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Dear Andrew

Submission on the Urgent Exemption under the Gas Downstream Reconciliation Rules due to COVID-19

Introduction

1. This is Vector Limited's (Vector) submission on the Gas Industry Company's (Gas Industry Co) *Consultation on Urgent Exemption under the Gas (Downstream Reconciliation) Rules 2008* (the rules), circulated for stakeholder feedback on 23 April 2020. The urgent exemption applies to retailers who are prevented from complying with the specified rules due to COVID-19 during Alert Level 4.
2. At this challenging time, Vector's gas businesses continue to work with our supply chain partners and customers to ensure the risk of COVID-19 transmission is reduced as much as possible as we continue to deliver essential services.
3. We support the continuation of the exemption into Alert Level 3 and Alert Level 2, subject to a review, say on a monthly basis, as necessary. We set out our responses to the consultation questions below with a few suggestions for improvement.
4. No part of this submission is confidential. Vector's contact person for this submission is:

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Responses to consultation questions

Metering interrogation

Q1: *Do you support the exemption from the rules impacting meter interrogation?*

5. Yes, Vector supports the exemption from the rules impacting meter interrogation.

Q2: *Do you expect the exemption will also be required under Alert Level 3 or lower levels? Do you have a view on the timeframe required to return to a rules-compliant level of meter reading frequency?*

6. Yes, we expect the exemption to also be required under Alert Level 3 and Alert Level 2. We suggest that Gas Industry Co review the exemption, say on a monthly basis, as necessary.

7. It needs to be recognised that under Alert Level 3, meter readers are required to remain within their region (we note that Day 1 meter readers may have to travel significant distances to download data from correctors). In addition, some businesses (potentially including essential service providers) may exclude meter readers from their sites to protect their staff and business.

Q3: *Have the right rules been identified to mitigate the impact of the lockdown on meter reading?*

8. Yes, we believe that rules 28.1, 28.3, 29.4 and 29.5, covered by the urgent notice, are the right rules relating to meter reading that retailers should be exempt from due to COVID-19. In addition, we suggest that Gas Industry Co explicitly include an exemption from compliance with rule 37.2, which provides that:

For a consumption period, the accuracy of the consumption information provided by a retailer under rule 31 for initial allocation must, when compared with the consumption information provided by that retailer under rule 33 for final allocation, fall within the percentage of error determined and published by the industry body under rule 37.3.

9. The inability of retailers to comply with the rules related to metering interrogation covered in the exemption notice will have 'spill-over' impact on retailers' ability to comply with the "percentage of error" threshold under rule 37.2, currently set at $\pm 10\%$.
10. It is our experience as a retailer, and as a retailer providing back-end services to other retailers, that rule 37.2 is more often breached than other rules, particularly in relation to mass market customers. This is regardless of whether the impact of a breach on the market is eventually determined to be material or immaterial.
11. We note that, in practice, it is the reconciliation manager's preference that retailers provide their own estimates in relation to the rule 37.2 consumption threshold. An exemption from this rule would reduce compliance costs for retailers and allow them to focus more on their customers than on regulatory compliance during the exemption period.

Submission of daily energy quantities

Q4: *Do you support the exemption from rule 31.1 where the lockdown prevents compliance with the requirement to provide daily metered energy quantities?*

12. Yes, we support this exemption.

Q5: *Do you consider that the alternative method of estimation provided in the exemption is necessary and sufficient?*

13. Yes. We suggest that Gas Industry Co encourage retailers to liaise with their customers, for example, to determine how a commercial or industrial customer's plant is operating. It is reasonable to expect that operations under Alert Level 4 or Alert Level 3 are likely to be significantly different under Alert Level 2, e.g. under Alert Level 4, some essential service providers could have been producing well above their norm or even peak consumption.

Q6: *Do you expect the exemption will also be required under Alert Level 3 or lower levels? What is your view of the likelihood that interim submissions could also be impacted?*

14. Yes, we expect the exemption to also be required under Alert Level 3 and Alert Level 2 to avoid future urgent exemptions. In addition, it would be prudent not to rush to any future variations, for example, by introducing regional variations.

15. While the Government has already announced a move towards Level 2 from 14 May 2020, we encourage Gas Industry Co to remain cognisant of the potential impacts of Alert Level 4 and Alert Level 3 on interim and final consumption information should New Zealand move back to those levels and for an extended period of time.

Q7: *Have the right rules been identified to mitigate the impact of the lockdown on provision of TOU data?*

16. Yes, we believe that rule 31.1, covered by the urgent notice, is the right rule related to the provision of TOU data that retailers should be exempt from due to COVID-19. For the same reasons stated in our response to Q3, we suggest that an exemption from rule 37.2 also be explicitly included in any extended/future exemption notice.

Wider impacts of reduced meter reading

Q8: *Are there other issues impacting downstream reconciliation or the wider gas market that Gas Industry Co should be aware of or consider? Do you have any further comments?*

17. Gas meter correctors have limited memory. We understand that for some correctors, historic data starts to be 'written over' after 40+ days. During Alert Level 4, correctors had not been read since 1 March 2020 and would not have been read until 28 April 2020 (Alert Level 3). It is therefore likely that for some correctors, data will be missing from the first half of March 2020 (e.g. 1 May 2020 minus 40 days would mean there is no data from before around 20 March 2020).
18. We note that with the potential loss of the above data, we could lose information on the daily spread of volume consumption throughout the day, and from day to day during the relevant period.
19. We suggest that Gas Industry Co consider the above potential loss of information in making further decisions around the extension of the rule exemptions, as amended following this consultation, to address ongoing challenges arising from COVID-19.
20. We would support a future rule change that would allow for consumption to be estimated where data is unavailable but there has not been a metering error.

Concluding comment

21. Vector is happy to provide further information to support our submission, or discuss any aspects of it, with Gas Industry Co.

Yours sincerely
For and on behalf of Vector Limited



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Senior Regulatory Partner