

Appendix A: Format for Submissions

To assist the Gas Industry Co in the orderly and efficient consideration of stakeholders' responses, a suggested format for submissions has been prepared. This is drawn from the questions posed throughout the body of this discussion document.

Respondents are also free to include other material in their responses.

Recommended Format for Submissions

QUESTION	COMMENT
<p>Q1 Do you agree that it is sensible to divide the issues (with the downstream and upstream allocation arrangements) into short-term and long-term issues and to advance the short-term issues ahead of the long-term ones?</p>	<p>Certainly – do the quick fixes first, to gain some immediate improvement.</p>
<p>Q2 Do you agree that compliance with existing arrangements for downstream allocation is poor?</p>	<p>Many retailers are complying. However, compliance by some retailers to the allocation data requirements could be improved, so that the quality of data submitted for both allocation and reconciliation is improved. (egs: Alloc Grp 4 sites not read monthly, and which are estimated. Accuracy checks to detect errors before data gets committed to the alloc process, timeliness of Rec data provision).</p>
<p>Q3 Do you agree that governance arrangements (e.g. code modification processes, dispute resolution processes) are not working effectively? Please provide any specific examples that demonstrate your view.</p>	<p>The Rec Code has not had any amendments. The NAG is not available to consider disputes. Audit requests for information are not taken seriously by some retailers. There is no authority given to anyone to unrestricted access of retailer billing system info. Audits will have to continue until UFG is reasonable and/or incumbent retailers are satisfied with allocation by difference.</p>
<p>Q4 Do substantial difficulties arise as a result of the need for all shippers at a gate station to agree who to appoint as the allocation agent?</p>	<p>From an Alloc Agent viewpoint, yes. By being unanimously decided, one party can disrupt the appointment process. A majority decision (either by # of ICPs or by GJ load) would be fairer.</p>

QUESTION	COMMENT
<p>Q5 Do you agree that the Gas Industry Co should implement a regime where the Gas Industry Co becomes the single industry body responsible for appointing an allocation agent (or allocation agents)?</p>	<p>This could be an alternative to the use of majority decision. However, if the GIC-appointed Alloc Agent also has authority to seek information and to resolve problems, this would be an improvement over the present situation.</p>
<p>Q6 Does the use of the “difference” allocation method and the resulting implications for the allocation of UFG variations create a substantial problem in the industry?</p>	<p>Yes. This probably wouldn't be so if the network cos had regularly reviewed UFG, disclosed UFG%s annually, and investigated UFG anomalies (as per Rec Code). Now we have moved to the situation where the UFG%s are unreasonable, and untenable for the Incumbent Retailer.</p>
<p>Q7 If there are problems with the allocation of UFG variations, is working towards mandatory global allocation an appropriate response for the Gas Industry Co?</p>	<p>Yes, if by Global you mean the 1 Month UFG Method. That is, scale all Alloc Grps, not just Grps 5 & 6. Also, global will mean that all retailers have to provide data to the same degree of accuracy.</p>
<p>Q8 If global allocation is not made mandatory, how important would it be for 12 month rolling loss factors to be used in the allocation process?</p>	<p>If you don't go Global, then there should be an immediate review of the UFG%, and these should be updated for allocation asap. Keep the figures as up to date as possible. If any UFG%s are unrealistic, all the retailers are incentivised to get involved in determining the cause(s).</p>
<p>Q9 Should all gas gate daily metered quantities be published daily? What difficulties (e.g. confidentiality) might arise from daily publication?</p>	<p>This would alleviate the need for a Daily Info Service from the Alloc Agent. The downside is the loss of confidentiality about what other retailers are trading at the gates.</p>

QUESTION	COMMENT
<p>Q10 To what extent do industry problems arise as a result of poor quality data supplied into the allocation process?</p>	<p>Most of the corrections are about poor data quality (egs: meter read error, incorrect estimates for Grp4s, meter failures, TOU failures, etc).</p> <p>Normalising data might improve data quality, or it may just complicate matters further. There is a perceived need for all retailers to normalise, but is this really necessary? 12 months of commercial allocations would be very close to the actual 12 months of consumption.</p> <p>The initial Rec Code intent was for the TOU & Grp 4 to remain unadjusted in any way, so that it was clear that only the Grp 6 had any estimation component.</p> <p>Data quality is not just about readings in billing systems being converted to energy accurately. There needs to be measures in place which monitor that metering equipment test results are trending towards improved accuracy, and that when results are outside the limits, that retailer invoicing, allocation & network charging are all backdated sufficiently to correct for the problems.</p> <p>The registry project may clear up a lot of the switching problems, but are the network registries being constantly checked against retailer billing systems to identify unassigned ICPs? Does checking for disconnected ICPs still using gas take place, and by whom?</p> <p>Only when all the basics are being covered off by all parties will there be a reduction in UFG, the key performance indicator.</p>
<p>Q11 Should the Gas Industry Co introduce formalised, regular wash-ups of month end allocations after 4 or 6 months and after 12 months following the month in question?</p>	<p>6 & 12 months would be best. However, this again would require that retailers actively participate towards timely resolution of any/all problems identified. These timeframes must also apply to the gate metering operator.</p>

QUESTION	COMMENT
<p>Q12 Is it appropriate, as part of the initial changes to allocation arrangements, to require all retailers to read every non-TOU ICP at least once in every twelve month cycle?</p>	<p>I would expect 4 per year, or 6 per year minimum. If only once per year, how can a retailer estimate between summer/winter usage, when only an annual quantity is known? How can Alloc Grp 6 be more accurately estimated each month? How do you normalise? The question seems to suggest that some are not even making it annually.</p> <p>Non-TOUs > 250 GJs per year are currently required to be read every month "at or close to monthend".</p>
<p>Q13 Should the Gas Industry Co establish accuracy criteria for estimates (in conjunction with an appropriate compliance regime)?</p>	<p>If all retailers can agree on these accuracy criteria, and there are systems in place to ensure these criteria are being adhered to, then yes.</p>
<p>Q14 Is it appropriate in the longer term (after the initial changes are made to the allocation arrangements) to introduce a requirement that submitted data contains a minimum percentage of historic read data?</p>	<p>As above in Q13. Also, if the UFG%s are not coming down, there may be a need to increase the amount based on real reads.</p>
<p>Q15 Is it appropriate in the longer term to introduce a standardised data transfer format?</p>	<p>Yes, agreed, although so far, the number of errors introduced via the non-standard formats has been minor.</p>
<p>Q16 Do you agree that the two main options that should be considered for making allocation and reconciliation arrangements mandatory and enforceable are a modification of the existing contractual arrangements, and Ministerial rules under the Gas Act?</p>	<p>Modifying the contractual arrangements is difficult, as the current rules are almost a "cut off your nose to spite your face" situation. In Alloc Agmt, if a party does not comply, then they are to not receive allocation services. But in doing this, you not only punish the offending party, but all other trading retailers. In the network situation, you would have to cut off gas supply, thus reducing your network income.</p> <p>The right disincentives need to be found to enforce the rules.</p>

QUESTION	COMMENT
Q17 Do you agree that potential problems with pipeline owner leverage and Commerce Act risks associated with the contractual arrangements favour the Ministerial rules solution?	Rules appear to be the way to go.