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Mr John Bright
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Dear John

DOWNSTREAM RECONCILIATION - OPTIONS

Thank you for the opportunity to comment on the Downstream Reconciliation – Options paper. I am responding on behalf of Energy Direct NZ (EDNZ).

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

A handwritten signature in black ink that reads "Tara Gannon".

Tara Gannon
Energy Trading Manager

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DOWNSTREAM RECONCILIATION - OPTIONS

Submission prepared by: Tara Gannon, Energy Direct NZ Ltd

Question	Comment
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>Yes. Use of consistent initial SADSV by all retailers should reduce UFG and differences between initial and final allocation submissions.</p> <p>Many of the differences between EDNZ's initial and final allocations are due to our initial SADSV being higher or lower than the actual SADSV.</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>Ideally EDNZ would prefer the SADSV for the initial allocation to be based on actual data. We acknowledge that extending deadlines for submission of GAS040 non TOU data may cause difficulty for upstream billing, and advancing deadlines for GAS050 TOU submissions may result in an increase in estimated TOU data.</p> <p>If it is impractical to provide actual SADSV we would like the GIC to consider providing retailers with estimated SADSV prior to the initial allocation. If the same values are used by all retailers, UFG should be shared proportionately between them.</p> <p>Alternative A</p> <p>This alternative would create timing issues for upstream billing dependent on gas allocation results.</p> <p>Consideration should be given to whether the interim and final allocation deadlines should also be extended. The proposed timetable means that the initial SADSV would not be available until 12pm on the 8th working day, with interim GAS040 submissions (which require these SADSV) due at 8am on the following working day.</p> <p>Alternative B</p> <p>It would be possible for EDNZ to complete submissions within 24 hours of receiving the SADSV. However, it would be beneficial to allow further time to check any anomalies in our consumption data.</p> <p>Bringing forward the deadlines for submission of TOU data under alternative B could result in more frequent estimation of TOU submissions. TOU downloads are usually provided to EDNZ by the end of the 3rd working day of each month, but in some cases these are not received until during the 4th working day. The downloads must be processed in our billing system before the GAS050 report can be generated.</p>

Question	Comment
<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>In principal EDNZ agrees that more UFG should be allocated to causers.</p> <p>We understand that there will be further consultation on how accuracy will be determined, and how much excess UFG will be apportioned based on the size of submissions versus historical accuracy.</p> <p>Our main concerns with preferentially allocating UFG are:</p> <ul style="list-style-type: none"> • If the method of calculating historic accuracy is not accurate or reviewed regularly, incentives to improve accuracy of submissions will be reduced. • Whether the retailer's accuracy across all gas gates, or at each gas gate is considered. A retailer could be a significant causer of UFG at certain gates, but not at others. • How materiality will be taken into account. A retailer could be just over an accuracy threshold by under reporting thousands of GJ, or less than 1 GJ. • Whether historical under and over submissions should be treated differently. • Transparency and complexity. • The cost of administering a more complex process.
<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 difference between initial and interim submissions would be a reasonable measure of accuracy only for retailers who have read most of their ICPs several times between the initial and interim allocation.</p> <p>EDNZ achieves a read rate of approximately 98% per month and over 99% each 4 months, so the difference between the initial and interim allocations would be a reliable measure of accuracy for us. The difference between initial and interim submissions will be much less reliable for retailers who do not have high monthly read attainment rates.</p> <p>Our preference is to use the difference between initial and final allocations, as retailers are likely to have attained actual reads for most sites by the time that the final allocation is completed.</p> <p>Materiality should be taken into account as well as the percentage difference between the initial and subsequent allocations. Events such as a single domestic meter being misread, or different SADSV applied to initial and interim submissions for the same month, can easily result in a difference of more than +/- 10% when there are only a handful of EDNZ customers at the gate.</p>

Question	Comment
<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>EDNZ would prefer a rolling 12 month average. Changes of season and months with a higher or lower average temperature than usual are more likely to result in inaccuracy. Using a 12 month average will take seasonal over and under reporting into account.</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>EDNZ does not agree that the bottom percentage of retailers should be defined as causers. By ranking retailers, they will only benefit from improvements to their submission accuracy if they move into the top group displacing another retailer. Theoretically if all retailers improve their submission accuracy to an acceptable level, UFG should be shared evenly between retailers based on their submission volume. EDNZ’s preference is for the GIC to consider a minimum accuracy percentage (with materiality taken into account) rather than the bottom percentage of retailers.</p>
<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>No. We believe that the costs of implementing D+1 will outweigh the benefits for EDNZ. We are also concerned that allocations calculated using the D+1 methodology could be very different to interim allocations especially for a smaller retailer like EDNZ, due to switching, changes in market share percentages each month, and accuracy of retailer submissions.</p>
<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>Yes, EDNZ would prefer the same methodology to be used for all allocations for simplicity and efficiency reasons. We also have concerns about the accuracy of initial D+1 allocations.</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>EDNZ does not agree with the proposed change to the initial allocation algorithm for the following reasons:</p> <ul style="list-style-type: none"> • The algorithm depends on daily TOU data being available. All but one of EDNZ’s TOU correctors are downloaded monthly. Some of our correctors do not have telemetry. Meter owners charge additional fees for telemetry which would increase costs for our customers. • Interim allocation results may not be representative of a retailer’s actual volumes, as discussed in question 4. • Each retailer has a different customer mix. Using the market share from the last interim allocation (which occurred four month’s prior and during a different season) may not be representative of the retailer’s market share in the current month.

Question	Comment
<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, it is not necessary to have direct connect gas gates subject to the global allocation methodology. All gas at the gas gate will be allocated to one retailer, regardless of who the retailer for the site is.</p> <p>We believe that the global allocation methodology should apply where a single retailer trades on a gas gate connected to an open access network.</p>
<p>Q11: If you agree with Q10, 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>Yes, we agree that exemptions should not be required for direct connect gas gates.</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, particularly if the TOU data is not accurate.</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>Yes.</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 measurement (e.g. monthly (average or peak) or annual volumes).</p>	<p>EDNZ does not currently trade on any unmetered gas gates. Our preference is for all gas gates to be metered to allow detection of inaccuracies and prevent UFG costs being shared by transmission system users who do not trade on the affected gas gates. There is little incentive for retailers trading on unmetered gas gates to improve submission accuracy.</p> <p>If not all gas gates are to be metered, we would prefer exemptions to be considered on a case by case basis with materiality of annual consumption taken into account.</p>
<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>	<p>EDNZ trades at Flockhouse (FLH21901). Our preference is for oversized meters to be replaced with a suitably sized meters.</p> <p>If it is decided that the costs of replacement outweigh the overall benefits, gas gates with oversized meters to be treated consistently with unmetered gas gates.</p>

Question	Comment
<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>	<p>We agree that it would be appropriate to add a rule to enable correction of the Annual UFG factor.</p>
<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>	<p>Changing to a 50:50 mix of volumes and ICP numbers will have the greatest impact on retailers who have significant TOU load or are incumbent retailers. There is little difference for EDNZ between the current process on the proposed process, but some other retailers will make significant gains or losses from the changes. Our preference is for costs to be apportioned based on volumes. Our reasons are:</p> <ul style="list-style-type: none"> • Higher volumes of gas consumed are likely to result in higher submission errors. Although it can be argued that TOU metering is more accurate, even a small percentage error at a single ICP can have a significant impact. • Retailers with relatively large numbers of mass market ICPs also have a relatively large share of allocated volumes. • TOU data provided to the Allocation Agent is more detailed and covers smaller time periods, and we expect it costs more on average to complete an allocation for a TOU ICP than a single domestic ICP. • Basing the charges on either consumption or customer numbers is simpler than a mix. We think it is more appropriate to base the charges on the number of GJ.

Question	Comment
<p>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>	<p>AG1 and AG2 data should be treated preferentially as long as the estimate is being provided for a genuine reason, and the method used to estimate the consumption is reasonable.</p> <p>EDNZ prefers option 4 – permit TOU estimates in some circumstances provided that an appropriate estimation methodology is used. This will allow potential breaches to be monitored, without requiring breach notices to be issued and formally responded to.</p> <p>Consideration would need to be given to when a waiver is issued, in some cases this may be after the initial allocation is performed. Retailers may not realize until close to the deadline that they will not receive actual TOU downloads.</p> <p>We have some concerns about the other options:</p> <ul style="list-style-type: none"> • Option 1 could reduce the incentive to provide actual downloads for subsequent allocations. • Option 2 an estimation floor may not be appropriate for all customers. We have some TOU customers with seasonal consumption patterns, who use no gas at all during some months. • Option 3 increases the complexity of the allocation process and could distort SADSV. If estimates are only applied where absolutely necessary, and are reasonable, the impact of estimation should be low.

Question	Comment
<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>Yes. We agree that the accuracy of retailers' submissions can be affected by events that are beyond the control of the retailer, but within the reasonable control of the meter owner. The following situations have occurred for EDNZ:</p> <ul style="list-style-type: none"> • Meter owners have not provided notification of meter changes prior to submitting allocation data, leading to under or over reporting. • Meter owners have provided an incorrect number of digits, resulting in EDNZ reporting 1/10th of metered consumption. • Meter owners have provided incorrect meter pressure information, leading to under or over reporting. • A meter owner failed to repair a damaged corrector for several months despite numerous requests from EDNZ. This resulted in EDNZ repeatedly breaching rule 33.1. • Meter owners have delayed meter accuracy tests, repairs, maintenance or replacements which have contributed to inaccurate reporting. <p>EDNZ is aware that meter details transferred between retailers during switching may not match the meter owner's records. EDNZ reconciles key meter details including meter number, pressure and dials to the meter owner's records monthly and investigates and corrects errors. Unfortunately, we have found that in some cases the meter owners' own records are not accurate.</p> <p>We believe that meter owners should be responsible for providing complete, accurate and timely information to retailers, which will assist retailers to create accurate submissions.</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>We receive rule 39 breaches rarely. EDNZ's trading notification breaches have related to back dated switches of ICPs, and supplies being loaded in our billing system with an incorrect gas gate.</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>Exemptions should be considered where the exemption will better achieve the objectives set out in s43ZN of the Gas Act and the purpose of the rules.</p>

Question	Comment
<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>EDNZ prefers Option 1: status quo. The exemption provisions in the rules have been well used and we do not think it is appropriate to remove them. The exemptions process is intended to cover unforeseen circumstances and events which could not necessarily be prescriptively outlined as described in Option 3.</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>No.</p>
<p>Q24: Do you agree with the proposed timeframe for implementing any rule changes?</p>	<p>Yes, but if any stage is delayed later deadlines should be extended, to allow retailers time to make any necessary system changes.</p>
<p>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?</p>	<p>Yes.</p>