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Bas Walker
Gas Industry Company Limited
PO Box 10 646
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15 April 2009

Dear Bas,

Report on exemptions of rules 41 and 42 of the Gas (Downstream Reconciliation) Rules 2008

On Gas Limited (On Gas) welcomes the opportunity to submit its view on the Report on exemptions of rules 41 and 42 of the Gas (Downstream Reconciliation) Rules 2008 Consultation Paper. Please see the attached Appendix A for our response to specific questions.

Thank you for considering this submission. If you have any queries, or require further information, please feel free to contact me at a.carrick@vector.co.nz or 04 803 9044.

Kind regards

A handwritten signature in blue ink, appearing to read "Anna Carrick", is enclosed in a light blue rectangular box.

Anna Carrick

Manager Gas Portfolio

Appendix A Recommended format for submissions

It would be appreciated if submitters could provide information in the format suggested below. However, information may be provided in other forms if that is preferred.

Submitter name and contact: On Gas Limited, Anna Carrick

In regard to the rule 41:

Question	Comment
<i>Q1: Do you agree or disagree with a continued relaxation of the 0800 hours deadline for the provision of information under rule 41? Please give reasons</i>	OnGas agrees with the continued relaxing of the 0800hrs deadline. Like Vector Transmission, OnGas processes a large number of TOU files and can appreciate that the extra four hours does give an opportunity to obtain actual metered data for the last remaining downloads that may have caused an issue for that month. Additionally, from OnGas's perspective, the benefits that might be gained by allowing the exemption to lapse do not outweigh the issues involved with a reduction in allocation accuracy. Such issues include: incorrect delivery data being allocated to OnGas, resources spent advising of significant consumption changes and additional allocations that may need to be performed.
<i>Q2: If there is continued relaxation of the deadline via exemption, do you favour retaining the 1200 hours deadline or tightening the deadline to either 1000 or 1030 hours? Please give reasons.</i>	OnGas favours retaining the current exemption timeline of 1200hrs. The main reason for requiring allocated volumes to be determined as soon as possible is to correct for retailer Running Mismatch (RM). With the current exemption in place retailers theoretically have the ability to alter their forward gas nominations to correct for their RM in the ID4 cycle on the 5 th business day of the month. If the exemption lapsed then this would change to the ID3 cycle. Any tinkering with the time by an hour or two would not produce any benefit as the next Intraday cycle available would still be the ID4 cycle. OnGas has no strong view as to whether a correction is made in the ID3 or ID4 cycle.

Question	Comment
<p><i>Q3: Vector's view is that the costs that would be incurred to enable information under rule 41 to be reliably provided by 0800 hours are too substantial to be justified by the benefits. Do you accept this view or do you think that further information should be sought? Please give reasons.</i></p>	<p>OnGas agrees with this. As explained in Q2 above the benefits are limited from OnGas's perspective</p>
<p><i>Q4: Gas Industry Co's preliminary view is that there appears sufficient reason for the extension of an exemption to 30 September 2010, perhaps with a modified deadline. Do you agree or disagree with this view? Please give reasons.</i></p>	<p>OnGas agrees with the preliminary view of an extension to the 30 Sept 2010. We do not support a modified deadline as explained in Q2.</p>
<p><i>Q5: Are there any as yet unreported problems that have been caused by the existing exemption that you would like to identify and comment on?</i></p>	<p>Nothing to report</p>

In regard to the rule 42:

Question	Comment
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Question	Comment
<p><i>Q5 Do you agree or disagree with Gas Industry Co's preliminary view that an appropriate course of action is to continue an exemption under rule 42 on the terms and conditions set out in section 5.2 above? Please give reasons</i></p>	<p>OnGas does not have a firm view on this as there needs to be a greater cost benefit analysis done.</p> <p><u>Gas Gates without Telemetry metering</u> OnGas agrees to exempting gas gates without telemetry metering currently installed.</p> <p><u>Gas Gates with Telemetry</u> OnGas appreciates the extra data that Vector Transmission has made available on non-business days. OnGas would still like to see further progress being made towards providing gate injection data daily. OnGas believes there is potential for good reductions in pipeline balancing costs to the industry if this was to occur. The benefit will be to all retailers and it will be up to the individual retailer as to whether additional resources being employed to utilise the data will outweigh savings on balancing costs to the individual retailer.</p> <p>OnGas does recognise that it would take a considerable amount of time and cost for Vector Transmission to be able to comply with Rule 42 and this would have to be weighed up against the benefits to the industry.</p>
<p><i>Q6 Are there any other approaches allocation participants consider to be more appropriate in respect of an exemption? If yes, then please provide details and give reasons.</i></p>	<p>No</p>

Question	Comment
<i>Q7 Are there any as yet unreported problems that have been caused by the existing exemptions that you would like to identify and comment on?</i>	Since balancing charges have started flowing through to retailers it could be argued that retailers have been financially impacted by not being able to have estimated gate injection data available the following day. It is very difficult to quantify but it could be expected that if a known gate injection volume was available on a non business day then the daily imbalance could be corrected the following day and we wouldn't have situations where three day's of imbalance have built up before a corrective action is taken. From our analysis, to date there have been 18 cash outs that have occurred since mid-December and nine of those have occurred on a Saturday or Sunday. This is a disproportionate amount and it could indicate that insufficient data is contributing to this.