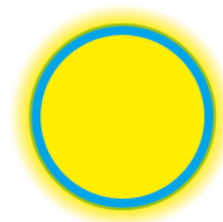


3 February 2012

Submissions
Gas Industry Company
PO Box 10 646
Wellington
New Zealand

[Sent by email to: submissions@gasindustry.co.nz]

POWERCO



Dear Ian,

**Powerco Submission on the Gas Industry Company Consultation Paper on
Downstream Reconciliation - Options**

Introduction

1. Powerco welcomes the opportunity to comment on the Gas Industry Company (GIC) *Consultation Paper on Downstream Reconciliation - Options*, published on 16 December 2012. Outlined in this letter are the key topics of interest to Powerco and the responses to the consultation questions in the requested format, Appendix A.
2. Powerco supports the principle of periodically reviewing all changes to new and amended rules and regulations. As such, we are pleased to see the GIC taking this opportunity to review the *Gas (Downstream Reconciliation) Rules 2008* (the Rules), with the aim of determining what improvements can be made for the benefit of the New Zealand gas market.
3. As a gas distribution business that also owns gas meters, Powerco has limited participation in activities related to the Reconciliation Rules, but supports all work by industry participants to build a stronger and more efficient gas sector. Due to the level of Powerco's involvement in the downstream reconciliation process, we have limited our responses in the submission template to those areas that we are directly involved in.

Unmetered Gas Gates (section 4.3)

4. Achieving a high level of accuracy is essential in the downstream reconciliation process, as it plays an important role in the successful functioning of the gas market. Ensuring all gas gates have gas measurement systems installed and are appropriately sized for current flow conditions is an important factor in being able achieving this. However we accept that in certain circumstances the commercial

model for a gas gate does not make it realistic to install or change a meter. In these situations, we believe that an exemption should be granted. Regular review of unmetered gas gate volumes should occur and the exemption rescinded if it becomes commercially viable to install meters.

Breach notifications to meter owners

5. Powerco acknowledges that as the Rules are currently drafted, retailers can breach due to metering equipment failure that they have no operational control over. As this appears only to occur in exceptional circumstances, retaining the consistency within the Rules where the onus is on retailers to ensure compliance of consumption information seems logical and efficient. This would avoid developing additional complexity through introducing and amending clauses related to meter owners that require enforcement.
6. As stated in the consultation paper, retailers are in a position to ensure their meter owners comply with their directives and therefore currently have the ability to address the issue of retailer breaching. Use of Service Agreements between retailers and distributors provide a market based mechanism developed in a competitive environment to manage such circumstances satisfactory. We believe that by allowing all parties involved adequate time to address the matter will remove the need to commit time and resources to amending the Rules.
7. The introduction of the billing factor guidelines provides a framework of terms and conditions that Powerco will look to implement when engaging with retailers. We recommend that the GIC provides time for the impact of the guidelines to become apparent before reviewing the matter further.

Conclusion

8. Powerco is pleased that the GIC is reviewing the Rules and believes successfully improving accuracy of unaccounted for gas allocation (UFG), atypical gas gates and allocation of on-going fees will have a positive effect on the gas market.
9. Thank you for the opportunity to make this submission. If the GIC wishes to discuss any aspects of this submission further, please do not hesitate in contacting me on 06 757 3397 or oliver.vincent@powerco.co.nz.

Yours sincerely,



Oliver Vincent
Regulatory Analyst
Powerco

Appendix A: Recommended Format for Submissions

Submission prepared by: Oliver Vincent (Regulatory Analyst) for Powerco Limited.....

Note: Powerco has no comments on questions 1 – 13, 16 – 18 and 19 – 24 due to no direct involvement in these areas of downstream reconciliation.

QUESTION	COMMENT
<p>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).</p>	<p>No.</p> <p>Achieving a high of accuracy is important in the downstream reconciliation process, and having meters (suitable for current flow conditions) on all gas gates supports this. Any opportunity to eliminate factors that could affect the robustness and accuracy of the process should be taken.</p> <p>However, we think that it is reasonable to exempt existing gas gates where there is a single Retailer and gas volumes are low. Rather than a simple threshold, we favour an exemption process whereby the cost/benefit of installing a meter is used as the determinant.</p> <p>Any new gas gates should be metered, as the incremental cost of providing metering on a new station is small.</p>

QUESTION	COMMENT
<p>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.</p>	<p>Yes.</p> <p>Where the meter's (over) sizing results in unacceptable metering accuracy the meter should be replaced with a compliant meter or removed from the allocation calculations. The threshold for removing the meter from allocation calculation should be established using the same exemption test as described in Q14.</p>

QUESTION	COMMENT
<p>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?</p>	<p>No.</p> <p>Meter owners are currently required to comply with NZS5259:2004. This adequately guides their responsibilities regarding metering equipment under the Rules, increasing meter owner obligations has the potential to create confusion and grey areas around responsible parties. Retailers have commercial arrangements with distributors which should provide the mechanism for resolving issues rather than the need to introduce regulation.</p> <p>No.</p> <p>Powerco acknowledges that as the Rules are currently drafted, retailers can breach due to metering equipment failure that they have no operational control over. As this appears only to occur in exceptional circumstances, retaining the consistency within the Rules where the onus is on retailers to ensure compliance of consumption information seems logical and efficient. This would avoid developing additional complexity through introducing and amending clauses related to meter owners that require enforcement.</p> <p>As stated in the consultation paper, retailers are in a position to ensure their meter owners comply with their directives and therefore currently have the ability to address the issue of retailer breaching. Use of Service Agreements between retailers and distributors provide a market based mechanism developed in a competitive environment to manage such circumstances satisfactory. We believe that by allowing all parties involved adequate time to address the matter will remove the need to commit time and resources to amending the Rules.</p>

QUESTION	COMMENT
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. The GIC should continue to lever off the abundant industry expertise when developing and implementing rule changes.