



02 July 2008

Jay Jefferies
Gas Industry Company Limited
PO Box 10-646
WELLINGTON

email: submissions@gasindustry.co.nz

Dear Jay

RE: Proposed Determinations and Notifications under Gas (Downstream Reconciliation) Rules 2008 and other implementation matters

Genesis Power Limited, trading as Genesis Energy, welcomes the opportunity to submit on the Gas Industry Company's consultation paper 'Proposed determination and other matters under the Gas (Downstream Reconciliation) Rules 2008; Other issues presented for consultation' dated June 2008.

Genesis Energy's responses to the consultation questions are attached as an appendix.

If you would like to discuss any of these matters further, please contact me on 09 580 4865.

Yours sincerely

Sarah McHardy
Reconciliation Project Manager
Genesis Energy

Ground Floor
The Genesis Energy Building
602 Great South Road
PO Box 17-188
Greenlane
Auckland 1546
New Zealand

Genesis Power Limited
trading as Genesis Energy

Telephone: 09 580 2094

Fax: 09 580 4894
Main Number, Corporate
Services, Finance, IS and Legal

Fax: 09 580 4884
Trading, Fuel Development,
Generation Development and
Corporate Affairs

Fax: 09 580 4899
Human Resources

Fax: 09 580 4869
Retail

Fax: 09 580 4813
GM Retail

Appendix One: Responses to Specific Consultation Questions

Question	Comment
<i>Q15: Do submitters agree with the +/- 15% percentage of error that Gas Industry Co proposes to determine under rule 37.3? If not, please explain why and please propose a different percentage of error with supporting information and reasons.</i>	Genesis Energy agrees that the margin of error should be set at $\pm 15\%$ for the initial year of the Gas Reconciliation Rules. We currently complete monthly reviews of our forward estimate process. Through experience with other reconciliation processes we have found that we are only able to fine tune the forward estimate process once the global reconciliation process has been running.
<i>Q16: Do submitters have any general comments to note on the choice of a percentage of error between +/- 10% and +/- 20%?</i>	<p>We believe 15% is right for year one. Genesis Energy request that this percentage be reviewed by the GIC on an annual basis with the aim of reducing this percentage margin over the next few years.</p> <p>There needs to be an incentive for retailers to continually attempt to shape their retail consumption, rather than merely predict consumption between 60 day read cycles.</p>
<i>Q17: Do submitters have any comments or information in relation to the matters that Gas Industry Co must have regard to when determining an appropriate percentage of error?</i>	<p>Due to the methodology for pipeline balancing, there are financial impacts on Retailers as a result of the accuracy of the initial allocation. Balancing costs are calculated on the initial monthly allocation. This is an additional incentive to get the initial allocation as accurate as possible.</p> <p>The GIC will need to be cognisant of the additional costs of technology Retailers will need to invest in to be able to more accurately trend forward estimates. Gas is difficult to forward predict due to the volatile nature of gas consumption as a result of weather and other conditions.</p>

Question	Comment
<p><i>Q18: Do submitters have any comments on the proposed grouping of gas gates for the purposes of the Reconciliation Rules? Are there any other gas gates that need to be considered as a group for the purposes of the Reconciliation Rules?</i></p>	<p>The following gates should be added to the Notional Delivery Point schedule:</p> <p>Greater Kihikihi (Te Awamutu), GTK19101, Comprises Kihikihi (19101) & Te Awamutu North (9931004)</p> <p>Greater Waitangirua, GTW06910, Comprises Waitangirua (WTG06910) & Pauatahanui No 1. (PAH23201)</p> <p>We are requesting that these gates be made notional delivery points as the 2 downstream gates are delivered on the same network and are back fed from the other gates.</p> <p>The GIC have determined that these grouped gates (Notional Delivery points) will not form gas gates for the purposes of the Gas (Switching Arrangements) Rules 2008 but will be recognised as gas gates for the purposes of the Reconciliation Rules. We request to submit our consumption volumes for reconciliation on the gas gates at the Gas switching level and the amalgamation to be completed by the Allocation Agent before completing reconciliation. Our customers will be recorded in our internal systems at the specific gas gate and this will be reconciled to the Gas Registry regularly. Therefore it would be more efficient for the industry if this grouping to Notional Delivery points is completed by the Allocation Agent.</p>

Question	Comment																		
<i>Q19: Gas Industry Co notes that the application of the Reconciliation Rules is not limited to shared gas gates. Are the any gas gates that should be validly exempt from the rules? If so, why?</i>	<p>Currently Genesis Energy retails gas on nine gas gates that are not allocated. On a number of these gates Genesis Energy is the sole retailer. The gates and reasons why these are not allocated or are treated differently are;</p> <p>1. Kiwitahi 1 Te Awamutu Co-Gen</p> <p>These gates were established to supply a large industrial site. The industrial site is the only consumer on the respective gates and there is no other ICP's fed from these gates. These gates do not need to be allocated. Allocation adds no value. These gates should be exempt from the rules.</p> <p>2. Kiwitahi 2</p> <p>This gate is managed differently than the standard allocation process of a gas gate. This gate has a gate meter on it and all customers fed from the gate are Genesis Energy customers. Genesis Energy is allocated the gate total rather than any reconciliation being completed. Due to the introduction of the Registry in 2009 and the ability for these customers to switch these gates should be included in the Reconciliation process.</p> <p>Genesis Energy wants to change the current process for this gate and have this gate reconciled in the manner set in the rules.</p> <p>3. These are gates which feed more than one ICP but there is no accurate gate metering.</p> <table><tr><td>KUK22401</td><td>Kuku</td><td>NGCN</td></tr><tr><td>MTP20601</td><td>Matapu</td><td>POCO</td></tr><tr><td>PAP06603</td><td>Papakura 3</td><td>NGCN</td></tr><tr><td>PGH15901</td><td>Pungarehu 2</td><td>POCO</td></tr><tr><td>THO022701</td><td>Te Horo</td><td>NGCN</td></tr><tr><td>WEL18301</td><td>Wellsford</td><td>NGCN</td></tr></table> <p>Due to there being no gate meter volumes Genesis Energy is allocated the consumption that we supply to the allocation agent based on our Retail consumption records. There is only a small amount of load on these gates and it considered inefficient to have a gate meter installed. We would request that these gates continue to be reconciled in this manner as it is inefficient to put meters on the gates.</p>	KUK22401	Kuku	NGCN	MTP20601	Matapu	POCO	PAP06603	Papakura 3	NGCN	PGH15901	Pungarehu 2	POCO	THO022701	Te Horo	NGCN	WEL18301	Wellsford	NGCN
KUK22401	Kuku	NGCN																	
MTP20601	Matapu	POCO																	
PAP06603	Papakura 3	NGCN																	
PGH15901	Pungarehu 2	POCO																	
THO022701	Te Horo	NGCN																	
WEL18301	Wellsford	NGCN																	

Question	Comment
<i>Q20: Transmission owners are asked to provide their views on the discussion regarding the implementation of rules 41 and 42 and respond to the question asked above of them.</i>	N/A
<i>Q21: Do submitters have any views of Gas Industry Co's proposed timing for the provision of estimated day-end volume injection quantities each day (ie 10am and 4pm) or any other comments on the proposed implementation of rules 41 and 42?</i>	No.
<i>Q22: Do submitters have any comments on the proposed ability for the allocation agent to be able to supply special reports and information to allocation participants? Or comments on Gas Industry Co's proposal to provide for this in the allocation agent service provider agreement?</i>	<p>As previously submitted on Genesis Energy does not agree with the GIC proposal for distributors to receive GIEP 24, GIEP27, GIEP30 and GIEP 31. Please refer to our submission dated 27 June 2008.</p> <p>Genesis Energy is in favour of the Allocation Agent being able to supply custom reports on the basis of user pays but these requests for reports must be approved by the parties that own the data. There needs to be an authorisation process when there is a request for a report or information exchange. This information is owned by the Retailers and the GIC and is commercially sensitive to our businesses. The Retailers and GIC need to authorise the delivery of Reconciliation information to other parties.</p>
<i>Q23: Do submitters have any comments on the provision of allocation information by the allocation agent to OATIS, including any comments on the dummy files attached as Appendix D?</i>	No
<i>Q24: Do submitters have any comments on the proposed process by which the allocation agent should be advised by retails of changes to Vector's supplementary contract codes?</i>	We agree with the process proposed to advise the allocation agent of the Vector contract codes.

Question	Comment
<i>Q25: Do submitters have any comments on the proposed notification form and process?</i>	We agree with the development of standardised forms to notify the allocation agent of changes. Due to the variety of notifications on different information it would make it more user friendly to have different templates for different notifications.
<i>Q26: Do submitters have any comments on the definition of "gas measurement system" in the context of the definition of "gas gate"?</i>	We do not have any issue with the definitions.
<p><i>Q27: To assist Gas Industry Co's analysis, Gas Industry Co request industry participants provide information relevant to the following:</i></p> <ul style="list-style-type: none"> <i>An estimate of the number of third party gas measurement system connections;</i> <i>An estimate of the number (if any) of instances where a third party owns the meter, but not the whole gas measurement system; and</i> <i>Any other information from participants where they have previously considered the issues of gas measurement systems or meter ownership in the context of the Gas Act definition of "distribution system".</i> 	<p>In answer to the first two bullet points -</p> <ul style="list-style-type: none"> An estimate of the number of third party GMS connections – Genesis Energy has 27,500 meters are on gas networks that are not owned by the gas network/distribution company The most likely ICPs that have a third party meter owner who does not own the whole GMS are for the TOU sites. One known one is Wellington Airport which has both CTCT and NGCM metering on the POCO network, but there are about 30 other ICPs that we are paying more than one meter owner for in May 2008. This could be a cross over with meter changes for some.

Question	Comment
<p><i>Q28: Do submitters have any comments on any of the other implementation matters detailed in Part 5 of the paper?</i></p>	<p>Rule 19, 20 and 81 Application and approval of exemptions. There is no defined process of how this is going to work. There will be a need for some exemptions to be approved by 1 October 2008. We therefore need to have this process drafted, consulted on and finalised in the next month.</p> <p>Rule 78 Provision of information during transitional period – This was quite time consuming and provided a number of issues in the electricity project. This may not be an issue if the current allocation agent remains. If the GIC appoint a new Allocation Agent then it would be much more efficient and accurate to use the clause in our current Allocation contract for the current Allocation Agent to provide this information.</p> <p>Under the Allocation Agreement dated 1 September 2004 para 12, “If, on termination of this Agreement a new Allocation Agent is to be appointed in respect of some or all of the Receipt Points listed in Schedule 2, the Allocation Agent must (as an obligation which survives termination of this Agreement) provide the new Allocation Agent with a full set of all files and data relating to the relevant receipt Points which are held by or under the control of the Allocation Agent.”</p>
<p><i>Q29: Do submitters have any comments on the migration from current industry arrangements to the allocation arrangements provided under the Reconciliation Rules?</i></p>	<p>Transitional Arrangements – We would like to propose that industry participants delegate the authority to the GIC to negotiate a transitional arrangement for the completion of the allocation of the 2007/2008 gas year using Tom Tetenburg and Associates. This transitional arrangement will have a finite term to enable wash-ups and annual as billed review to be completed.</p> <p>This would mean that participants may be dealing with 2 parties for the first few months of transition but we believe that this approach is preferable based on the current process.</p> <p>Under the current Allocation Agreement dated 1 September 2004 para 13, “Notwithstanding the termination of this Agreement, or a person no longer being a party to the Agreement, anyone who was a party to it is to have (as an obligation which survives terminations) a continuing liability for any corrections which relate to any period prior to termination of the Agreement or when that party was bound by the full provisions of this Agreement.”</p>