Submission on Initial Exemptions under the Gas (Downstream Reconciliation) Rules 2008

20/7

4 September 2008

Mr B Walker
Gas Industry Company
PO Box 10-646
Wellington

Dear Bas

INITIAL EMXEMPTIONS UNDER THE GAS (DOWNSTREAM RECONCILIATION) RULES 2008 (21 AUGUST 2008)

Thank you for the opportunity to comment on the August 2008 consultation paper. I am responding on behalf of Energy Direct NZ (EDNZ) the retail division of Wanganui Gas Limited (WGL).

If you would like to discuss our comments further please contact me by email at tara.gannon@energydirectnz.co.nz or by phone on DDI 06 349 2055. Alternatively you can contact our General Manager, Michael Ram, by email at michael.ram@energydirect.co.nz or by phone on 06 349 0129.

Yours sincerely

Tara Gannon

Tara Gannon
Energy Trading Supervisor

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Submission from: **Energy Direct NZ** Contact: Tara Gannon, Energy Trading Supervisor

QUESTION	**COMMENT**
Q1: Do submitters have any comments on the transitional exemption DR08-17-T (DR08-13-T) proposed by Gas Industry Co regarding allocation processes for gas gates without allocation 4 or 6 consumption?	While EDNZ is not directly affected by this exemption as we have no customers on gates with only groups 1, 2, 3 and 5, we would prefer for UFG to be allocated to groups 3 and 5. We believe that TOU customers should be treated in the same way as they are on other gates initially (i.e. with a stable UFG factor and transitional cap and collar).
Q2: Do submitters have any comments on the transitional exemption DR08-18-T (DR08-14-T) proposed by Gas Industry Co regarding injection quantities for unmetered gas gates?	While EDNZ is not directly affected by this exemption as we do not have any customers on the affected gates, we agree that the proposed terms and conditions are reasonable.
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?	We agree that it is acceptable to continue to use the Global 1 month methodology as previously agreed by gas industry participants. If once the new allocation rules are in place other gas gates are found to have allocated UFG greater than their submitted consumption, it would be appropriate to consider exemptions for those gas gates also. We believe the rules to calculate the annual UFG factor (46.3.1 and 46.4.2) should apply, as this will reflect actual UFG.
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?	**Single Consumer Gas Gates** We agree that single consumer gas gates should be exempted from the rules. We agree that gas injection points are not included in the rules and are exempted by default. We do not believe it is necessary for the allocation agent to publish summary allocation results in GAR070 and GAR080 on its website for these gas gates. We agree that an industry wide approach should be adopted and all single consumer direct supply gas gates should be excluded. **Single Retailer Gas Gates** We believe that this exemption should not be granted. Allowing single retailer gates to be excluded from the rules would create a potential barrier to entry for other retailers wishing to trade on the gas gate.

Q5: Do submitters have any comments on the exemption application DR08-05-S from Contact Energy regarding unmetered direct consumers?	We agree that this exemption should be granted, but it should only be applied where: there is gas gate metering but no consumer installation metering; there is only one consumer on the gas gate; and the gas gate metering data is used for billing. The exemption should remain in place as long as the conditions required by the exemption are met, i.e. there is gas gate metering but no consumer installation metering; there is only one consumer on the gas gate; and the gas gate metering data is used for billing.
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?	**Single Consumer Gas Gates** We agree that consumption for single consumer gas gates exempted from the reconciliation rules should not be included in the calculations for ongoing fees. The rationale for this is that there is not a requirement for downstream reconciliation at these gates. **Single Retailer Gas Gates** If single retailer gas gates are exempted from the reconciliation rules their consumption should be excluded from calculations of ongoing fees. If they are not granted an exemption from the rules they should not be granted a fee exemption.
Q7: Do submitters have any comments on the rule 41 exemption applications DR08-16-S from Vector and DR08-14-S from MDL?	**DR08-16-S Vector** We do not believe exemptions should be granted because systems and resources are not currently in place, unless the changes will not impact negatively on the allocation process. Since it will be possible for the Allocation Agent meet the deadline to complete initial allocations if this exemption is granted, the change is acceptable to EDNZ. If Vector is required to make changes to its systems and increase staffing we believe that they should recover these costs from their customers through their tariffs. Other industry participants, including retailers such as EDNZ, must pay for their own expensive system changes and additional resources, on top of GIC levies, costs for the development of the reconciliation system, its maintenance and ongoing fees. Eventually we will recover these costs from our customers as part of our tariffs. **DR08-14-S MDL** We do not believe that this exemption should be accepted. All industry participants are required to submit data in the information exchange file formats prescribed. It is the individual participant's responsibility to ensure that their data is submitted to the Allocation Agent in the appropriate format. All industry participants have been required to make changes to their systems and processes to comply with these file formats, and we believe that it is unfair to exempt one participant from this requirement.

Q8: Do submitters have any comments on the rule 42 exemption applications DR08-15-S from Vector and DR08-13-S from MDL?	**DR08-15-S** We accept this exemption. **DR08-18-S** We accept this exemption.
Q9: Do submitters have any comments on the generic exemption application DR08-01-S from Greymouth Gas?	While we do sympathize with Greymouth Gas, we do not believe that this exemption should be granted. Greymouth Gas' TOU customers should be treated in the same way as other TOU customers on the Greater Auckland and Greater Mount Maunganui gates. It is unfair to treat customers in the same capacity group on the same gate differently for allocation purposes, and doing so could create competitive advantage for exempted retailers. If this exemption is granted we believe it should be reviewed if any of the conditions it is granted under change.
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?	We partially agree with this exemption, but believe it should be for a much shorter timeframe. We sympathize with Nova, as like most retailers, EDNZ is working on system changes required for reconciliation, the registry and switching simultaneously and we know how costly and time consuming it is. We believe that Nova should be granted an exemption, but for a much shorter time than the 9 months requested. Until their systems are ready, it will be necessary for them to normalise their consumption on a straight line basis. As the lack of seasonal adjustment will have the highest impact on other retailers trading on the same gas gates as Nova Gas over the cooler months (as Nova Gas' consumption will be understated and UFG will be overstated), we would like to see the exemption end by 30 April 2009 at the latest.