

Submission from: Nova Energy

Contact: Charles Teichert

Question	Comment
<p>Q1: <i>Do submitters support the determination of a ±10% percentage of error for consumption periods in the 2010/2011 gas year under rule 37.3? Please provide reasons for your preference and indicate your views in respect of each option.</i></p>	<p>Nova believes that there are alternative ways to express the threshold percentage that the proposed simple % percentage error for each gate.</p> <p>The problem with the application of a threshold at each individual gate is that there is limited means of automatic elimination of immaterial differences between initial and final estimates. The consultation paper suggests that fixed by applying a nominal threshold in addition to the percentage threshold through an exemption process.</p> <p>Nova believes that there is an alternative way to achieve the same or improve upon that outcome.</p> <p><b>Alternative Option</b></p> <p>It has been recognised that the main (but not the only) affect of inaccurate initial and interim consumption submissions is the misallocation of Balancing and Peaking Pool Charges under the Vector Transmission regime.</p> <p>Balancing and Peaking Pool charges are allocated on the basis of retailer mismatch positions on a pipeline basis. Each of the 3 main pipelines is in effect the aggregate of the gas gates connected to each those pipelines.</p> <p>Nova believes that there is the potential to determine a percentage threshold for each pipeline as a group of gas gates and this will fall within the provisions of Rule 37.</p> <p>Such a threshold will:</p> <ul style="list-style-type: none"><li>- Be more meaningful in terms of impact on parties affected by differences between initial/interim and final washups;</li><li>- Be more efficient to monitor and administrate as it will involve far fewer measurements (3</li></ul>

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	<p>pipelines + small gas gates) versus 50-60 individual gas gates for 9 retail entities</p> <ul style="list-style-type: none"> <li>- Allow positive and negative differences to be net off at a pipeline level and allow for the threshold percentage at a pipeline level to be reduced to a lower level than 10% so affected parties can claim loss;</li> <li>- Provide retailers with the opportunity to use customer diversity across multiple gates to improve their overall performance;</li> </ul> <p>To consider this option, it would be useful for the GIC to publish initial vs interim/final allocation submissions on a pipeline basis so the affects can be assessed of measuring compliance in this way as opposed to on a separate gate by gate basis;</p>
<p>Q2: <i>Do submitters consider the information available since go-live indicates that a change to the existing percentage of error is appropriate or not? Please provide reasons.</i></p>	<p>Please see above.</p> <p>Nova believes that the lessons from 2009 together with the instigation of audits mean that retailers have been attempting to improve performance and this appears to be bearing fruit in aggregate as evidence by the fewer number of pipeline balancing transactions in 2010.</p> <p>On this basis, tighter thresholds should be applied. We also believe that the current method of assessing compliance on a gate by gate basis is inefficient and that Rule 37 is broad enough to provide the opportunity for the GIC to set a percentage threshold across groups of gates (pipelines) without distorting incentives or outcomes.</p>
<p>Q3: <i>In respect of the proposal for the percentage of error, do submitters have any comments or information in relation to the following matters?</i></p> <ul style="list-style-type: none"> <li>•<i>The primary aim of ensuring consumption information provided for initial allocation is as accurate as possible when compared with consumption information provided for final allocation.</i></li> </ul>	<p>Nova supports the primary objective as it acts to prevent misallocation of costs on a temporary or permanent basis between competing retailers.</p>

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<ul style="list-style-type: none"> <li>•<i>The extent to which retailers are able to comply with the percentage of error for the accuracy of consumption information provided for initial allocation.</i></li> <li>•<i>Any expected costs that would be reasonably incurred by retailers to achieve compliance with the percentage of error for the accuracy of consumption information provided for initial allocation.</i></li> <li>•<i>Any other matters relevant to Gas Industry Co's determination.</i></li> </ul>	<p>Nova believes that retailers are better able to estimate consumer consumption at more aggregated levels due to the benefits of diversity of consumers consumption patterns than at an individual gas gate level and therefore to the extent that it is reasonable and does not result in distorted outcomes, assessment of initial vs final allocations submissions should be done by gas gate groups (pipeline).</p> <p>The GIC should also take into account ways of reducing costs of compliance measurement. The ongoing large numbers of breaches, many of which are viewed as immaterial is not sustainable.</p>
<p>Q4: <i>Do submitters support an exemption for all percentage of error breaches that are less than 200GJ outside compliance with rule 37.2? Please provide reasons</i></p>	<p>Nova supports this concept if the Nova alternative option is not developed further this year.</p> <p>We think that the exemption should also have a limit where gas gates errors &lt;200GJ are allowable so long as aggregate gas gate breaches &lt;200GJ are no greater than a total threshold level eg 1,000GJ's.</p>