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20/7

22 October 2008

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

Dear Bas

**EXEMPTION APPLICATIONS DR08-25-S, DR08-26-T AND DR08-27-U UNDER THE GAS (DOWNSTREAM RECONCILIATION) RULES 2008 (30 SEPTEMBER 2008)**

Thank you for the opportunity to comment on the exemption applications DR08-25-S, DR08-26-T AND DR08-27-U. I am responding on behalf of Energy Direct NZ Ltd (EDNZ).

We agree that exemption DR08-25-S and DR08-26-T from Vector should be granted temporarily, with the conditions specified in the table below.

Overall we agree that the Gas Industry Company's initial decision DR08-27-U from Nova Gas stands as no significant new arguments have been raised in the revised applications.

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

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Tara Gannon  
**Energy Trading Supervisor**

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

Submission from: Energy Direct NZ

Contact: Tara Gannon, Energy Trading Supervisor

QUESTION	COMMENT
<p>Q1: Do submitters have any comments on the rule 41 exemption application DR08-25-S from Vector?</p>	<p>We agree that this exemption should be granted, as the telemetry data it relates to is not essential to the allocation process.</p> <p>However, we do believe that this telemetry information should be made available to retailers daily for pipeline balancing processes, which is a separate issue. A final, long term decision on this exemption should be made in conjunction with the pipeline balancing work stream once costs to provide daily data have been confirmed by Vector.</p> <p>Meter or corrector problems could occur at any time, for any meter. Retailers may also breach time limits due to meter or corrector failures that are beyond their control. We agree that such breaches are best addressed through the compliance regime which would determine whether the breach is material or not, including consideration of whether the party in breach was at fault or the breach was unavoidable.</p>
<p>Q2: Do submitters have any comments on the rule 42 exemption for nominated direct connect gas gates, application DR08-26-T from Vector?</p>	<p>We believe that this exemption should be granted, provided that gas injection information for the affected gates would be made available by Vector upon request from the Allocation Agent.</p> <p>Our rationale for accepting this exemption is:</p> <ul style="list-style-type: none"> <li>• Direct consumer gas gates will remain exempt from the reconciliation rules unless additional consumers are added;</li> <li>• If additional consumers are added, the consumption patterns and volumes will differ from the patterns and volumes while the gate had only one direct consumer. Therefore the information recorded during the time that the gate had a direct consumer may be of little value.</li> <li>• If the information is available upon request it will be accessible in the rare event that an issue occurs which requires investigation across the whole of the gas supply system.</li> <li>• Unless there is a specific and definite current or future need for this information we believe that Vector should not be required to report it.</li> </ul>

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

QUESTION	COMMENT
<p>Q3: Do submitters have any comments on the application DR08-27-J from Nova seeking exemption from the allocation of gas for "bypass pipeline" gas gates?</p>	<p>Overall, we accept the Gas Industry Company's decision to refuse this exemption as the revised application provides further evidence for existing arguments, rather than new ones.</p> <p>If it is correct that injection quantities at the Tawa A gas gate cannot be obtained without the gas gate quantities injected at Tawa B, we agree that injection information for this gas gate should be provided. If there are specific concerns about the accuracy of injected quantities versus metered consumption, as in the case of the Tawa B gate, then those exemptions should be refused.</p> <p>As no other retailer can currently trade on Nova Gas' bypass networks, all UFG is attributable to Nova Gas. We do not believe that it is efficient or cost effective for Nova Gas to submit allocation data, or for the allocation agent to complete allocation processes for gas gates on these own bypass networks, unless that data is required as an input to an open access gas gate's allocation calculations. There would be no benefit to Nova Gas' customers.</p> <p>As a retailer who trades on open access networks that compete with Nova bypass networks, we appreciate that the exemption would increase Nova Gas' competitive advantage, by:</p> <ul style="list-style-type: none"> <li>• Exempting them from contributing to ongoing fees associated with allocation and reconciliation for these gas gates;</li> <li>• Reducing their internal staffing, processing and system costs as they would not be required to report to the allocation agent for these gas gates; and</li> <li>• No unaccounted for Gas.</li> </ul> <p>If the exemptions are approved it would encourage further investment in bypass networks, which would ultimately benefit consumers.</p>