



Consultation on correcting submission errors at GTA03610

1. Introduction and purpose

This paper recommends a pathway forward to manage the impact of a submission error which occurred at Greater Auckland gas gate (GTA03610). This error relates to breach 2023-016. This paper proposes financial settlements facilitated by Gas Industry Co. Special allocations are also considered in this paper as the errors for some months fall within the available timeframe defined under rule 51 of the Gas (Downstream Reconciliation) Rules 2008.

Gas Industry Co invites feedback from allocation participants on these options.

1.1 Background

A submission error was identified in December 2022 when Genesis discovered it had switched in a customer with TOU metering that was assigned to a non-TOU allocation group. Some gas registry metering parameters were not populated to reflect this as having a TOU meter, which impacted the energy conversion process and led to zeroes being submitted to the Allocation Agent for this ICP. This affected Greater Auckland gas gate (GTA03610) from May 2020 to January 2023.

Genesis advised Gas Industry Co that the allocation group was fixed, and correct volumes were submitted from February 2023 onwards, i.e. the initial allocation for January 2023, interim for October 2022, final for January 2022 and all subsequent months.

1.2 Impact

The submission error resulted in an under-submission by Genesis of 18,547GJ from May 2020 to December 2021 that will not be corrected by subsequent allocation stages.

This error has impacted allocated quantities and the calculation of annual unaccounted for gas (AUFG) factors to be published¹.

The extent of these inaccuracies are described below.

1.3 Allocated Quantities

Eleven retailers were trading at gas gate GTA03610 during the affected period. The difference in retailers' published allocations and an estimate of their corrected allocations for the affected period (i.e. May 2020 to December 2021) are presented in Table 1.

Not included in Table 1 are the months which were corrected by the Allocation Agent via business-as-usual (BAU) final allocations (i.e. January 2022 onwards).

Table 1: Published and corrected allocated quantities and estimated financial impact for the TOU submission error at GTA03610

Retailer	Original allocated quantities (GJ)	Corrected allocated quantities (GJ)	Change due to error (GJ)	Estimated financial impact (\$)
Contact (CTCT, CLUB)	2,712,675	2,707,111	5,564	56,039

¹ Published by EMS on their Gas Allocation Portal website

Genesis (GEND, GENG)	4,693,033	4,708,019	-14,986	-151,092
Frank Energy (GEOL)	174,088	173,735	353	3,592
Greymouth (GMTH, GREY)	3,271,096	3,271,084	12	120
Hanergy (HANE)	1,995	1,990	4	44
Mercury (MEEN, TRUS)	1,585,714	1,582,635	3,079	31,152
Nova (GNVG)	5,756,650	5,751,374	5,277	53,118
MegaTEL (MEGA)	77,192	77,026	166	1,713
Pulse (PUNZ)	59,237	59,115	122	1,239
Switch Utilities (SULG)	26,663	26,608	55	522
OnGas (GNGC)	1,974,995	1,974,640	355	3,556

1.4 Annual UFG Factors

AUFG factors at GTA03610 were affected for 2021-22 and 2022-23 (i.e. year-end September 30).

Differences between the original AUFGs and an estimate of corrected AUFGs, had there been no under-submission, are detailed in Table 2.

Please note that Rule 46A.2 of the [Gas \(Downstream Reconciliation\) Rules 2008](#) requires that before revising the annual UFG factor, Gas Industry Co must be of the opinion that the published annual UFG factor has had a *sufficiently unfair impact* on allocation results.

[Guideline note for rules 44, 46A and 51](#) provides some objective thresholds to determine *sufficiently unfair impact* which include a change in the annual UFG factor in the order of 0.01 or a movement of 1000GJ between TOU and non-TOU allocations in any one month.

These thresholds are not met as a result of this error.

Table 2: Published AUFGs and corrected AUFGs at gas gate GTA03610

Gas Year	Original AUFG	Corrected AUFG	Difference
2021-22	1.0138	1.0131	0.0007
2022-23	1.0205	1.0196	0.0009

1.5 Financial settlement

Financial settlements have previously occurred in instances where special allocations have been unavailable or infeasible to address harm from retailer errors. Table 3 below provides historical examples where financial settlements have been used to resolve allocation problems.

When settlements have been arranged via industry agreement and facilitated by Gas Industry Co, the Market Administrator (MA) is more likely to determine the breaches as not material and the costs and time involved in settling the material breaches (investigation and/or Rulings Panel hearings) are avoided. Furthermore, previous examples show that breaches that are determined material and go through the MA process are likely to end up resulting in similar settlements (but with the additional cost and time of the full compliance process).

The process for the financial settlements involves the following steps:

1. Gas Industry Co. provides consultation paper to industry outlining its recommended pathway forward

2. Industry provides feedback on consultation paper to Gas Industry Co.
3. Gas Industry Co. emails industry outlining the agreed pathway forward, this email will contain values for retailers to invoice the breaching party, which will be based on²:
 - i. Recalculating allocated volumes (including recalculating AUFG where appropriate) using corrected submissions
 - ii. Multiplying the change in allocated volumes by the wholesale gas price (from MBIE data)
 - iii. Estimating the carbon component by multiplying corrected allocations by the national average emissions factor for mining or purchasing natural gas³.
 - iv. Multiplying the carbon component by the carbon price (from MfE auction clearing prices, or the spot price if prior to 2021)
4. Once the payments have been confirmed by Gas Industry Co, the Market Administrator can make a determination on the materiality of the alleged breach.

Table 3: Previous financial settlements

Breach	Settlement
Rule 26.2, Nova Energy under-reported consumption at WST03610 (breach notice 2018-159)	The submission error totalled approximately 40TJ for the period from May 2013 to June 2018. A settlement was arranged via industry agreement. After the settlement was finalised, the MA determined this breach as not material.
Rule 36.1, Contact Energy used forward estimates when historical estimates were available at GTA03610 and WAG21501 (breach notice 2017-015).	The submission error totalled 3,331 GJ for the period from May 2015 to June 2015. A settlement was arranged via industry agreement. After the settlement was finalised, the MA determined this breach as not material.
Rule 51, OnGas under-metering error at GMM08001 (March 2014 to June 2018)	The error totalled 100,157 GJ across the affected parties. A settlement was arranged via industry agreement. After the settlement was finalised, the MA determined this breach as not material.
OnGas submission error at Rotorua (breach notice 2016-137)	The error totalled 6,502 GJ across the affected parties. A settlement was arranged via industry agreement. After the settlement was finalised, the MA determined the breach as not material.
Rule 37.2 (May 2015 – November 2015)	A settlement totalling \$176,511 was arranged via the MA process. The MA determined the breaches as not material once confirmation of payment was received from all parties.
Rule 37.2 (June 2013 – April 2015)	A settlement totalling \$197,738 was arranged via the MA process. The MA determined the breaches as not material.
Rule 37.2 (April 2012 – May 2013)	A settlement totalling \$49,994 was arranged via the MA process. The MA determined the breaches as not material.

² Financial impact is calculated using corrected gas volume allocations multiplied by the MBIE wholesale gas price (as in previous financial settlements). However, now these values also include compensation for the carbon component of the corrected allocations as discussed in [Consultation on resolving the financial impact of consumption and injection errors](#).

³ [Climate Change \(Stationary Energy and Industrial Processes\) Regulations 2009, Table 10](#)

Rule 37.2 (April 2011 – March 2012)	The MA determined the breaches as material. A settlement totalling \$76,378 was arranged via the investigator and approved by the Rulings Panel.
Rule 37.2 (December 2009 – March 2011)	The MA determined the breaches as material. A settlement totalling \$62,629 was arranged via the investigator and approved by the Rulings Panel.
Rule 37.2 (October 2008 – November 2009)	The MA determined the breaches as material. A settlement totalling \$379,649 was arranged via the investigator and approved by the Rulings Panel.
Genesis submission error at Palmerston North (breach notices 2011-122 & 2011-138)	The MA determined the breaches as material. A settlement was arranged via the investigator and approved by the Rulings Panel.
OnGas submission error at Greater Hamilton (breach notice 2010-362)	The error totalled 46,808 GJ across the affected parties. The MA determined the breach as material. A settlement was arranged via the investigator and approved by the Rulings Panel.

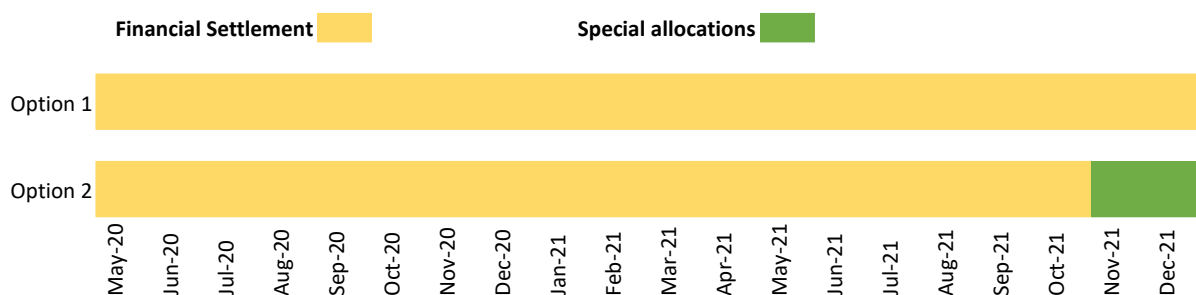
1.6 Options

The error results in a change in allocated quantities of 14,986 GJ⁴ at GTA03610.

Gas Industry Co. suggests two options to address the harm caused by Genesis's under-submission and seeks feedback from allocation participants on these options.

1. Facilitate financial settlement for May 2020 to December 2021 (i.e. the entire period).
2. Facilitate financial settlement for months May 2020 to October 2021, but direct the Allocation Agent to perform special allocations for all remaining months (i.e. September 2021 and December 2021).

The difference between the options is illustrated in the diagram below:



Please note that rule 51 of the [Gas \(Downstream Reconciliation\) Rules 2008](#) only allows special allocations to be performed up to 12-months after the publish date for a final allocation, therefore special allocations are only available some months.

⁴ This is based on the net position of Genesis across retailer codes GENG and GEND.

1.7 Summary

We have considered that this error spans 20 months, with only two of these months being available for special allocations. On this basis and for the sake of simplicity, our initial view is Option 1 which is to facilitate financial settlement for May 2020 to December 2021 (i.e. the entire period).

2. Consultation

The preliminary view reached above is Gas Industry Co's initial position only and is dependent on stakeholder feedback. It is important retailers give an indication of whether there are financial or other commercial drivers that will influence Gas Industry Co's assessment of the unfairness of the submission errors. We request any retailer with a view to contact us via submission.

The deadline for submissions is close of business on **Friday, 24 November 2023**

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About Gas Industry Co

Gas Industry Co is the gas industry body and co-regulator under the Gas Act. Its role is to:

- Develop arrangements, including regulations where appropriate, which improve:
 - the operation of gas markets;
 - access to infrastructure; and
 - consumer outcomes;
- Develop these arrangements with the principal objective to ensure that gas is delivered to existing and new customers in a safe, efficient, reliable, fair and environmentally sustainable manner; and
- Oversee compliance with, and review such arrangements.

Gas Industry Co is required to have regard to the Government's policy objectives for the gas sector, and to report on the achievement of those objectives and on the state of the New Zealand gas industry.

SUBMISSIONS CLOSE:
24 November 2023

SUBMIT TO:
consultations@gasindustry.co.nz

ENQUIRIES:
info@gasindustry.co.nz