



20/7

23 September 2010

Mr Andrew Walker
Adviser
Gas Industry Company
PO Box 10-646
Wellington

Dear Andrew

**CONSULTATION ON RULE 37 PERCENTAGE OF ERROR DETERMINATION
(SEPTEMBER 2010)**

Thank you for the opportunity to comment on the Rule 37 Percentage of Error Determination paper. I am responding on behalf of Energy Direct NZ (EDNZ).

Like other retailers, we are striving to increase the accuracy of our allocation submissions through improving our processes, from meter reading right through to producing the allocation reports.

We agree that allowing an exemption for Rule 37 breaches under a GJ threshold would be sensible and help to reduce compliance costs for the gas industry as a whole. We would prefer this to the Market Administrator imposing a threshold, as this will allow her more time to be used more efficiently.

If you would like to discuss our comments further please contact me by email at [tara.gannon@energydirectnz.co.nz](mailto: 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](mailto: 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
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Enc

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CONSULTATION ON RULE 37 PERCENTAGE OF ERROR DETERMINATION (SEPTEMBER 2010)

Submission from Tara Gannon, Energy Direct NZ Ltd

Question	Comment
<p><i>Q1: Do submitters support the determination of a $\pm 10\%$ percentage of error for consumption periods in the 2010/2011 gas year under rule 37.3? Please provide reasons for your preference and indicate your views in respect of each option.</i></p>	<p>Yes, on the condition that a materiality limit is also set. We agree that any breach of over 10% and the GJ threshold should be considered by the Market Administrator to determine whether there are any underlying problems or if the breach is material.</p>
<p><i>Q2: Do submitters consider the information available since go-live indicates that a change to the existing percentage of error is appropriate or not? Please provide reasons.</i></p>	<p>We believe that a percentage of error is the most efficient way to determine accuracy, although it would be improved by use of a minimum threshold.</p> <p>It can be quickly and simply applied across all gates, and it takes into account that retailers have different consumption volumes.</p>
<p><i>Q3: In respect of the proposal for the percentage of error, do submitters have any comments or information in relation to the following matters?</i></p> <ul style="list-style-type: none"> <i>•The primary aim of ensuring consumption information provided for initial allocation is as accurate as possible when compared with consumption information provided for final allocation.</i> <i>•The extent to which retailers are able to comply with the percentage of error for the accuracy of consumption information provided for initial allocation.</i> <i>•Any expected costs that would be reasonably incurred by retailers to achieve compliance with the percentage of error for the accuracy of consumption information provided for initial allocation.</i> <i>•Any other matters relevant to Gas Industry Co's determination.</i> 	<p>We are constantly working to improve the accuracy of our allocation submissions. This work will continue regardless of the level of the percentage threshold, tightening it further will not have a significant impact on our processes.</p> <p>We have been concerned that we receive a large number of low GJ breaches under Rule 37. As a small retailer, we often have a small number of domestic customers on a gate and changes between initial and final allocations of even a fraction of a GJ can result in a breach.</p> <p>We would prefer the Market Administrator to be able to focus on more significant alleged breaches, than to take the time to write up alleged breach notices for such minor differences.</p> <p>For some gas gates, total monthly consumption may be less than 200 GJ. It is possible that there may never be any breaches of rule 37 although a retailer could significantly under or report in terms of the gate's total gas consumption. The GIC may wish to consider setting lower thresholds for gates with total consumption below 200 GJ per month.</p>
<p><i>Q4: Do submitters support an exemption for all percentage of error breaches that are less than 200GJ outside compliance with rule 37.2? Please provide reasons</i></p>	<p>We do support a materiality limit of 200 GJ, as this will eliminate most insignificant alleged breaches.</p>