



# Consultation on correcting submission errors at RAM15201

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## 1. Introduction and purpose

This paper recommends a pathway forward to manage the impact of a submission error which occurred at Ramarama (RAM15201). This error relates to breach 2021-050. This paper proposes financial settlement facilitated by Gas Industry Co. Special allocations are not considered in this paper as the errors fall outside the available timeframe defined under rule 51 of the Gas (Downstream Reconciliation) Rules 2008.

Gas Industry Co invites feedback from allocation participants on the proposed resolution.

### 1.1 Background

A non-TOU submission error was identified when Contact Energy discovered it had submitted incorrect information to the Allocation Agent for ICP 0000953421QTD8B. The error occurred from September 2018 to February 2020 at Ramarama gas gate (RAM15201).

The error was caused by a single allocation group 4 ICP not being set up correctly in Contact's systems. This resulted in under-submissions, and over-submissions across the affected consumption periods.

### 1.2 Impact

The submission error resulted in an over submission of 525GJ and an under submission of 1910GJ by Contact Energy. This included consumption periods from September 2018 to February 2020, but did not include January 2020.

Consumption at RAM15201 is 99% made up of two retailers. Therefore, when submissions are incorrect for one retailer, the impact of this is loaded directly onto the other retailer. This is considered in our materiality assessment, despite low overall net submission error of 1,385GJ.

This error has impacted:

1. Allocated gas quantities
2. Annual unaccounted for gas (AUGF) factors

The extent of these inaccuracies are described below.

### 1.3 Allocated Quantities

Four retailers were trading at gas gate RAM15201 during the affected period. The difference in retailers' published allocations and an estimate of their corrected allocations for the affected period (i.e. September 2018 to February 2020) 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.

**Table 1: Published and corrected allocated quantities and estimated financial impact for the TOU submission error at RAM15201**

Retailer	Original allocated quantities (GJ)	Corrected allocated quantities (GJ)	Change due to error (GJ)	Estimated financial impact (\$)¹
Contact (CTCT)	6,050	7,358	-1,308	-10,668
Frank Energy (GEOL)	23	20	3	27
OnGas (GNGC)	29,646	28,352	1,295	10,559
Nova (GNVG)	104	94	10	82

#### 1.4 Annual UFG Factors

AUFG factors which are applied to gas years² 2019-20 and 2020-21 at RAM15201 were affected.

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

Rule 46A.1 of the Gas (Downstream Reconciliation) Rules 2008 states that the industry body may require the allocation agent to correct and republish an annual UFG factor up to 15 months after that annual UFG factor has been determined and published.

We are outside the window for this correction to take place.

**Table 2: Published AUFGs and corrected AUFGs at gas gate RAM15201**

Gas Year	Original AUFG	Corrected AUFG	Difference
2018-19	1.0278	1.0412	0.0134
2019-20	1.0881	1.0190	-0.0691

#### 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.

¹ Based on gas allocation correction at the wholesale gas price, and a carbon component.

² Year ending 30 September

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 on<sup>3</sup>:
  - 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 gas<sup>4</sup>.
  - 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 44.1, Genesis Energy under-reported consumption at GTA03610 (breach notice 2023-016)	The submission error totalled approximately 15TJ for the period May 2020 to December 2021. A settlement was arranged via industry agreement. Settlements are not yet finalised, and the MA is still to determine the materiality.
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.

<sup>3</sup> 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](#).

<sup>4</sup> [Climate Change \(Stationary Energy and Industrial Processes\) Regulations 2009, Table 10](#)

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.
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 1,308GJ at RAM15201.

Gas Industry Co. suggests the following approach to address the harm caused by Contact Energy's net under-submission and seeks feedback from allocation participants regarding this.

1. Facilitate financial settlement for September 2018 to February 2021 (i.e. the entire period), and do not correct the AUFG for the affected consumption periods.

Our initial view is because 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. This error falls outside that window. In addition to this, we are also of the initial view that no AUFG correction is required because we are outside the window to correct this under rule 46A.1, and as a G1M gate there is no impact on allocations for the affected consumption periods<sup>5</sup>.

## 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.

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<sup>5</sup> The AUFG factor is not used at G1M gates. Therefore any material change to the AUFG has no impact on how gas is allocated.

The deadline for submissions is close of business on **Friday, 31 May 2024**

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**May 2024**

## 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:

**Friday, 31 May 2024**

SUBMIT TO:

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**Gas Industry Co.**