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*An independent trading
division of Wanganui Gas Limited*

20/7

11 October 2007

Jay Jefferies
Gas Industry Company
PO Box 10 464
Wellington

Dear Jay

ALLOCATION AND RECONCILIATION OF DOWNSTREAM GAS QUANTITIES

Thank you for the opportunity to comment on the "Options for amending Allocation and Reconciliation Arrangements in the New Zealand Gas Industry". I am responding on behalf of Energy Direct NZ, the Energy Retailing division of Wanganui Gas Ltd.

Firstly my apologies for the late delivery of our submission but as you know I have been on annual leave when this paper first came out. I have completed it and enclose a copy of our submission summary.

Again thank you for the opportunity to comment on these matters. I would be happy to discuss any of the above comments or issues with you. I can be contacted by e-mail at jim.raybould@energydirectnz.co.nz or by phone on 06 349 0126.

Yours sincerely

A handwritten signature in black ink that reads "Jim Raybould". The signature is written in a cursive style with a large initial 'J'.

Jim Raybould
Manager – Energy Direct NZ

Enc

Appendix 4: Recommended format for submissions

To assist Gas Industry Co in the orderly and efficient consideration of stakeholders' responses, a suggested format for submissions has been prepared an electronic copy of which is available on our website. This is drawn from the questions posed throughout this Statement of Proposal.

Respondents are also invited to include any other comments in their responses to this Statement of Proposal.

Prepared by Jim Raybould – Manager Energy Direct NZ

11 October 2007

Questions	Comments
Q1: Do submitters have any general comments on the proposal or the process adopted by Gas Industry Co?	Energy Direct NZ (EDNZ) has no concerns regarding the process undertaken by the Gas Industry Company which we believe has been both comprehensive and exhaustive. Whilst we and other participants may not agree with the some of the ultimate outcomes we do not believe that there can be any complaints with regards to process.
Q2: Do submitters have any comments on the analysis and findings in the Energy Acumen report?	In general EDNZ agrees with the conclusions of the Energy Acumen report. We do however believe that the report may have underestimated the impact of the wash up process in terms of the time and effort required to correct shippers' delivered volumes and therefore transmission invoices.

Questions	Comments
<p>Q3: Do submitters agree that, provided compliance with the conversion processes in NZS 5259:2004 is mandated, it is inappropriate to introduce a standardised billing methodology at this time?</p>	<p>EDNZ has in previous submission stated that it is our opinion that the major problems with the allocation process are a result of the application of different estimating processes applied by different retail companies. It has to be accepted that an estimating program produces exactly that, an estimate of the gas used not an accurate calculation of the actual gas used.</p> <p>In addition compliance with NZ 5259 is mandatory for retailers but there are still some subjective aspects to the application of this standard that results in discrepancies in the conversion process between retailers. It may therefore be necessary for the GIC not only to mandate a standardised conversion process but also an estimating process.</p>
<p>Q4: Do submitters have any comments on Gas Industry Co's proposed method of global allocation which would cap the UFG allocated to allocation groups 1 and 2?</p>	<p>EDNZ remains to be convinced that the artificial application of an arbitrary proportion UFG to the calculation of a customers' gas consumption is the real solution to this problem. However we do accept that some compromise was required between mass market retailers and those that predominantly supply larger TOU customers in order to progress these matters. In our opinion it is therefore more important to have an ongoing review of this issue than to continuing the argument about if there should be a cap or what that cap should be.</p> <p>EDNZ notes that exemptions can be provided to TOU customers who can demonstrate that their TOU metering is accurate to an acceptable level. EDNZ will as responsible retailer be investigating this exemption option as soon as possible. This exemption does however raise the question that if TOU metering in general was proven to provide a degree of accuracy that would allow an exemption, then what is the impact on the proposed methodology?</p>
<p>Q5: Do submitters have any comments on the proposed transitional arrangements?</p>	<p>No comment.</p>

Questions	Comments
<p>Q6: Are the proposed exemption provisions appropriate? Do submitters envisage that, if the proposal is implemented, they would seek an exemption? If so, please provide details.</p>	<p>EDNZ has argued in the past that given that there are large differences in the nature of customers at some gates that different methodologies are required to accommodate these differences. We therefore have no concerns with regards to the application of an exemption where the gate is dominated by one or two TOU customers.</p> <p>See also our response to Question 4</p>
<p>Q7: Do submitters have any comments on the cost-benefit analysis, including any comment on NZIER's report attached as Appendix 5?</p>	<p>No reviewed in detail, but EDNZ does have a fairly sceptical opinion about the NZIER type of analysis which apply "average" industry costs that never appear to bear any relationship to our real costs.</p>
<p>Q8: Do submitters agree with the funding options for the proposal? If not, please state your reasons.</p>	<p>Whilst network operators will benefit from a more accurate allocation process any increase in their operating costs are ultimately passed onto the retailers. Therefore yes we agree with the funding option proposed by the GIC.</p>
<p>Q9: Do submitters agree with the allocation of costs for the proposal? If not, please state your reasons.</p>	<p>EDNZ still considers that the most equitable allocation of costs would be by ICP numbers. Our view is that the biggest problems and work loads associated with the month end allocation is with the mass market. We still hold this view even though we anticipate that the GIC proposal will be to our financial advantage.</p>
<p>Q10: Do submitters have any comments on the proposed rules attached at Appendix 6? If appropriate, please provide a marked-up copy of the rules (a Word version is available on Gas Industry Co's website for this purpose).</p>	<p>Not reviewed</p>

Questions	Comments
<p>Q11: Do submitters have any comments on the proposed compliance arrangements? If appropriate, please provide a marked-up copy of the regulations (a Word version is available on Gas Industry Co's website for this purpose).</p>	<p>Not reviewed</p>
<p>Supplementary Comment</p>	<p>EDNZ has stated in previous submissions that we believe that there could be some significant improvements in the overall accuracy of the allocation process if the threshold for TOU metering was reduced. We have no firm view on what that lower threshold should be as we do not have access to the data to make that decision. We do believe that this is a lost opportunity within this proposal.</p>