

G005

8 October 2007

Team Secretary
Gas Industry Co
Level 9
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Wellington

Attention: Jay Jeffries

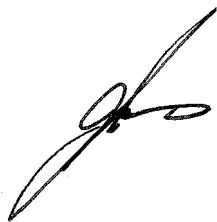
Dear Jay

Statement of Proposal - Allocation & Reconciliation of Downstream Gas Quantities

I thank you for the opportunity to make a submission on the above document and attach GasNet's comments in the format requested.

Should you wish to discuss this further please do not hesitate to contact me either by phone at (06) 349 0131 or by email at geoff.evans@gasnet.co.nz.

Yours sincerely



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GasNet Submission on Gas Industry Company Statement of Proposal for Allocation and Reconciliation of Downstream Gas Quantities

Submission prepared by: Geoff Evans, Manager, GasNet

Questions	Comments
Q1: Do submitters have any general comments on the proposal or the process adopted by Gas Industry Co?	No
Q2: Do submitters have any comments on the analysis and findings in the Energy Acumen report?	GasNet has not reviewed this document so does not have a view on this question.
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>No GasNet disagrees and believes that for consistency all processes need to follow the same methodology. GasNet considers NZS5259 to be a good reference point but is not a definitive solution as it does not adequately cover all elements in conversion of a metered quantity to energy.</p> <p>As an example and with regard to Calorific Value (CV), NZS5259 does not specify anything more than the accuracy of measurement of CV and makes no mention of how the daily CV readings (measured at the transmission system injection point) are to be applied for the calculation at a consumer remote from the injection point over the billing period. CV data is provided to retailers as measured on a daily basis, but how this is used to establish the applicable CV for a period is not specified. A simple statement in an industry methodology would eliminate the uncertainty of billing components such as these.</p> <p>Whilst the CV example may not contribute significantly to UFG, there may be other elements which are not covered adequately within NZS5259, or which are open to interpretation and treated differently between the parties. As is</p>

	<p>often the case even something which can be clear to one can be viewed differently by another.</p> <p>Based on the apparent confidence in NZS5259 evident from the statement of proposal, it should not take much more effort, using NZS5259 as the reference document, to provide a supplementary document which is developed as the industry methodology. This document could additionally provide guidance (or compliance) on acceptable methodologies for forward estimation.</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>From a purely metrological perspective and as a meter owner/operator, GasNet has a fundamental concern around the suggestion that there should be no difference between UFG allocated to TOU and non-TOU. Whilst it is acknowledged that the quantities associated with TOU are obviously greater in quantum, that does not necessarily mean that they are equal to non-TOU in percentage terms.</p> <p>There are misleading statements in the Maunsell report which could lead the reader to believe that TOU devices are no more accurate than non-TOU, when this is clearly not the case. A clear example of this is Clause 6.11 which, in reference to the Maunsell report, states that a TOU customer with an incorrect pressure could result in a significant impact on UFG. This is totally incorrect as the TOU is there to allow for pressure and temperature variations, but by making reference to the Maunsell statement the GIC and the Statement of Proposal give it credibility. This is such a fundamental error and having made reference to it at the meeting on 9 August 2007 and for it to remain both in the Maunsell report and the Statement of Proposal undermines the credibility of both documents.</p> <p>GasNet is somewhat surprised at the limited analysis on this matter and whilst retailers may have not provided evidence to substantiate their arguments (ref Clause 6.32 third bullet point) this does not mean that there is not a good case for considering TOU to be vastly better in accuracy (in</p>

	<p>percentage terms).</p> <p>GasNet acknowledges that the cap on allocation groups 1 & 2 will result in different UFG allocations for UFG to TOU and non-TOU, this is only to provide certainty to the TOU consumers and that fundamentally there is still the belief that both should be the same, a belief that GasNet considers needs to change.</p>
<p>Q5: Do submitters have any comments on the proposed transitional arrangements?</p>	<p>GasNet does not have a view on this.</p>
<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>The exemption provisions would seem sensible and reasonable, but GasNet questions the reality of such a provision, how it would operate, who would make the decision to make an exemption, and whether an exemption would be given where a case has a high degree of confidence but where the consequence of such an exemption results in unacceptably high UFG allocation to the residual consumers.</p> <p>Without the detailed requirements and process to support the exemption provisions then it is not possible to comment on its practicality or suitability.</p> <p>The impression is that exemption would be an avenue to be taken, but only as an exception and a path which is not necessarily an easy one or one which does not necessarily have any degree of certainty. A party would presumably only seek an exemption as the allocation for a specific consumer is higher than they consider it should be, so the result of an approved exemption would be detrimental to the residual consumers, putting even greater pressure on exemptions being approved by exception.</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>GasNet has not reviewed this document so does not have a view on this question.</p>

Clause 8.13 - Supplementary comment	States that meter owners will comply with NZS5259:2004. Gas Regulations 1993 state NZS5259:1997 not 2004.
Clause 8.15 - Supplementary comment	Following the earlier comment on UFG allocation to TOU and non-TOU, what incentive is there in reducing the threshold for TOU? The reality is that TOU devices and the measured quantities are more accurate, but equal UFG allocation to TOU and non-TOU sends the wrong message and removes any incentive to improve metering quantities by installing more TOU devices, ie by reducing the TOU threshold. A retailer would be better to maintain 5-10TJ consumers as non-TOU and physically read their meters monthly for accurate month end data than install a TOU device, at greater cost, for no UFG benefit over non-TOU. If a retailer would benefit from daily data from a TOU for managing its gas contracts and upstream commitments then it would install a TOU device whether required to or not.
Clause 8.18 - Supplementary comment	GasNet considers the maximum interval of 12 months for meter readings too long and should be no greater than 6 months. When reading a meter the retailer not only gathers data but also performs safety and billing checks such as evidence of tampering, theft and damage.
Q8: Do submitters agree with the funding options for the proposal? If not, please state your reasons.	GasNet considers it inappropriate to comment on the funding arrangements as this is a matter for its customers, the retailers, to offer their view.
Q9: Do submitters agree with the allocation of costs for the proposal? If not, please state your reasons.	As per Q8 above.
Q10: Do submitters have any comments on the proposed rules attached at Appendix 6? If appropriate, please provide a marked-up copy of the	GasNet has not reviewed the rules so does not have any comments.

rules (a Word version is available on Gas Industry Co's website for this purpose).	
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).	GasNet has not reviewed the proposed compliance arrangements so does not have any comments.