

Appendix A: Recommended Format for Submissions

Submission prepared by: Contact Energy (Rod Crone) (company name and contact)

QUESTION	COMMENT
<p>Q1: Do participants agree that the option of making the SADSV available in advance of AG 4 and 6 initial consumption submissions is worth pursuing?</p>	<p>No</p> <p>Contact agrees that using actual (rather than estimated or flat) SADSVs for the initial submission will always improve the historic estimate element of the initial submission, but there is no guarantee that it will improve the forward estimate portion as it would depend on the participant's forward estimation methodology. In Contact's case making SADSVs available for the initial non-TOU submission would not improve our current forward estimation accuracy as this uses a daily average for each meter register for each month that is derived from the previous 3 years seasonally adjusted historic estimates for each register.</p> <p>Contact currently uses estimated SADSVs for the historic estimates portion of the initial submission, the estimated values based on the average SADSVs for Monday, Tuesday, Wednesday, etc through Sunday for the same month in the previous year. Accordingly we are already achieving some improved accuracy in the historic estimates portion of our submissions for initial allocation, but despite this we do not achieve overall accuracy for the initial submission within the +/- 10% and 200GJ initial-final submission thresholds for all gas gates.</p> <p>It is noted that what is proposed for gas effectively replicates what is occurring in electricity, but within a tighter timeframe, electricity using the SADSVs from the BD4 reconciliation in the BD13 submissions. We do not estimate the SADSVs for the initial submission as we do for gas. It is noted that the overall (aggregate of all GXPs) improvement in accuracy for electricity between BD4 and BD13 is typically small (< 1.0%) albeit electricity is less seasonal than gas. For 2011 the change in total submission by month from BD4 to BD13 was -.7%, +0.3%, -0.1%, +0.5%, -0.6%, -0.2%, +0.2%, +0.3%, -0.6%, -0.8%, -0.9%, -0.5%.</p> <p>We do note however that the change in submission (essentially could be regarded as improvement in accuracy) for electricity from initial submission on BD4 to month 3 BD13 submission (the equivalent of the gas interim submission on month 4 BD9) is also relatively small compared to gas. For the months of January 2011 to September 2011 the changes</p>

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	<p>were as follows:</p> <p>Electricity: -0.1%, +0.7%, -0.1%, +1.3%, -1.4%, -0.7%, +0.5%, +1.4%, -0.5%</p> <p>Gas: -3.5%, +1.9%, +5.4%, +8.8%, -6.4%, -4.9%, -1.6%, +6.9%, -9.7%</p> <p>On balance Contact considers this option would only achieve marginal accuracy improvement while at the same time adding complexity to the energy reconciliation process and extending the period (having an accumulating effect) when Contact would not know its position which would outweigh the benefits of improved initial submission accuracy.</p>
<p>Q2: Gas Industry Co seeks feedback on the feasibility of staggering the submission of TOU and non-TOU data for the initial allocation and delaying publication of the results of the initial allocation. We also seek an indication of whether retailers would be able to accommodate the 24-hour period for processing and submitting non-TOU data once they received the SADSV.</p>	<p>Contact could accommodate Alternative A but believes Alternative B would be high risk.</p> <p>As stated above, Contact considers these alternatives would only achieve marginal accuracy improvement while at the same time adding complexity to the energy reconciliation process and extending the period (having an accumulating effect) when Contact would not know its position which would outweigh the benefits of improved initial submission accuracy..</p>
<p>Q3: Do you agree that preferentially allocating UFG to causers is worth investigating as a possible alternative to the global allocation method for the initial allocation? If not, please provide reasons.</p>	<p>No</p> <p>Contact considers that such an approach would create more uncertainty and noise, and not reflect system improvements on a timely basis.</p>
<p>Q4: What is your view of using the difference between a retailer's initial and interim submissions as the measure of accuracy?</p>	<p>The problem here is that you cannot assess who the causers are until much later, consequently participants that implement system improvements would be penalised long after the improvements were made. Contact considers that such an approach would create more uncertainty and noise, and not reflect system improvements on a timely basis.</p>
<p>Q5: If a rolling average were to be used as the basis for measuring accuracy, how many months would you suggest the average be taken over?</p>	<p>Refer Q4 comments.</p>
<p>Q6: One suggestion is to define "causers" as the bottom x% of retailers when ranked by submission accuracy. What value would you suggest for "x"?</p>	<p>Refer Q4 comments</p>

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<p>Q7: Do you agree that it is worth investigating the feasibility and cost of implementing daily allocations (D+1) at a pipeline level? Please provide reasons for your answer.</p>	<p>Yes</p> <p>Contact considers that the “D+1 Light” proposal has merit and warrants further investigation and analysis. This methodology would appear to offer a very pragmatic solution for the industry to achieve improved accuracy in the information usable by shippers to self-balance, and for BPP calculations and invoicing.</p> <p>It is particularly attractive in that while providing improved accuracy it also would remove the need for Rule 37.2 breaches and wash-ups of BPP charges via ongoing breach investigations and settlements, and instead focus on what Rule 37.2 was intended for when the GART proposed its inclusion which was to have a KPI to identify outlier estimation performance (as for electricity).</p> <p>At a conceptual level the approach would need to involve:</p> <ul style="list-style-type: none"> • Both AG1 and AG2 ICP consumption to be estimated where actual AG1 ICP data is not available on any particular day for the previous day. • Use of an estimated pipeline CV to convert the metered volumes to GJ. • Be able to take into account any material shift in ICPs and associated consumption from one retailer to another (e.g. E-Gas)
<p>Q8: If D+1 were to be implemented for BPP charges, would it be a concern for your organisation if transmission charges continued to be based on the existing initial allocation methodology?</p>	<p>No</p>
<p>Q9: Do you agree it is worth investigating changing the initial allocation algorithm? Does your organisation have any suggested algorithm(s)?</p>	<p>Yes.</p> <p>Contact considers this methodology would provide a superior outcome to the current initial allocation arrangements.</p> <p>Assuming this is in addition to D+1 light this would improve the accuracy of the initial transmission invoice.</p> <p>If on the other hand D+1 light does not go ahead this would at least provide a more accurate basis for BPP charges.</p> <p>It is also assumed that this methodology would remove the need for Rule 37.2 breaches and settlements via breach investigations of BPP charges.</p>

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	<p>At a conceptual level the approach would need to involve:</p> <ul style="list-style-type: none"> • Both AG1 and AG2 ICP consumption to be estimated where actual ICP data is not available on any particular day for the previous month. • Be able to take into account any material shift in ICPs and associated consumption from one retailer to another (e.g. E-Gas) • Continue to produce the SADSVs for the interim submission, but remove the need for initial submission of consumption data for AG3-6. <p>In effect this top down option is very similar to Contact's methodology used for building gas nominations.</p> <p>Contact also uses a top down/market share approach for estimating electricity purchases on BD2 required for management reporting, and this always provides a materially accurate estimate compared to bottom up as billed +/- accruals. We monitor results using different approaches for market share but have found one particular approach consistently gives the most accurate results.</p>
<p>Q10: Do you agree that the purpose of the Reconciliation Rules would not be better served by having retailers who trade at direct connect gas gates subject to the global allocation methodology? If not, please provide your reasoning.</p>	<p>No</p> <p>There is no benefit as there is no UFG to be allocated.</p> <p>All it would do is add allocation costs for no benefit.</p> <p>The same concerns that were raised when exemptions were sought for direct connect gas gates would arise again, i.e. the flow on effect of ongoing fees if they remain fully or partially based on allocated volumes.</p>
<p>Q11: If you agree with Q9, do you also agree that the Reconciliation Rules should be amended as described above so as to obviate the need for exemptions in respect of direct connect gas gates?</p>	<p>We agree the Rules should be amended in respect of direct connect gas gates as per the preferred option, although this has no relevance to Q9 (or for that matter Q10).</p>
<p>Q12: Do you agree that the global methodology fails to produce acceptable results as gates that have a very high proportion of TOU load?</p>	<p>Yes, but the underlying issue that prompted the global 1 month methodology (TOU metering inaccuracy) is not limited to gas gates with a high proportion of TOU load.</p> <p>Contact notes that the influence of inaccurate TOU metering (gas gate metering and/or customer TOU metering) can only be easily demonstrated at gas gates with dominant TOU load, this was the basis for the original introduction of the global 1-month methodology at</p>

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	<p>certain gas gates under the Reconciliation Code arrangements.</p> <p>The same principle applies at all gas gates with TOU gas gate/customer metering, it just can't be demonstrated as easily.</p> <p>There is a strong argument that UFG allocation should not differentiate between TOU and non-TOU metered sites, consistent with the arrangements for UFE allocation in the electricity reconciliation process.</p> <p>Comment is often made that TOU metering is more accurate than non-TOU metering, however this point is overplayed. While a TOU metering installation typically includes a conversion device connected to the meter via an instrument drive that electronically adjusts the metered volume for pressure and temperature (instead of using fixed factors), and records daily volumes, the actual meter itself is no different to a standard meter used for medium sized non-TOU consumer installations. Therefore the only accuracy benefits that can be claimed are the dynamic adjustment for pressure and temperature, and the recording of daily volumes using the logger capability.</p> <p>It should also be noted that large [TOU] meters are often left in place when the usage at a site has reduced materially, as a consequence the [TOU] meter will under-record and possibly not record the lower gas consumption. There have been many examples of this over the years, one being the South Pacific Tyres site in Upper Hutt which retained a large meter for a long time after South Pacific Tyres ceased manufacturing on the site and it became obvious that the meter was not recording any consumption despite there still being some actual gas usage.</p>
<p>Q13: Do you agree with the proposal to incorporate within the Reconciliation Rules provision for a framework for application of the global 1-month methodology at gas gates that meet specific criteria? If not, please provide your reasons and your suggested alternative approach to addressing the shortcomings of the global methodology in such circumstances.</p>	<p>Contact's preference would be to apply the global 1-month methodology to all gas gates to ensure fairness of UFG allocation, however we accept that because balancing charges are not washed up with the interim and final allocations that it makes sense to retain annual UFG factors for gas gates that do not have a high proportion of TOU (daily metered) load.</p> <p>Accordingly Contact agrees with the preferred option, except that we would suggest 80% of TOU load would be a more appropriate threshold, and that the global 1-month methodology be applied at all gas gates meeting the 80% threshold criteria.</p>
<p>Q14: Do you consider that all gas gates should have gas measurement systems installed? If not, please provide reasons. If you consider that there should be a threshold below which gas gate meters are not necessary, please describe both the threshold and the basis of</p>	<p>Yes</p> <p>Contact believes that unmetered gas gates are most likely to be a legacy of single customer gas gates where the metering was located at the customer's premises (we think gas gates like</p>

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measurement (e.g. monthly (average or peak) or annual volumes).	<p>this used to be referred to as farm gates). Then over time other connections were taken off the pipeline connecting the single unmetered gas gate to the initial single metered consumer, but no gas gate metering was installed when the status changed. We know this was the case for Waverley gas gate.</p> <p>A lower cost option would be for very small throughput gas gates to have non-TOU metering installed, and for daily throughput GJ deemed to be the monthly consumption divided by the number of days in the month, subject of course to no downstream consumer installations having TOU metering.</p>
Q15: Do you agree that, for the purposes of this review, gas gates with oversized meters should be treated in the same way as gas gates that do not have meters installed? If not, please provide reasons.	<p>Yes</p> <p>As above, an option would be for very small throughput gas gates to have non-TOU metering installed, and for daily throughput GJ deemed to be the monthly consumption divided by the number of days in the month, subject of course to no downstream consumer installations having TOU metering.</p>
Q16: Do you think Gas Industry Co should consider making an explicit rule to enable correction of AUFG factors or should the exemption process be relied upon?	<p>Contact would not support a rule change and considers the exemption process should be relied upon, and that a change should not be considered unless triggered by a materially abnormal situation.</p> <p>For example, we consider that AUFG factors should not be corrected unless correction of the error would have resulted in a material change to the UFG% at a gas gate that was used to calculate the most recent AUFG factor (e.g. to correct for E-Gas under-reporting across all gas gates, or where the impact on UFG was greater than say 2% at an individual gas gate), and that there is no backdating into previous gas years. It is noted that any retrospective change would likely impact network pricing/billing and/or retail pricing/billing which relied on the original AUFG factors, so in most circumstances any correction should be left until the next annual review.</p>
Q17: Do you agree that the way in which ongoing costs are apportioned among retailers should be changed to 50:50 mix of volume and ICP numbers? If not, please provide your preferred apportionment method with supporting reasons.	<p>Arguments can be made to suit any allocation methodology, however Contact considers that no compelling arguments have been made to change the status quo. It is therefore Contact's view that the status quo should be retained which is consistent with the electricity market (which has never been challenged, noting most gas retailers are also electricity retailers) and with arguments made in the past by new entrant gas retailers who advocated allocation quantities for the apportionment of the major component of allocation costs (when incumbent retailers wore most of the cost for allocation services).</p>

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	Contact does not support allocation based on number of ICPs.
Q18: Do you agree that AG1 and AG2 data should only be treated preferentially when actual TOU data are being supplied? Which option do you prefer for addressing missing TOU data?	<p>Contact does not consider any of the options put forward are appropriate, and add unnecessary complexity. Any solution to the problem needs to be simple to implement and monitor, and Contact considers the following principles should apply:</p> <ul style="list-style-type: none"> • If a retailer is unable to provide actual daily consumption information for a TOU/daily metered consumer installation in AG1/AG2 it must provide estimated daily consumption data and flag the fact in the submission file. This should not be treated as a breach, the current problem. • If for the final allocation a retailer is still unable to provide actual daily consumption information the estimated submission data will be deemed a permanent estimate. • When performance audits are undertaken the auditor must audit the retailer's estimation methodology for AG1/2 installations, and if in the auditor's opinion the retailer's methodology does not comply with schedule 1 the auditor must allege a breach. • Settlement of the breach should be subject to the retailer demonstrating that it has implemented system and/or process improvements to its estimation methodology for TOU metered consumer installations in AG1/2 to ensure future compliance. • Rule 30.3 should be amended to require that: <ul style="list-style-type: none"> ○ Where a retailer is unable to provide actual daily consumption data for any AG1/2 consumer installation it must provide its best estimate of daily consumption to the allocation agent and flag the fact in the submission file, and the estimation methodology must be consistent with schedule 1. ○ Where a retailer is still unable to provide actual daily consumption information for any AG1/2 consumer installation for the final allocation the estimated consumption data will be deemed a permanent estimate. <p>By making the above changes to this rule, provision of estimated consumption for an AG1/2 consumer installation for any allocation would no longer be subject to a breach allegation, but would be subject to a breach as part of a performance audit if</p>

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	<p>the auditor:</p> <ul style="list-style-type: none"> considered the estimation methodology described in schedule 1 was not complied with; or considered that the retailer had not provided estimated data when it could reasonably have been expected to have done so; or discovered that the retailer failed to flag the existence of estimated data in the submission file. <p>Furthermore it de-emphasises use of the word “actual” which in Contact’s opinion was never intended to be interpreted the way it has been by Gas Industry Co. The word “actual” was used in the Reconciliation Code to mean actual daily or monthly quantity (consumption) for AG1-4, as opposed to estimated monthly quantity (consumption) for AG5-6. Reference should be made to Schedule 3 of the Reconciliation Code.</p> <ul style="list-style-type: none"> Rules 44.5.1 and 44.5.2 should be amended to de-emphasise “period” and emphasise “accuracy of estimated consumption”, that it is the responsible retailer not the allocation agent that must provide consumption data for allocation purposes, and that the allocation agent may hold daily consumption history which the responsible retailer does not hold but may require to produce an accurate estimate of daily consumption.. For rule 44.5.1, it is suggested that the words “allocation agent” be replaced with “responsible retailer”, that after “of the error” the words “and/or amount of error” be inserted, and that after “information” the words “, and if requested by the responsible retailer the allocation agent must provide the responsible retailer with historical daily consumption where relevant to the period of the error where it holds such information” be inserted. For rule 44.5.2, it is suggested that after “expected period of the error” the words “and/or amount of error” should be inserted.
<p>Q19: Do you agree that meter owners should have more obligations under the Rules? Do you agree that some of the obligations placed on retailers would be more appropriately placed on meter owners?</p>	<p>No</p> <p>Contact considers there are commercial incentives on retailers to ensure they (or their data collector acting as agent) review meter event logs to identify issues which they can then bring to the attention of the meter owner to address in accordance with the relevant GMS Services</p>

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	<p>Agreement.</p> <p>We do however believe meter owners should be held accountable for metering data that they populate in the registry.</p>
<p>Q20: If you have been or are regularly notified of a breach of Rule 39 by the Allocation Agent, is there a problem you can identify with the Rules or with the Registry that could be changed without compromising the intent of the downstream reconciliation process?</p>	<p>Contact considers that the only obligation on the retailer should be to provide a trading notification for any new, amended or deleted TSA Supplementary Agreement, which requires additional (or less) allocation data splits by the allocation agent before uploading information to OATIS.</p> <p>Otherwise the allocation agent should rely on registry information to identify which shared gas gates the retailer is trading at under its main TSA.</p>
<p>Q21: Do you agree that exemptions should only be permissible where there is a reasonable substitute available that achieves the intent and purpose of the Rules or in an “exceptional circumstance”? What sort of situations do you believe would warrant an “exceptional circumstance”?</p>	<p>Contact considers that it is not possible to identify when an exemption may be appropriate, accordingly the status quo (Option 1) should be retained to provide for flexibility.</p>
<p>Q22: If Gas Industry Co removes the exemption provisions, are there specific circumstances or situations that you believe warrant consideration for specific rule amendments now so as to remove the requirement for a future exemption?</p>	<p>Contact does not consider the exemption provisions should be removed.</p>
<p>Q23: Given the Rules are unlikely to be reviewed again in the near future, are there other issues you would like Gas Industry Co to consider before a Statement of Proposal is released for consultation? Please be specific with your suggestion(s) and where possible provide supporting evidence.</p>	<p>Contact considers that:</p> <ul style="list-style-type: none"> • Part 5 “Transitional provisions” should now be deleted as they are no longer relevant, although it may be necessary to introduce new transitional provisions if any of the changes proposed for October 2013 require such provisions. • Rule 65 should provide that performance audits not only cover “these rules” but also the Switching Rules in respect of population of data in the registry that affects the ability of the retailer to comply with its obligations under rule 28.2. For meter owners this could be achieved by an additional sub-clause in rule 27.1, while for distributors it could be achieved through insertion of a new rule 27A. • References to NZS 5259:2004 should be amended to NZS 5259

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Q24: Do you agree with the proposed timeframe for implementing any rule changes?	At this point Contact is comfortable with a 1/10/13 implementation timetable, although we consider there is no necessity to align go live of any changes with the start of a gas year (1 October), and that potentially changes could be staggered where there would be efficiency benefits from earlier implementation of some changes (e.g. the rules around TOU estimates).
Q25: Do you consider that creating an advisory group similar to the GART is worthwhile for the purposes of developing rule changes as a result of this policy review?	Yes