



**Submission to the Gas Industry Company on its consultation on Initial
exemptions under the Gas (Downstream Reconciliation) Rules 2008:
August 2008**

From

Contact Energy Limited

4 September 2008

Introduction

Contact Energy Limited (“Contact”) welcomes the opportunity to provide feedback to the Gas Industry Company (“GIC”).

For any questions related to this submission, please contact:

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Contact's responses to discussion questions

Discussion question	Comment
Q1: Do submitters have any comments on the transitional exemption DR08-17-T proposed by Gas Industry Co regarding allocation processes for gas gates without allocation 4 or 6 consumption?	No comment.
Q2: Do submitters have any comments on the transitional exemption DR08-18-T proposed by Gas Industry Co regarding injection quantities for unmetered gas gates?	<p>Contact considers that all gas gates should have metering, and that a threshold should be set where TOU metering is required.</p> <p>With respect to the gas gates listed in the exemption, it is noted that at least one, PAP06603, is shared. Without gate metering the annual and monthly UFG factors can only be 1.0000, and consumption averaged across the days in the month. With no threshold set for unmetered gas gates, it is possible that inaccurate consumer metering could go undetected and contribute to transmission system UFG, paid for by all.</p>
Q3: Do submitters have any comments on the global 1 month methodology exemption applications DR08-02-S from Genesis Energy and DR08-04-S from Contact Energy?	<p>Contact agrees with the proposal, as it has been demonstrated in the past that the Global 1 Month UFG methodology is the only methodology that delivers fair and equitable allocations at these gas gates.</p> <p>We also agree that the exemption should include rules 46.3.1 and 46.4.2, nevertheless there is no harm in publishing the annual UFG factor so long as it is clear to all that the factor is not to be used in the allocation process. Further, while the annual UFG factor may be useful to retailers as a reference point for pricing / billing, we also note that the annual UFG% is published under rule 53.2.3.</p> <p>Contact does not agree that submission data for allocation groups 1 and 2 should be submitted as allocation group 3 data - which suggests it is estimated daily data. We consider the allocation agent's system should be configured to which gas gates are to be allocated using the Global 1 Month UFG methodology, and should process data submitted for allocation groups 1 and 2 in the same way as allocation group 3 data. This will ensure that the same monthly UFG% is applied to all allocation groups.</p> <p>We agree with the GIC view that the same rationale should apply to other gas gates if TOU consumers can contribute so significantly to UFG. For gas gates with a dominant TOU load it is easy to demonstrate that the TOU metering (gas gate and/or dominant customer) is the major</p>

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	<p>causer of the UFG. However, for other gas gates with multiple TOU and non-TOU loads it is not so obvious which consumer categories are contributing to the UFG, hence the reason why the electricity reconciliation arrangements allocate UFE to all consumer categories using the same percentage.</p> <p>In order to move forward, Contact agreed to the annual UFG/monthly UFG compromise, but it is not an ideal solution.</p>
<p>Q4: Do submitters have any comments on the direct consumer and non-shared gas gate exemption applications DR08-06-S from Genesis Energy, DR08-10-S from On Gas and DR08-11-S from Mighty River Power?</p>	<p>As downstream reconciliation is not relevant where there is no UFG to be allocated, and direct consumer gas gate “allocations” are already part of the Vector process, Contact agrees all direct consumer gas gates (including generation, petrochemical and other direct consumer gas gates) and injection gas gates should be excluded from the application of the rules identified in the Genesis exemption application, irrespective of who is the retailer.</p> <p>However, non shared gas gates where there is more than one consumer should not be excluded. While there may only be one retailer trading at these gas gates at present, the situation can change at any time if one consumer switches to another retailer. At that point there would immediately be a requirement for full reconciliation and the need for annual UFG factors.</p> <p>Contact acknowledges there is a policy requirement for the transparency of retail market volume information which covers all gas gates, and that rule 53.2 was intended to deliver on this. However, the information required to enable publishing under rule 53.2 could be obtained more efficiently from a combination of the outputs from the downstream allocation agent (daily allocations aggregated to the month) and monthly direct consumer gas gate information provided by Vector. This would avoid duplicate processing but still deliver the required outcome.</p> <p>From Contact’s perspective the medium term objective should be to have one allocation regime which reconciles both downstream and upstream. An appropriate framework would have the allocation agent allocating metered data on a daily basis and then using the actual allocation information from the initial, interim and final allocations to wash up the differences. This would do away with the Gas Transfer Agent and put the process in the hands of an independent party. We suggest that it may be that the balancing work stream discussions will help develop this more encompassing framework.</p> <p>We consider that the confusion has not arisen necessarily from the definition of gas gate, but</p>

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	<p>rather it has arisen from an expectation by Contact (and at least several other participants) that the rules in respect of allocations were only necessary and intended to cover allocations for shared gas gates, thus establishing more robust arrangements to replace those in the Reconciliation Code and allocation agreements. The coverage of additional gas gates would only be necessary to the extent of providing access to unvalidated daily gas gate data at all gas gates to help facilitate accurate nominations, and transparency of retail market volume information.</p> <p>The exemption of direct consumer gas gates from downstream allocation processes/rules should apply until a rule change is considered and consulted on, and there is clarity going forward.</p>
<p>Q5: Do submitters have any comments on the exemption application DR08-05-S from Contact Energy regarding unmetered direct consumers?</p>	<p>Contact notes that these direct consumer loads are measured by the gas gate metering, thus avoiding costly duplication of the gas measurement systems.</p>
<p>Q6: Do submitters have any comments on the ongoing fee exemption applications DR08-08-U from Contact Energy, DR08-07-U from Genesis Energy, DR08-09-U from On Gas and DR08-12-U from Mighty River Power?</p>	<p>Please refer to comments above regarding Contact's position on the application of the rules to direct consumer gas gates, and the reasons why an exemption application was not made. If required by GIC, Contact will submit an exemption application along similar lines to DR08-06-S (Genesis).</p> <p>Because consumers at non shared gas gates supplying multiple consumers can switch from the existing retailer at any time, Contact considers these gas gates should be included in downstream reconciliation and the allocation quantities be subject to ongoing fees.</p> <p>Whether or not there is UFG at direct consumer gas gates with downstream consumer metering is irrelevant, the fact remains there is no UFG to allocate as allocation is at the gas gate level and there is only one retailer to allocate the gas gate volume to.</p> <p>Contact's support for direct consumer gas gates being exempt from ongoing fees is set out in our exemption application. Contact also notes the GIC's comment that if direct consumer gas gates are excluded from the allocation process, then the exemptions sought in respect of ongoing fees for direct consumer gas gates will no longer be necessary.</p>
<p>Q7: Do submitters have any comments on the rule 41 exemption applications DR08-16-S from Vector and DR08-14-S from MDL?</p>	<p>Both MDL and Vector should put systems/resources in place to meet the deadlines, but could be given time to do this. To not do so would mean the Allocation Agent would need to rely on an estimate if daily balancing comes into effect.</p>

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<p>Q8: Do submitters have any comments on the rule 42 exemption applications DR08-15-S from Vector and DR08-13-S from MDL?</p>	<p>MDL states that this information requirement from which it requests an exemption is available in OATIS. However, it is only available for major Welded Points and only after two days. Minor points are not available until month end due to metering availability. There is hourly information available for major Welded Points but not in a user friendly downloadable format, plus it disappears from the screen after 23 hours.</p> <p>Contact does not agree that the exemption should apply to gas gates at which there is only one or two retailers.</p> <p>It is unfortunate that alignment issues between the timelines in the VTC and rules are now being raised. If the shippers are currently comfortable with the VTC timelines for the different types and sizes of gas gate, then the rules should be amended (and interim exemptions granted) to reflect the VTC. However, if shippers are not comfortable with the timelines, then Vector should be given time to make changes to achieve the rules timelines or the rules amended to reflect arrangements acceptable to the majority.</p>
<p>Q9: Do submitters have any comments on the generic exemption application DR08-01-S from Greymouth Gas?</p>	<p>Contact considers the Greymouth exemption application should be rejected, on the basis that no participant should be given an exemption from the rules simply because it only has TOU customers. It is noted that all consumer metering contributes to UFG, including TOU.</p>
<p>Q10: Do submitters have any comments on the transitional exemption application DR08-03-T from Nova Gas regarding the application of seasonal adjustment daily shape values?</p>	<p>Provided Nova Gas gives an undertaking that all of its customer meters are read monthly, and those greater than 250GJ are read close to month end then the exemption should be granted.</p>