy retailers) to ensure complete and accurate data goes out the door. Rule 39 is an unnecessary distraction, particularly as in the short time available post month end it is not always possible to resolve issues that may have a bearing on compliance with this rule.</p> <p>Accordingly a more pragmatic and relaxed approach should be made to the application of this rule so long as the purpose of the rule is not compromised.</p> <p>What is not being taken into account by the GIC is the purpose of trading notifications - and that is to ensure the allocation agent is aware that the reconciliation participant is trading at the gas gate and can expect consumption data (zero or otherwise) to be submitted.</p>

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	<p>Even if a participant has indicated it is trading at a gas gate (or intends to trade at a gas gate) when in fact it has not contracted any customer, or has lost all the customers it had, there is no material impact on any participant (including the allocation agent), provided the participant submits zero consumption.</p> <p>To some extent rule 39 actually works against competition, as typically a Retailer will decide to compete in certain geographic areas (involving multiple gas gates) and will establish prices and set up its systems including providing advanced trading notifications. It will then accept and process switch gains and losses on a daily basis, but if it is constrained by an unworkable and impractical trading notification rule it may choose to behave quite differently to avoid breaching the rules. Potentially trading notifications may be required for short period for one customer after a gain switch, and then not for a period if the customer switches away, and then be required again when another customer switches in. It would be better if the trading notification could be left in place throughout. And as stated above the timing of trading notifications has no impact on other participants including the allocation agent provided zero consumption is submitted for all gas gates where the retailer has not supplied any customers for the consumption period.</p> <p>In summary, Contact considers extending the deadline to the third business day of the following month is as impractical as the current rule and serves no useful purpose where the Retailer submits zero consumption. Relaxing the deadline one additional month would be acceptable.</p>