



Consultation on correcting submission errors at TUK06502

1. Introduction and purpose

This paper recommends a pathway forward to manage the impact of a submission error which occurred at Tuakau gas gate (TUK06502) and relates to breach 2024-136. This paper proposes financial settlement facilitated by Gas Industry Co.

Special allocations are not considered in this paper as the error falls outside the available timeframe defined under rule 51 of the Gas (Downstream Reconciliation) Rules 2008.

Gas Industry Co invites feedback from allocation participants on this option.

1.1 Background

A TOU submission error was discovered in a performance audit of Genesis during 2024. This affected TUK06502 for November 2021.

Genesis's use of estimated TOU data in its final submission files for November 2021 caused the error. The estimate was performed using customer information of expected usage patterns rather than using corrected/uncorrected meter reads which resulted in an under reporting of volume.

1.2 Impact

The TOU submission error resulted in an under-submission by Genesis of 4,352GJ in Nov-2021.

This error has materially impacted allocated quantities and the annual UFG factor (AUGF). However, the AUGF is not considered in this analysis because this was a G1M gas gate at the time this error occurred and therefore the AUGF is not used for calculating allocated volumes.

The extent of the allocation inaccuracies are described below.

1.3 Allocated Quantities

Five retailers were trading at gas gate TUK06502 during the affected period. The estimated impact that this error had on their allocated quantities is shown in Table 1.

Table 1: Difference between published and corrected allocated quantities and estimated financial impact for the TOU submission error at TUK06502

Retailer	Original allocated quantities (GJ)	Corrected allocated quantities (GJ)	Change due to error (GJ)	Estimated financial impact (\$)
Contact (CTCT, CLUB)	49	10	-40	\$462
Genesis (GEND, GENG)	10,320	14,640	4,319	-\$50,121
OnGas (GNGC)	2,239	2,119	-120	\$1,391
Nova (GNVG)	31,654	27,686	-3,968	\$46,043
Mercury (MEEN, TRUS)	238	46	-192	\$2,227

1.4 Financial settlement

Financial settlements have previously occurred in instances where special allocations have been unavailable or infeasible to address harm from retailer errors. Table 2 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 on¹:
 - 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 gas².
 - iv. Multiplying the carbon component by the carbon price (from MfE auction clearing prices, or the spot price)
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 2: Previous financial settlements

Breach	Settlement
Rule 26.2, Contact Energy under-reported consumption at RAM15201 (breach notice 2023-006)	The submission error totalled approximately 1,385GJ for the period September 2018 to February 2020. A settlement was arranged via industry agreement. After the settlement was finalised, the MA determined this breach as not material.
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. After the settlement was finalised, the MA determined this breach as not material.

¹ 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 agreed by industry in [Consultation on resolving the financial impact of consumption and injection errors](#).

² [Climate Change \(Stationary Energy and Industrial Processes\) Regulations 2009, Table 10](#)

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.
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.

1.5 Options

The error results in a change in allocated quantities of 4,319GJ³ at TUK06502.

Gas Industry Co. suggest the following option to address the harm caused by Genesis's under-submission and seeks feedback from allocation participants on this.

1. Facilitate financial settlement for November 2021, and to leave the AUFG uncorrected.

This option does not consider special allocations or correcting the AUFG because:

Rule 51 of the Gas (Downstream Reconciliation) Rules 2008 notes that special allocations can only be performed up to 12-months after the publish date for a final allocation. This error falls outside that window.

Rule 46A.1 which notes the AUFG can only be republished up to 15 months after it has been determined and published. This error falls outside that window. Furthermore, the AUFG is not used in allocation calculations for G1M gates and therefore has no impact⁴.

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, 28 March 2025**

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³ This is based on the net position of Genesis across retailer codes GENG and GEND.

⁴ The AUFG is not used at G1M gates. Therefore, any material change to the AUFG has no impact on how gas is allocated.

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:
28 March 2025

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