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Submissions
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RE: Downstream Reconciliation Options Paper

Introduction

1. Mighty River Power (MRP) appreciates the opportunity to submit on the Gas Industry Company (GIC) Consultation Paper: Downstream Reconciliation Options Paper, issued on 16 December 2011. No part of the submission is confidential and MRP is happy for it to be publicly released. Our detailed responses to the questions can be found below in Appendix A.

Comments

2. Mighty River Power's preferred option for resolving the problems associated with the monthly allocation of Unaccounted for Gas is a combination of Option 1- Alternative 1 and the introduction of a Daily Allocation arrangement.
3. We agree that Alternative 1 requires the allocation of all time of use customers prior to the submission of Allocation Groups 3-6 estimated quantities. We recognise that the timing as proposed in Alternative 1 would probably make it impossible for Vector Transmission to issue their transmission invoices on the 10th of the month and to issue the Balancing and Peaking Pool (BPP) positions on the 15th of the month.
4. In Mighty River Power's opinion the above problems could be resolved by the introduction of a Daily Allocation process with all time of use customers required to be in Allocation Group 1 i.e. with telemetry. Mighty River Power is firmly of the opinion that for any Daily Allocation process to be accurate to an acceptable level that all time of use consumption must first be accounted for prior to allocating daily gas use over Allocation Groups 3-6.

5. There are two advantages to moving all time of use customers into Allocation Group 1 and applying a Daily Allocation process. Firstly it resolves the timing problem of Option 1 Alternative 1 with regards to the issuing of transmission and BPP positions and invoices. Secondly and very importantly a Daily Allocation process provides an operational tool to improve shippers' management of their mismatch positions and reduce overall balancing gas transactions, something we have long argued for.

If the GIC implemented the above proposals then the timelines for Option 1 Alternative 1 would be as follows:-

Business Day 1	Retailers submit all TOU information, (in fact the Allocation Agent would only require the previous days information as the rest of the month's information will already have been processed).
Business Day 2	Allocation Agent publishes SADV
Business Day 4	Retailers submit non-TOU data
Business Day 5	Allocation Agent publishes the initial allocation

6. The timeline for the issuing of the initial allocation would therefore remain as per the current Gas (Downstream Reconciliation) Rules and be issued on Business Day 5
7. Regardless of whether the above suggestions are adopted by the GIC, Mighty River Power would advocate for the introduction of some form of Daily Allocation process to provide shippers with an effective tool to manage their mismatch positions on the various pipelines. Whilst we clearly favour all time of use meters having telemetry we would accept the GIC's current proposal with Allocation Group 2 customers' consumption being estimated daily as a good starting point in the development of a Daily Allocation arrangement.
8. Given the desire by Maui Development Limited, expressed in two Maui Pipeline Operating Code change requests, to introduce back to back balancing on the Maui pipeline a Daily Allocation process will become an essential operational tool for shippers with mass market customers to assist them in minimising overall balancing gas transactions.

Concluding remarks

9. If you would like to discuss any of our comments directly with MRP please do not hesitate to contact me on 06 348 7926 or Jim.Raybould@mightyriver.co.nz or alternatively contact Ranjesh Kumar, Pricing Operations Manager on 09 580 3661.

Yours sincerely

A handwritten signature in black ink that reads "Jim Raybould". The signature is written in a cursive style with a long horizontal line above the "Jim" and a large, stylized "y" at the end of "Raybould".

Jim Raybould

Gas Manager

APPENDIX A: RECOMMENDED FORMAT FOR SUBMISSIONS

Submission prepared by :{ Mighty River Power - Roight Thomas}

QUESTION	COMMENT
Q1: Do participants agree that the option of making the SADSV available in advance of AG 4 and 6 initial consumption submissions is worth pursuing?	Yes – MRP supports that there is value to be added to the accuracy of submissions where the SADSV for the reconciliation month is available for forward estimating NTOU submissions.
Q2: Gas Industry Co seeks feedback on the feasibility of staggering the submission of TOU and non-TOU data for the initial allocation and delaying publication of the results of the initial allocation. We also seek an indication of whether retailers would be able to accommodate the 24-hour period for processing and submitting non-TOU data once they received the SADSV.	MRP finds it is feasible to stagger the submission times for NTOU and TOU data however has concern that delaying the allocation will increase balancing costs as retailers will need to wait longer before being able to realign their BPP positions with Vector. For that reason MRP will support the movement to option B where the allocation is only delayed by 1 day. The 24 hour period for processing once the SADSV is received into NTOU submissions is tight and therefore where unforeseen system errors may occur from time to time, retailers should be given the opportunity to estimate with reasonable accuracy without the use of the SADSV.
Q3: Do you agree that preferentially allocating UFG to causers is worth investigating as a possible alternative to the global allocation method for the initial allocation? If not, please provide reasons.	MRP does not agree that this would be a feasible option. In order to accurately distribute UFG to causers fairly, the distribution would need to be allocated based on actual readings. Where estimated readings are used, the causers are only identified by each retailer’s “best” estimates.
Q4: What is your view of using the difference between a retailer’s initial and interim submissions as the measure of accuracy?	No Comment
Q5: If a rolling average were to be used as the basis for measuring accuracy, how many months would you suggest the average be taken over?	No Comment
Q6: One suggestion is to define “causers” as the bottom x% of retailers when ranked by submission accuracy. What value would you suggest for “x”?	No Comment
Q7: Do you agree that it is worth investigating the feasibility and cost of implementing Daily Allocations (D+1) at a pipeline level? Please provide reasons for your answer.	Yes – MRP agrees that the GIC should investigate the feasibility of a D+1 allocation option. D+1 would provide shippers with an essential operational tool to effectively and efficiently manage their mismatch positions. A D+1 would also address the problems associated with Rule 37.2 breaches.

QUESTION	COMMENT
Q8: If D+1 were to be implemented for BPP charges, would it be a concern for your organisation if transmission charges continued to be based on the existing initial allocation methodology?	No
Q9: Do you agree it is worth investigating changing the initial allocation algorithm? Does your organisation have any suggested algorithm(s)?	Yes, as per cover letter
Q10: Do you agree that the purpose of the Reconciliation Rules would not be better served by having retailers who trade at direct connect gas gates subject to the global allocation methodology? If not, please provide your reasoning.	No for the same reasons that this suggestion has been previously rejected
Q11: If you agree with Q9, do you also agree that the Reconciliation Rules should be amended as described above so as to obviate the need for exemptions in respect of direct connect gas gates?	No Comment
Q12: Do you agree that the global methodology fails to produce acceptable results as gates that have a very high proportion of TOU load?	Yes but this in turn raises a question of the validity of the application of an Annual UFG factor to Allocation Group 1 and 2 customers
Q13: Do you agree with the proposal to incorporate within the Reconciliation Rules provision for a framework for application of the global 1-month methodology at gas gates that meet specific criteria? If not, please provide your reasons and your suggested alternative approach to addressing the shortcomings of the global methodology in such circumstances.	Yes
Q14: Do you consider that all gas gates should have gas measurement systems installed? If not, please provide reasons. If you consider that there should be a threshold below which gas gate meters are not necessary, please describe both the threshold and the basis of measurement (e.g. monthly (average or peak) or annual volumes).	Yes – MRP agrees that all gas gates should be metered.
Q15: Do you agree that, for the purposes of this review, gas gates with oversized meters should be treated in the same way as gas gates that do not have meters installed? If not, please provide reasons.	Yes it is important that gas gate meters should be appropriately sized for the load flowing through it so that meter readings are as accurate as possible.

QUESTION	COMMENT
Q16: Do you think Gas Industry Co should consider making an explicit rule to enable correction of AUFG factors or should the exemption process be relied upon?	The AUFG should be reviewed and corrected where material errors are found.
Q17: Do you agree that the way in which ongoing costs are apportioned among retailers should be changed to 50:50 mix of volume and ICP numbers? If not, please provide your preferred apportionment method with supporting reasons.	The issue around how costs are apportioned seems to be an ongoing discussion where there is no favoured method by a majority of retailers. Would implementing the 50:50 mix create equity, simplicity and economic efficiency which were factors previously discussed? In addition if the cost allocation methodology was changed for the Reconciliation Rules this may result in a requirement for reassessment of the cost allocation for the Registry and Retail Levy
Q18: Do you agree that AG1 and AG2 data should only be treated preferentially when actual TOU data are being supplied? Which option do you prefer for addressing missing TOU data?	Preference goes to option 2 & 3 combined. That is the UFG factor should be applied if any estimations that are done including if the floor estimate method is implemented. Exemptions for unforeseen circumstances to the floor for estimating would need to be in place in situations where zero or a reduced consumption is likely to have occurred. Instances such as the Christchurch Earthquake.
Q19: Do you agree that meter owners should have more obligations under the Rules? Do you agree that some of the obligations placed on retailers would be more appropriately placed on meter owners?	Yes.
Q20: If you have been or are regularly notified of a breach of Rule 39 by the Allocation Agent, is there a problem you can identify with the Rules or with the Registry that could be changed without compromising the intent of the downstream reconciliation process?	Registry should be utilised to determine active gas gates.
Q21: Do you agree that exemptions should only be permissible where there is a reasonable substitute available that achieves the intent and purpose of the Rules or in an "exceptional circumstance"? What sort of situations do you believe would warrant an "exceptional circumstance"?	Mighty River Power believes that the existing exemptions provisions should be retained and that a regular review (every 2 years) of the exemptions should be undertaken to determine if the exemptions should be converted into the Rules
Q22: If Gas Industry Co removes the exemption provisions, are there specific circumstances or situations that you believe warrant consideration for specific rule amendments now so as to remove the requirement for a future exemption?	No Comment

QUESTION	COMMENT
Q23: Given the Rules are unlikely to be reviewed again in the near future, are there other issues you would like Gas Industry Co to consider before a Statement of Proposal is released for consultation? Please be specific with your suggestion(s) and where possible provide supporting evidence.	No Comment
Q24: Do you agree with the proposed timeframe for implementing any rule changes?	From the start date of the review to the Go – Live date of October 2013 seems very distant. Is this amount of time required? Agree that it would likely need 4 months for participants to comply. However does it require such a long time to develop the rule changes?
Q25: Do you consider that creating an advisory group similar to the GART is worthwhile for the purposes of developing rule changes as a result of this policy review?	Yes.