



Discussion Paper

Gas governance draft rule changes

16 June 2026



Gas Industry Co.



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1. Introduction & Purpose

This paper is an accompanying document to the draft marked-up versions of the Gas (Downstream Reconciliation) Rules 2008 and Gas (Switching Arrangements) 2008 (the ‘Reconciliation Rules’ and ‘Switching Rules’ respectively, or together, the ‘Rules’). The purpose is to provide explanation and context for the mark-ups to the Rules, which arise from the Recommendation to the Minister for Energy on Changes to Gas Governance Arrangements (‘Recommendation to the Minister’) approved in early 2025.

The changes cover three main topics: advanced gas metering infrastructure (AGMI), daily allocations (D+1) and renewable gas injection into distribution systems. Background on the topics can be found in the Recommendation to the Minister¹ and the Statement of Proposal on Changes to Gas Governance Arrangements².

We are seeking stakeholder feedback on the rule changes. A stakeholder workshop is planned for **Tuesday 23 June 2026** to discuss the changes, and feedback is invited by close of business on **Friday 31 July 2026**.

The marked-up Rules cover a lot of detailed operational changes, the majority of which haven’t been the subject of previous consultation. The mark-ups should be considered an initial draft for discussion, building on the high-level proposals that were set out in the Recommendation to the Minister. We anticipate that following this initial consultation period and industry workshop, there may be a need for further consultation before a final draft of the Rules is provided to MBIE for review and Ministerial approval.

When the Rules have been approved and gazetted, there will be an implementation period. Some of the changes can take effect immediately while others will require a transition phase or later effective date. The implementation section in the paper discusses the options for a staged approach and we invite feedback on this as well as on the rule drafting.

This paper is structured by topic (AGMI, D+1, renewable gas injection) following the format of the Recommendation of the Minister.

¹ <https://www.gasindustry.co.nz/assets/CoverDocument/Gas-Governance-Changes-Recommendation-to-Minister.pdf>

² <https://www.gasindustry.co.nz/assets/CoverDocument/Statement-of-Proposal-Changes-to-Gas-Governance-Arrangements-v3.pdf>



2. Implementation

Changes to rules and regulations typically take effect 28 days after they are published in the New Zealand Gazette if no specific alternative arrangements are made for commencement. The present set of changes cover a breadth of issues, some of which require additional time for:

- Industry participants to make system and process changes
- Service providers (the allocation agent and registry operator) to make system and process changes
- Gas Industry Co to make certain determinations and issue guidelines
- Industry participants to make physical changes, eg installation of telemetry devices
- Industry participants to make commercial/contractual changes, eg implementing 7-day D+1

We request feedback from stakeholders on the implementation approach that best serves the above needs. We have made some suggestions below.

AGMI

We consider that the changes to the Rules for allocation groups 3 and 5 for AGMI (outlined in section 3.4 and 3.5) can take effect immediately. These allocation groups do not have any ICPs currently assigned to them and, following commencement, retailers can elect to begin using the modified groups by assigning ICPs once they are ready to begin reconciling AGMI consumers on a daily basis.

The changes required to the allocation system and D+1 system for AGMI are currently being considered by the allocation agent. We will have more certainty around the timeframe for those system changes by the end of August, but we expect that the changes to industry systems can be implemented in advance of any retailers being ready to use the modified allocation groups.

The addition of the AGMI communicating flag to the gas registry (section 3.3 below) will require system development work by the registry operator, meter owners (who have to populate and maintain the new ICP parameter), and other registry participants who will be impacted by the additional ICP parameter appearing in registry reports and notification files.

The last time new fields were added to the gas registry (in 2014) there was a six-month implementation project that began after the final rule changes were approved, with a fixed go live date. The six-month implementation project focused on detailed functional design, user acceptance testing of the registry changes, participants' testing of their own system enhancements and a simultaneous industry-wide data cleansing project of gas metering data.

D+1

Given the purpose of the D+1 proposals was to add an existing industry process to the Reconciliation Rules, the transition from the status quo to the modified Rules will be seamless from a system point of view. The inputs, calculations and outputs of the D+1 system will be the same pre- and post-commencement (with the exception of the changes for AGMI mentioned above).

The drafting introduces some instances where Gas Industry Co has to make determinations, for example the deadlines for daily submissions for D+1 and for publishing results. We consider that there is sufficient time to draft and consult on these determinations prior to the rules taking effect, bearing in mind that, in their initial form, the determinations will largely reflect existing, business-as-usual operations.

The two changes that require a substantial transition period are the 20TJ telemetry threshold and the move from business day D+1 to 7-day D+1. The former, which is a physical rollout of telemetry devices to the minority of consumers using more than 20TJ per annum that don't already have telemetry, may take 12-18 months based on feedback from stakeholders. There is less certainty around the latter, due to the interface between the Reconciliation Rules and the commercial arrangements in the Gas Transmission Code and D+1 Pilot Agreement, which would need amending in order to implement a 7-day process.

Given the extra resourcing/cost involved, we do not see enough benefit in moving D+1 allocations (under the Reconciliation Rules) to a 7-day process until the wider industry arrangements are in place to make use of the daily results. Equally, we do not want to leave the transition open-ended, since the Minister has already approved the recommendation to make the change. We therefore invite feedback on two options (as well as being open to alternative suggestions):

- Set an effective date in the Reconciliation Rules that would act as a deadline for a whole-of-industry transition to 7-day D+1, for example, 1 October 2027
- Include drafting in the Reconciliation Rules allowing (or requiring) Gas Industry Co to determine a future go live date for transitioning to 7-day D+1

Renewable gas injection

The rule changes to provide for the injection of renewable gases into distribution systems will initially be dormant, as there are no current distribution injection points and (to our knowledge) no projects in progress, or post-FID, to deliver gas into a distribution system.

If/when the rule changes are required, it will necessitate significant system changes for the allocation system and D+1 system, as well as the creation of new processes for distribution injection parties who will submit information to the allocation agent. Further, with the draft approach to modifying gas gate allocations (see section 5.4), there will most likely be an impact on Firstgas's systems and processes.

There is also the need to develop a methodology to determine gas composition for distribution systems with distribution injection points and to implement a means of exchanging this information with retailers.

We do not propose that these system and process changes should be fully implemented until there is certainty that a biomethane facility or other distribution injection point is being developed. We believe that the lead time in building such a facility will allow sufficient time for Gas Industry Co to implement the required changes.

In the meantime, we intend to work on the design phase of the system and process changes with the allocation agent and with stakeholders, to provide more certainty around timeframes and costs of implementation.



3. Advanced Gas Metering Infrastructure

3.1 Proposals in Recommendation to the Minister

- New gas registry field (communicating flag)
- Changes to allocation groups & UFG allocation
- Amendments to allocation methodology

3.2 Defining advanced gas metering in the Rules

Rules impacted

Rule	Title	Topic
Switching Rules		
5.2	Interpretation	Amend definition of advanced meter
Reconciliation Rules		
n/a		

Advanced meter is already defined in the Switching Rules and is an existing ICP parameter maintained by meter owners in the gas registry. We propose amending the existing definition in the Switching Rules to remove the reference to allocation groups as this is inconsistent with the drafting changes proposed in section 3.4.

Advanced meter is not defined in the Reconciliation Rules and we have not proposed adding a definition. Rather, we consider that the existing definition of TOU meter already captures AGMI, as they are meters with the capability of storing interval data. We acknowledge there is a physical difference in the metering setup, and in what is typically considered a TOU consumer versus an AGMI consumer, but we do not consider that the distinction is necessary in the Reconciliation Rules as the onus is on whether data is stored and how the consumer installation is reconciled in the allocation process. The allocation group adequately categorises the consumer type.

3.3 New gas registry field (communicating flag)

Rules impacted

Rule	Title	Topic
Switching Rules		
Schedule 1, Part C	ICP parameters maintained by Meter Owners	Add communicating flag
Reconciliation Rules		
n/a		

As discussed in previous consultations, we intend to add a communicating flag to the list of ICP parameters in the gas registry to indicate when an AGMI device is considered to be operating effectively. This change is straightforward from a drafting perspective: the communicating flag is added to the ICP parameters maintained by meter owners, listed in Schedule 1, Part C.

There are no other rule changes associated with this proposal. The obligation on meter owners to populate and maintain the new parameter in the gas registry falls within the existing requirement in rule 58 of the Switching Rules.

From an implementation perspective, the addition of the new ICP parameter will require system development work by meter owners, or their service providers, and will impact most registry users due to the change to ICP report file formats (refer to the implementation section for more details).

3.4 Changes to allocation groups

Rules impacted

Rule	Title	Topic
Switching Rules		
5.2	Interpretation	Amend definition of allocation group
Reconciliation Rules		
6	Definition of allocation groups	Allocation group modifications
28A	Retailer to assign consumer installations to allocation groups	Assignment to allocation groups now references rule 6
29	Retailer to install metering	Consequent changes due to allocation group modifications
30	General requirements for provision of retailer consumption information	Consequent changes due to allocation group modifications
31-33	Provision of consumption information for initial/interim/final allocation	Changes to submission requirements

The proposed drafting for allocation groups targets two issues: the first is to separate daily-reconciled AGMI consumers from other mass market consumers, the second is to remove ambiguity around assigning consumers to allocation groups (an issue identified in the Statement of Proposal). Also, under the D+1 proposals, we have introduced a requirement that consumers using more than 20TJ per annum must have a TOU meter with telemetry installed, requiring retailers to assign these consumers to allocation group 1.

The modified allocation groups are summarised in the table on the next page.

The consumption volume thresholds for allocation groups are now made explicit. As suggested in the feedback to the Statement of Proposal, we have modified allocation groups 3 and 5 for retailers to use for their AGMI customers that use over 250GJ per annum and under 250GJ per annum respectively.

Allocation group 3 and 5 were previously set aside for consumers with static deemed profiles and dynamic deemed profiles, but these groups have only ever been used in exceptional circumstances.

Nevertheless, we have retained the drafting that provides for the deemed profiles so as not to remove existing optionality for retailers. The UFG treatment, submission requirements and file formats are the same regardless of whether ICPs in these groups are AGMI-metered or have deemed profiles.

The collective changes to rules 6, 28A, 29 and 30 aim to provide better clarity by ensuring allocation groups are only defined and described in one place, rule 6, with metering installation and interrogation handled separately in rule 29. Retailers' assignment of consumer installations to allocation groups is via direct reference to the definitions rather than through a separate set of criteria.

The modified submission requirements for AGMI consumption in allocation groups 3 and 5 are covered in rules 31, 32 and 33 for the initial, interim and final allocations respectively. Submission requirements for allocation groups 1, 2, 4 and 6 are unchanged. AGMI consumption in allocation groups 3 and 5 is also required to be submitted daily for D+1 allocations, this is provided for in the new rule 30A (discussed further in the D+1 section).

Characteristics of modified allocation groups

Consumer size	Allocation group	Profile	Reconciliation type	D+1 reconciliation	UFG
>20TJ pa	1	XTOU	Daily metered	Daily subs, ICP-level	AUFG
>10TJ pa	1	XTOU	Daily metered	Daily subs, ICP-level	AUFG
	2	XTOU	Daily metered	Modelled, ICP-level	AUFG
>250GJ pa	3	AGMI	Daily metered	Daily subs, ICP-level	AUFG
		STOU	Daily (static) profiled	Modelled, ICP-level	AUFG
	4	GGRP	Monthly profiled	Modelled, gas gate-aggregated	MUFG
<250GJ pa	5	AGMI	Daily metered	Daily subs, gas gate-aggregated	AUFG
		STOU	Daily (dynamic) profiled	Modelled, gas gate-aggregated	AUFG
	6	GGRP	Monthly profiled	Modelled, gas gate-aggregated	MUFG

3.5 Amendments to allocation methodology

Rules impacted

Rule	Title	Topic
Switching Rules		
n/a		
Reconciliation Rules		
25C	Determination of G1M gas gates	No rule change but change to allocation system required
45	Global method of allocation	Allocation groups 3 and 5 have annual UFG factor applied instead of monthly UFG factor
46	Calculation of UFG factor	Consequent change to calculation of monthly UFG factor

The drafting required to change the allocation methodology for AGMI is relatively minor. Modifications to rules 45.2.3 and removal of rule 45.2.4 address the change of UFG factor for allocation groups 3 and 5. A small change is also required in rule 46 to move allocation groups 3 and 5 from the denominator to the numerator in the calculation of the monthly UFG factor.

The Recommendation to the Minister includes a proposal that AGMI consumption data should be taken into account when determining G1M gas gates. This is an extension of the existing policy that the G1M UFG methodology should be used where the majority of load at a gas gate would otherwise have the annual UFG factor applied. It avoids the distortions that arise when small variances in aggregate TOU load cause extreme values for the monthly UFG factor.

No change is required to rule 25C to implement this change. As discussed in section 3.2, the definition of TOU includes AGMI, so the existing drafting already incorporates AGMI load in the consideration of G1M gas gates. Operationally, it will be the AGMI consumption submitted in allocation groups 3 and 5 that is included in the calculation of the proportion of TOU load at a gas gate. Any AGMI consumers in allocation groups 4 and 6 (where the retailer has chosen not to reconcile the consumption daily) will be ignored.



4. D+1

4.1 Proposals in Recommendation to the Minister

- D+1 allocation stage
- D+1 allocation methodology
- Daily submissions for daily-reconciled consumers
- 7-day submissions
- Telemetry threshold for large consumers

4.2 Defining D+1 allocation stage and concepts

Rules impacted

Rule	Title	Topic
Reconciliation Rules		
3.2	Outline	Amendment to recognise daily allocations
5.2	Interpretation	Various new terms and amendments to existing terms
25B	Determination of unmetered and oversized metered gas gates	Addition of non-telemetry gas gates

We have defined new terms which are relevant to D+1, refer to the drafting for full details. Some terms are linked to existing definitions in the Reconciliation Rules, others are new concepts specifically related to D+1:

- allocation day – the day a D+1 allocation is performed by the allocation agent
- consumption day – linked to existing definition of consumption period
- D+1 allocation – linked to existing definition of initial, interim and final allocations
- invalid D+1 allocation – where an error is identified and a D+1 allocation is replaced or performed the following day
- non-telemetry gas gates – linked to existing definition of unmetered gas gates
- residual mass market quantity – the amount allocated to the mass market on a day (injections minus daily-metered ICP allocations)
- retailer residual mass market proportion – a retailer's proportion of the mass market quantity at a gas gate for a day

We have also amended the definition of allocation results to include D+1 allocations and made a small amendment in the Outline section (rule 3.2.2) to recognise that allocations are daily, as well as monthly, events.

Allocation day vs consumption day

The drafting introduces the terms allocation day and consumption day. The allocation agent performs a D+1 allocation on an allocation day for gas that flowed on a consumption day, which is typically the previous calendar day but the drafting also has to provide for an allocation day that covers more than one consumption day. For example, currently (and until D+1 is formally a 7-day operation), Monday is the allocation day for three consumption days: Friday, Saturday and Sunday.

Also when a non-business day is declared under the D+1 Pilot Agreement by Firstgas, the allocation agent treats that day as a non-business day too and publishes the D+1 allocation results for the applicable consumption day(s) on the following day. For example a non-business day declared on a Tuesday would mean that Wednesday becomes the allocation day for two consumption days: Monday and Tuesday. The drafting deals with this scenario by introducing 'invalid D+1 allocations', discussed further below.

D+1 allocation runs and allocation results

D+1 allocations are currently produced twice daily, around 11:15am and 2:15pm. The morning allocation run typically uses unvalidated data as it occurs before GTC publication deadlines but it provides retailers with a useful steer and highlights any data issues which can often be solved before the afternoon run. The afternoon run uses validated data and is the 'official run' used by Firstgas in its daily BPP calculations.

The proposed drafting in rule 47A provides for the allocation agent performing both the morning and afternoon D+1 allocations. We propose that the deadlines for publication are determined by Gas Industry Co rather than being fixed in the Rules, in order to provide some flexibility for the future.

One issue for consideration is the status of the morning D+1 allocation. As drafted, the amendment to the definition of allocation result means that all D+1 allocations are considered allocation results. We invite feedback on whether the morning D+1 allocation should be given this status. The consequence would be that in a scenario where a morning D+1 allocation is published but an afternoon D+1 allocation is not, then the morning results would be the standing allocation results for the day (unless an invalid D+1 allocation is determined) and may be used by Firstgas, pursuant to the GTC, for calculating BPP positions.

A further point on the nexus between allocation results in the Reconciliation Rules and the GTC is that when the rule changes take effect there will be a change to the sequencing of publication of allocation results:

Status quo order of allocation results	Order of allocation results following rule amendments
Initial	D+1
Special (D+1)	Initial
Interim	Interim
Final	Final

When D+1 was first developed, a lot of consideration was given to which allocation results should be used for Firstgas' initial billing. The decision was made to use D+1 results and then perform the first wash-up after publication of the interim allocation. When the rule changes take effect, the initial allocation reverts to being the current results at the time that Firstgas billing is performed. Firstgas and

shippers may wish to consider whether this is the preference and whether or not to adjust the GTC process accordingly to choose the preferred basis for billing.

Non-telemetry gas gates

Non-telemetry gas gates for D+1 are analogous to unmetered gas gates already defined in the Reconciliation Rules. Some gas gates with very low daily consumption do not have telemetry devices installed to allow daily interrogation of the gate meter. Due to the low daily volumes, the benefit of capturing actual daily data for these gas gates does not outweigh the cost of installing and maintaining telemetry. The injection volumes for these gas gates are estimated by the Allocation Agent for D+1.

Unlike unmetered gas gates, injection volumes at non-telemetry gas gates are physically metered, but the meter data is interrogated at the end of the month. This means that non-telemetry gas gates are standard, compliant gas gates for the initial, interim and final allocation.

The amendments to rule 25B add non-telemetry gas gates to the list of atypical gas gates that Gas Industry Co must determine and publish. Rule 42.3 clarifies that the transmission system owner doesn't have to provide injection data for these atypical gas gates, and rule 43.1A requires the allocation agent to estimate these values instead.

4.3 D+1 allocation methodology

Rules impacted

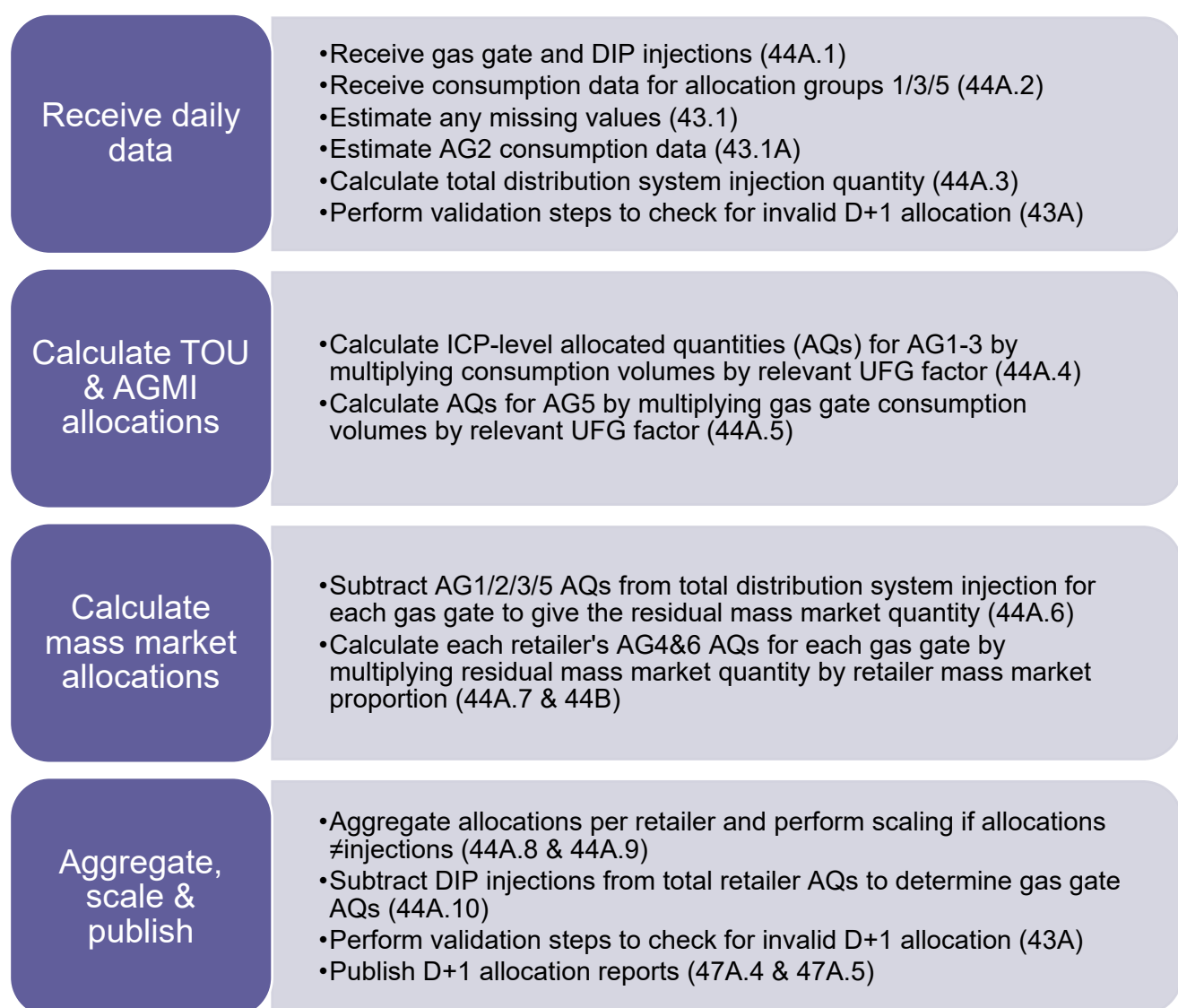
Rule	Title	Topic
Reconciliation Rules		
27H	Determination of criteria for invalid D+1 allocation	New rule for Gas Industry Co to make determination
27I	Determination of deadlines for D+1 allocation	New rule for Gas Industry Co to make determination
30A	Provision of consumption information for D+1 allocation	New rule for retailer D+1 submissions
42	Provision of daily injection information for D+1 allocation	New rule for TSO/distribution injection party D+1 submissions
43	Allocation agent to use estimates	Amendments to existing rule on estimation by the allocation agent
43A	Invalid D+1 allocation	New rule for dealing with errors/issues
44A	D+1 allocation methodology	New rule similar to rule 45 (global method of allocation)
44B	Determination of retailer residual mass market proportion	New rule capturing requirements for D+1 mass market regression model
47A	D+1 allocation	New rule similar to rules 48 to 50
53	Allocation agent reports	Amendment to introduce month-end D+1 report

The proposal in the Recommendation was to capture the existing D+1 allocation process in the rules. In particular this includes:

- allocation participants to provide trading information such as contract IDs to the allocation agent (rule 39);
- retailers, the transmission system owner, and distribution injection parties to supply consumption and injection information by specific deadlines each day (rules 30A and 42);
- the allocation agent to perform the D+1 allocation at certain times each day (rules 47A and 27I);
- the allocation agent to follow the approved allocation methodology and apply estimation/corrections where necessary (rules 43, 43A, 44A, 44B); and
- the allocation agent to publish/distribute the results of D+1 allocations (rules 47A and 53).

The diagram below provides more detail of the D+1 allocation methodology, including rule references. This is the existing methodology with amendments for AGMI and distribution injection points.

Summary of D+1 allocation methodology with rule references



Daily submissions for daily-reconciled consumers

Rule 30A puts the obligation on retailers to submit daily information for consumers in allocation groups 1 and 3 (at an ICP level) and 5 (at an aggregate gas-gate level). The allocation agent estimates any missing allocation group 1 sites and all allocation group 2 sites (rule 43.1A). The drafting retains the current practice where retailers can provide an estimate directly to the allocation agent for an allocation group 1 or 2 consumer (rule 43.1B) if it considers that either the metered quantity is erroneous or the modelled quantity is unlikely to be accurate. The retailer estimate takes precedence over the allocation agent estimate.

Invalid D+1 allocation

Non-business days are currently determined by Firstgas when one or more of the inputs into its daily BPP system are unavailable, incomplete or considered inaccurate. D+1 allocations are one such input. The effect of Firstgas determining a non-business day is that calculations are carried out the following business day. As mentioned above, the current practice is for the allocation agent to recalculate D+1 allocations on the next business day when a non-business day has been called (whether it was the result of a D+1 system issues or not), in order to provide results that use the most up-to-date information.

In order to factor this into the drafting, we have defined an 'invalid D+1 allocation' (rule 43A) as an outcome that is determined by the allocation agent based on specific circumstances eg incomplete or inaccurate TOU consumption data or injection data. We have limited the discretion given to the allocation agent in determining an invalid D+1 allocation, by requiring it to follow Gas Industry Co guidance (rule 27H). We consider that this provides sufficient certainty to stakeholders around what circumstances would elicit an invalid D+1 allocation, so that there is less ambiguity and more streamlined decision making on the day.

7-day D+1

The drafting does not explicitly refer to 7-day D+1. As we have discussed in the implementation section, there are options for how we transition from business day D+1 to 7-day D+1. This may be via a go live date, Gas Industry Co determination, or possibly captured in the drafting itself such as in the definition of allocation day. We have not introduced any proposals as we wish to hear stakeholder's views on this first.



5. Renewable gas injection

5.1 Proposals in Recommendation to the Minister

- Define distribution injection points
- Gas composition for networks with distribution injection points
- Modify allocation methodology for networks with distribution injection points

5.2 Defining distribution injection points and concepts

Rules impacted

Rule	Title	Topic
Switching Rules		
5.2	Interpretation	Modified definition of retailer
44	The industry body to determine applicable ICP parameter codes	Add distribution injection points
45	Distributors to give notices in relation to gas gates	Add distribution injection points
Reconciliation Rules		
5.2	Interpretation	Various new terms and amendments to existing terms
27E	Requirements for information supplied by distribution injecting party	New rule equivalent to rule 27A
39A	Retailer to give distribution injection point trading notice to allocation agent	New rule similar to rule 39

The proposed definition of a distribution injection point makes these points distinct from gas gates, recognising that they will be supplementary points of supply to existing distribution systems. We consider this the most sensible approach, bearing in mind that most gas gate names are synonymous with their downstream networks.

Gas Industry Co will determine appropriate identifier codes for distribution injection points (rule 44 of the Switching Rules), we suggest using the gas gate code (to help identify the network it is connected to) followed by a unique suffix eg GTA03610-A01. This will be the subject of further consultation and determination.

The distribution injection party is defined as the person injecting gas at a distribution injection point and is responsible for metering, determining gas composition, and supplying information to the allocation agent, including which retailers have taken receipt of gas at the injection point. We expect that the party that has the interconnection agreement with the distributor is the most likely candidate for distribution

injecting party, but we also recognise that in reality there may be multiple parties involved in this chain, and we invite feedback on whether this definition can be improved.

We have amended the definition of retailer to also include a consumer that receives gas at a distribution injection point or allocated gas gate. This is based on recent experience that the traditional producer-retailer-consumer relationship does not account for new commercial models and we want to ensure that any party receiving gas through a distribution injection point is covered by the obligations in the Reconciliation Rules.

We have also amended some definitions and rules that currently refer to gas gates where they should more properly refer to distribution systems, for instance in the definition of UFG.

5.3 Gas composition for networks with distribution injection points

Rules impacted

Rule	Title	Topic
Switching Rules		
n/a		
Reconciliation Rules		
27B	Determination of gas composition values	New rule for gas composition
27C	Publication of gas composition values for distribution system with distribution injection points	New rule for gas composition
27D	Publication of gas composition values for allocated gas gates	New rule for gas composition
27F	Industry body to publish guidelines for determination of gas composition for networks with distribution injection points	New rule for gas composition

In the Recommendation to the Minister we identified the need for determining gas composition on networks with distribution injection points, where co-mingling of gas can occur. The drafting introduces the requirement to perform this task in rule 27C but, per the Recommendation, maintains optionality regarding who performs the role (either Gas Industry Co or the allocation agent) and regarding the exact methodology for calculating the blended values, which we propose (in rule 27F) will be set out in a guideline.

There is a connection with NZS 5259:2015, the New Zealand Standard for Gas Measurement, which contains accuracy requirements for the direct measurement of calorific value. The foreword to NZS 5259 notes that while the Standard addresses measurement of calorific value it does not specify how CV measurements are processed to deal with the co-mingling of different gas types. It recommends that this subject matter is best dealt with through a Gas Industry Co guideline.

The rule drafting includes obligations on all parties injecting gas into a distribution system to make daily gas composition data available for the injected gas. This provides the input data for the determination in rule 27C.

For distribution injecting parties, there is a requirement in rule 27C to submit daily data to the party responsible for determining the blended values.

For the transmission system owner, we expect the existing mechanism – publication of gas type data on OATIS – to be sufficient for the purposes of rule 27C but have added rule 27D to make sure there is a timeliness requirement within the Reconciliation Rules for provision of this information.

We invite feedback on whether a hard deadline (as drafted) is appropriate or whether to use a determination process to provide more flexibility in the timing (consistent with the deadlines for D+1 submissions and publication).

5.4 Amendments to allocation methodology

Rules impacted

Rule	Title	Topic
Switching Rules		
n/a		
Reconciliation Rules		
41	Provision of daily injection information for initial, interim and final allocation	Amendments for distribution injection points
42	Provision of daily injection information for D+1 allocation	Amendments for distribution injection points
43	Allocation agent to use estimates	Amendments for distribution injection points
44A	D+1 allocation methodology	Amendments for distribution injection points
45	Global method of allocation	Amendments for distribution injection points
46	Calculation of UFG factor	Amendments for distribution injection points
53.4	Allocation agent reports	Amendments for distribution injection points
Sched 2	Allocation in zero consumption situations	Amendments for distribution injection points

In the simplest terms, the allocation process scales network consumption reported by retailers (by the application of UFG factors) to equal network injections.

Adding distribution injection points does not change consumption on the network, or how it is determined or reported by retailers, but, by definition, it (i) impacts network injections and (ii) introduces the need to identify the amount each retailer on a network is deemed to have taken from each injection point including the gas gate.

For (), the approach to dealing with distribution injection points in the allocation methodology is as follows:

- We have defined *total distribution system injection quantities* (the sum of gas gate injections and distribution injection points on a network). On each day, the aggregated allocated volumes must match the total distribution system injection quantity
- For allocation groups 1, 2, 3 and 5, there is no change to the allocation methodology (except those discussed in the AGMI section), they have the annual UFG factor applied to the consumption volumes
- The next step is the calculation of the monthly UFG factor and the gas gate residual profile. Both of these formulae (and the G1M monthly UFG factor) now use total distribution system injection quantities instead of gas gate injection quantities

- The rules for applying the monthly UFG factor and profiling to determine allocation group 4 & 6 allocated quantities and any subsequent scaling under rule 45.2.7 are unchanged

The result of these steps is a set of retailer allocated quantities that equate to the total injections into the distribution system.

Determination of network receipt quantities

To address point (ii) above, each retailer's allocated quantities have to be reconciled against the network injection points, including the gas gate. Most importantly, this is to ensure that Firstgas has the information it needs to perform BPP and transmission billing, and that retailers are charged fairly for the gas they have transmitted.

The principle we have applied in adapting the allocation methodology to include distribution injection points, is that the allocation process will not determine a retailer's receipt quantity at a distribution injection point. This contrasts with quantities received from the transmission system at allocated gas gates (ie Delivery Quantities under the GTC), which, by definition, are the allocation results determined by the allocation agent.

For distribution injection points, we propose (in rule 42.2) that the distribution injecting party provides the allocation agent with the metered quantity injected on a day and, in addition, for each of the retailers receiving gas at that point, their share of that metered quantity. The allocation agent takes these numbers as given; they are not altered by the allocation processes in the Reconciliation Rules.

To ensure that everything balances, the consequent amendment to the global method of allocation (rule 45.2.9) is that once a retailer's allocations on a distribution network have been determined, the *gas gate* allocated quantity is its network allocated quantity less any gas it has received at distribution injection points on that network for a day.

This approach ensures that aggregate gas gate allocations match the metered quantity flowing through the delivery point each day. It also ensures that retailers who only ship gas via the transmission system will not be impacted by distribution injections, since their gas gate allocated quantity will be the same as their network allocated quantity.

Another characteristic of this approach is that any 'distribution injection imbalance' – the difference between the amount that a retailer expects to receive from a distribution injection point and the amount that it actually receives – will be deemed to have been supplied from the gas gate.

For example (assuming no UFG) a retailer has consumers using 500GJ per day on a network, 100GJ of which is normally supplied from a biomethane producer. The gas gate allocation is $500\text{GJ} - 100\text{GJ} = 400\text{GJ}$ per day. If the biomethane producer has an outage for a day and the retailer's consumers still use 500GJ, then all 500GJ will be allocated to the gas gate for the day (the retailer has taken an extra 100GJ from the transmission system).

Importantly for the transmission system owner, the converse scenario could also occur: on a warm day, the retailer's customers only use 50GJ but it still receives 100GJ from the biomethane producer. The gas gate allocation is then $50\text{GJ} - 100\text{GJ} = -50\text{GJ}$. We suggest that the transmission system owner could treat this as a receipt of 50GJ of gas into the transmission system and, further, that this mechanism could be used by retailers who wish to buy renewable gas on one network and 'deliver' it to a consumer on another network. We invite feedback on this concept.

One essential component to this approach is that every retailer has to have a use of system agreement on any network where it receives gas at a distribution injection point (rule 39B), whether it has consumers on that network or not. It must also have a transmission services agreement with Firstgas for the transmission pipeline serving that network.

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.

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