



**Submission to the Gas Industry Company on its Consultation Paper on
Proposed Determinations and
Notifications under Gas (Downstream
Reconciliation) Rules 2008 and other
Implementation Matters – Part 2 Other Issues Presented for Consultation**

From

Contact Energy Limited

11 July 2008

Introduction

Contact Energy Limited (“Contact”) welcomes the opportunity to provide feedback on the Gas Industry Company Limited’s (“GIC”) consultation paper. Contact’s answers to the questions asked by the GIC follow. Note that is Part 2 of Contact’s submission and is in regard to the other issues presented for consultation.

For any questions related to this submission, please contact:

Jan de Bruin

Senior Regulatory Affairs Analyst

Contact Energy Limited

L 1 Harbour City Tower

29 Brandon Street

PO Box 10742

Wellington

Email: jan.debruin@contact-energy.co.nz

Phone: (04) 462 1143

Fax: (04) 499 4003

Contact's Answers to Questions asked in the Consultation Paper

Question	Comment
<p><i>Q15: Do submitters agree with the +/- 15% percentage of error that Gas Industry Co proposes to determine under rule 37.3? If not, please explain why and please propose a different percentage of error with supporting information and reasons.</i></p>	<p>We would support the proposed percentage of error accuracy between the initial and the final submission as +/- 15%.</p> <p>Contact therefore agrees, in principle with the approach for determining the accuracy threshold proposed by the GIC and set out in section 37 of the Reconciliation Rules.</p> <p>However Contact considers that the Reconciliation Rules should specifically recognise that Gate Station allocations will impact on upstream allocation and therefore proposes that the following is added to clause 37.1.4 as 37.1.4(d):</p> <p><i>“ 37.1.4(d) The impact of the percentage of error, for the accuracy of consumption information provided for initial allocation, on shippers supplying gas at a gas gate in respect of a consumption period;”</i></p>
<p><i>Q16: Do submitters have any general comments to note on the choice of a percentage of error between +/- 10% and +/- 20%?</i></p>	<p>We believe +/- 15% is appropriate at the present time.</p> <p>Because of the impact of the accuracy threshold, Contact considers that the GIC should work towards a gas gate allocation methodology that yields final allocations at gate stations on the day following the day of gas delivery.</p> <p>Such a final allocation is likely to require retailers using a gate station to agree to share corrections on a rolling forward basis and to improve standards for determining initial allocations.</p> <p>We are cognisant, however, that there is a trade off between the impact of upstream balancing charges and the cost of achieving final allocations on the day following the day of gas delivery.</p>

Question	Comment
<p><i>Q17: Do submitters have any comments or information in relation to the matters that Gas Industry Co must have regard to when determining an appropriate percentage of error?</i></p>	<p>As gas is a more “volatile” energy source in terms of seasonality and the desire to obtain greater accuracy in terms of comparing initial and final submissions, we would recommend that the GIC and participants explore the possibility of the Allocation Agent providing dynamic forward-looking seasonal shape values. The values provided would extend from the end of the period from which actual seasonally adjusted daily shape files have been provided up to the end of the consumption period relevant to the initial submission. Use of the “forward-looking” shape files could be mandated via the Rules to ensure consistency across Retailer submissions. In the meantime, however, any further constraints beyond the 15% would be inappropriate.</p> <p>As indicated in its response to Q15, Contact believes that the GIC should consider the impact on shippers delivering gas to a gate station.</p>
<p><i>Q18: Do submitters have any comments on the proposed grouping of gas gates for the purposes of the Reconciliation Rules? Are there any other gas gates that need to be considered as a group for the purposes of the Reconciliation Rules?</i></p>	<p>Distributors must allocate ICPs in the Gas Registry (post go-live) to a Gas Gate. The gate determined by the Distributor should be used by Retailers for submission of consumption information to the Allocation Agent. A Distributor may choose to have all ICPs on an interconnected network allocated to a single gate. Once a notional gate has been established and ICPs reassigned to this gate, the interconnected gates should then be treated as metering points and should play no part in the Registry, Distributor or Allocation Agent systems.</p> <p>A Distributor should not allocate ICPs to a Gas Gate other than the notional Gas Gate and then aggregate as part of the settlement and reconciliation processes.</p>
<p><i>Q19: Gas Industry Co notes that the application of the Reconciliation Rules is not limited to shared gas gates. Are there any gas gates that should be validly exempt from the rules? If so, why?</i></p>	<p>Where ICPs have been assigned to notional gas gates the retailer billing/reconciliation and submission and allocation results should be consistent with this arrangement.</p> <p>To ensure all retailers are treated in the same way and to minimise the possibility of barriers to accessing a gate station, Contact believes that all gate stations should be subject to the Reconciliation Rules.</p>

Question	Comment
<p><i>Q20: Transmission owners are asked to provide their views on the discussion regarding the implementation of rules 41 and 42 and respond to the question asked above of them.</i></p>	<p>Contact considers that gate station estimates should be published in accordance with the Vector Transmission Code.</p> <p>Under the Vector Transmission Code unvalidated metering information for gas gates equipped with SCADA or Telemetry must be published by 10:00 hours on the following Business Day and validated metering information published by 14:00 hours on the following Business Day. For gas gates not equipped with SCADA or Telemetry, metering information is not published until month end.</p> <p>Contact e believes the requirement to publish metering information should be strengthened. Unvalidated metering information for gate stations equipped with SCADA or Telemetry should be published on the day following the day of gas delivery day rather than on the next Business Day and validated metering information should be published by 14:00 hours on the day following the day of delivery. This should be reflected in the Reconciliation Rules.</p> <p>The Reconciliation Rules should specify the maximum design flow rate of a gas gate that does not require SCADA or Telemetry. We do, however, acknowledge that there is a clear cost benefit trade off in providing Telemetry or SCADA at a gas gate.</p>
<p><i>Q21: Do submitters have any views of Gas Industry Co's proposed timing for the provision of estimated day-end volume injection quantities each day (ie 10am and 4pm) or any other comments on the proposed implementation of rules 41 and 42?</i></p>	<p>There is a lot of metering data which is collected hourly and therefore in our view, if systems are automated, this data should be made available to retailers on an aggregate daily basis shortly after midnight for the previous day. We believe that the 10:00 hours time line was due to accommodating manual processes that are performed within working day hours. In our view, these sorts of constraints should be eliminated.</p>
<p><i>Q22: Do submitters have any comments on the proposed ability for the allocation agent to be able to supply special reports and information to allocation participants? Or comments on Gas Industry Co's proposal to provide for this in the allocation agent service provider agreement?</i></p>	<p>Contact believes that the allocation agent should have the ability to provide special reports. This is with the proviso, however, that the party requesting the special report pays all the incremental costs incurred by the allocation agent when it provides the report and that the allocation agent does not breach confidentiality.</p>

Question	Comment
<p><i>Q23: Do submitters have any comments on the provision of allocation information by the allocation agent to OATIS, including any comments on the dummy files attached as Appendix D?</i></p>	<p>Contact agrees that information provided by the allocation agent to Vector Transmission should be in a format accepted by OATIS and submitted to OATIS. Over time, the requirements of Vector Transmission and its shippers may change. The Reconciliation Rules should recognise the possibility of such change.</p>
<p><i>Q24: Do submitters have any comments on the proposed process by which the allocation agent should be advised by retails of changes to Vector's supplementary contract codes?</i></p>	<p>Blank.</p>
<p><i>Q25: Do submitters have any comments on the proposed notification form and process?</i></p>	<p>Blank.</p>
<p><i>Q26: Do submitters have any comments on the definition of "gas measurement system" in the context of the definition of "gas gate"?</i></p>	<p>Blank.</p>
<p><i>Q27: To assist Gas Industry Co's analysis, Gas Industry Co request industry participants provide information relevant to the following:</i></p> <ul style="list-style-type: none"> <i>• An estimate of the number of third party gas measurement system connections;</i> <i>• An estimate of the number (if any) of instances where a third party owns the meter, but not the whole gas measurement system; and</i> <i>• Any other information from participants where they have previously considered the issues of gas measurement systems or meter ownership in the context of the Gas Act definition of "distribution system".</i> 	<p>We have around 8,300 ICPs where a third party owns the meter.</p> <p>We have no instances of a third party owning the meter but not the whole gas measurement system.</p> <p>The gas distribution system includes the distribution network and the gas measurement system (GMS). Existing network service agreements and GMS service agreements (where unbundled from network service agreements) include obligations to comply with all applicable laws in relation to the GMS and activities associated with the GMS.</p>

Question	Comment
<i>Q28: Do submitters have any comments on any of the other implementation matters detailed in Part 4 of the paper?</i>	Blank.
<i>Q29: Do submitters have any comments on the migration from current industry arrangements to the allocation arrangements provided under the Reconciliation Rules?</i>	Blank.