



11 Chews Lane
PO Box 10568
The Terrace
Wellington 6143
New Zealand

Genesis Power Limited
trading as Genesis Energy

Fax: 04 495 6363

30 August 2012

John Bright
Gas Industry Company
95 Customhouse Quay
WELLINGTON

Submitted via: GIC website

Dear John

Support proposed changes to downstream reconciliation rules

Genesis Power Limited, trading as Genesis Energy, welcomes the opportunity to provide a submission to the Gas Industry Company ("the GIC") on the consultation paper "Statement of Proposal: Downstream Reconciliation Rules Review" dated 26 July 2012.

We appreciate the opportunity to be involved in the Downstream Reconciliation Advisory Group (DRAG) that assisted the GIC with this review of the Gas (Downstream Reconciliation) Rules 2008 ("the Rules"). We endorse the use of advisory groups and consider that this approach has enabled the GIC to efficiently progress a number of effective rule changes.

We support the GIC's decision to split the issues from the previous Options paper¹ into two separate proposals. This will enable further analysis to be undertaken on options for changing the initial allocation, while ensuring the less complex rule changes outlined in this consultation paper can be implemented by 1 June 2013.

We consider that the consultation paper proposes a number of beneficial rule changes that will improve the downstream reconciliation process.

¹ *Downstream Reconciliation – Options*, Gas Industry Company, 16 December 2011.

Our responses to the consultation questions are provided in Appendix A.

If you would like to discuss any of these matters further, please contact Andrew Maseyk, Reconciliation Manager, on 07 857 1607 or me on 04 495 6354.

Yours sincerely

A handwritten signature in black ink, appearing to read 'KJ Collins', with a stylized flourish at the end.

Karen Collins
Senior Regulatory Advisor

Appendix A: Responses to Consultation Questions

QUESTION	COMMENT
<p>1 Do you agree that commercial arrangements provide sufficient obligations on meter owners for the purpose of the Rules? With regard to the suggestion by the DRAG, do you consider there is an identifiable market failure that merits Gas Industry Co developing a work stream on the creation of guidelines and/or principles for metering contracts?</p>	<p>Yes.</p> <p>We consider that commercial agreements, combined with other obligations such as the gas measurement standards (NZS5259:2004), should provide sufficient control for meter owners.</p> <p>We do not consider that there is a significant market failure that warrants GIC intervention at this stage.</p>
<p>2 Given that the review will cover all of the long-standing exemptions do you agree that the exemptions process should be retained?</p>	<p>Yes.</p> <p>The removal of the long-standing exemptions will ensure that the exemption process in the Rules can now operate as intended.</p>
<p>3 Do you agree with the proposal to codify a rule for direct connect gas gates? Do you agree with the creation of a new rule enabling Gas Industry Co and the allocation agent to access direct connect injection data as requested?</p>	<p>Yes.</p>
<p>4 Do you agree with the proposed rule for G1M gas gates? Do you agree with establishing the deterministic criteria for G1M gas gates in an industry determination?</p>	<p>Yes.</p>

QUESTION	COMMENT
<p>5 Do you agree with the proposed rule change for unmetered and oversized metered gas gates?</p>	<p>Yes.</p> <p>While the ideal solution would see all gas gates appropriately metered, we consider that the proposed rule change is a pragmatic solution. We agree that there would be significant costs associated with installing the required meters, and therefore metering all gas gates would be an inefficient investment, with an unacceptable payback period.</p>
<p>6 Do you have any comments on Gas Industry Co's recommendation not to change the method of apportioning the ongoing fees?</p>	<p>Genesis Energy supports the GIC's decision that there be no change to the way on-going allocation fees are apportioned.</p> <p>If this issue is raised again in the future, we recommend that the GIC undertake a full review to consider how all on-going market fees are apportioned to market participants.</p>
<p>7 Do you agree with the proposed rule enabling the correction, where necessary, of an AUFG factor if it is found to be incorrect?</p>	<p>Yes.</p>
<p>8 Do you agree with the proposal for dealing with estimated daily energy quantities?</p>	<p>Yes.</p> <p>These are pragmatic solutions to "technical" breaches, where the administration costs of processing a breach is actually more than the effect of the breach itself.</p> <p>We support the GIC's proposed solutions as they are now more in line with the practices followed in the electricity sector.</p>
<p>9 Do you agree with the proposal to amend the rules relating to trading notifications?</p>	<p>Yes.</p> <p>See comments for question eight.</p>

QUESTION	COMMENT
<p>10 Do you agree that a rule should be created enabling performance audits to cover the accuracy of data population in the registry? Do you think that audits should be limited to certain fields relevant to reconciliation or would you prefer broader audit arrangements contained within the Switching Rules?</p>	<p>We support a rule being created to enable performance audits to cover registry data.</p> <p>We prefer the broader proposed rule change under the Switching Rules to capture all registry population obligations. This approach will have more extensive coverage, therefore avoiding confusion around what fields are covered.</p>
<p>11 Do you agree that rule 75 should be amended to allow the auditor more discretion in determining who should be responsible for paying the costs of an event audit?</p>	<p>Yes.</p> <p>Currently costs are assigned only to the largest causer, not proportionally to all causers. The amendment to rule 75 allows for a fairer allocation of costs for an event audit.</p>
<p>12 Do you agree that a rule should be created to require audits of major system changes? If so, do you agree that a post go-live audit should also be required? Do you think the definition of “major” should be specified in the Rules or in an industry guideline?</p>	<p>We support a rule to require audits of major system changes.</p> <p>However, we recommend that any requirement for a post go-live audit should be tempered with the time to the next scheduled performance audit. For example, if the next schedule performance audit is in the next six to nine months, then there is no need to do both audits.</p> <p><u>Definition of “major”</u></p> <p>Genesis Energy does not support including a definition of “major” in the Rules. We consider that the standard Oxford English dictionary definition of the word (“important, serious, or significant”) is sufficiently clear.</p>

QUESTION	COMMENT
	<p>If “major” is further defined in the Rules, there is a risk that this definition may not capture unforeseeable circumstances that under the standard definition would be considered a major system change.</p> <p>Including examples of what are currently considered “major” system changes may be helpful (for example reconciliation engine changes, data collection changes). However, we do not consider that this proposal justifies a guideline of its own.</p>
<p>13 Do you agree that rule 42 is redundant and should be deleted from the Rules? Will your organisation be adversely affected by its removal? Should the obligations in rule 28.4 be extended to transmission system owners?</p>	<p>Yes.</p> <p>Genesis Energy will not be adversely affected by the removal of this rule as we are currently acquiring this data via the Open Access Transmission Information System (OATIS).</p>
<p>14 Do you support the proposal to allow allocation participants access to the GAR170 report? If not, would you support disclosure of submission information consistent with the SupSub report?</p>	<p>Yes.</p>
<p>15 Do you agree with the minor and technical amendments proposed in this section? Do you agree that the proposals meet the criteria in section 43N(3) of the Gas Act?</p>	<p>Yes.</p>
<p>16 Do you have any comments on the transitional issues discussed in this section?</p>	<p>We query whether some of the rule changes that have no technical system impacts could be enacted earlier than the proposed go-live date.</p>