

## Statement of Proposal: Changes to Gas Governance Arrangements

Submission prepared by: Greymouth Gas New Zealand Limited – Chris Boxall, Commercial Manager

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Preliminary Comments	Greymouth is encouraged to see good progress being made towards the changes that will be needed to gas governance arrangements to support a sustainable gas transition. Greymouth supports GIC's approach of co-ordinating related workstreams to achieve an efficient and pragmatic approach to making these changes.
	Greymouth considers this process would be best served through industry co-operation and collaboration, including workshops where appropriate. In this context, it requests that if the responses to this consultation reveal a divergence of views, the GIC allow for cross-submissions.
	Good faith co-operation will be required across industry to achieve a sustainable transition. Greymouth is concerned about the approach First Gas has adopted in respect of its own workstreams which affect the operation and efficiency of industry systems and arrangements. For example:
	<ul> <li>It has materially increased transmission prices but has been reluctant to address pricing issues raised by concerned industry participants.</li> <li>It appears focussed on progressing its aspirations with respect to Hydrogen and Biogas without having due regard to the commercial, regulatory and safety impacts on other industry participants.</li> <li>It has advised industry that OATIS has an expected remaining life of approximately 6 years but has not engaged with industry to develop a replacement – which will likely</li> </ul>

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	involve significant code changes. This is of concern, given the lengthy (and ultimately failed) GTAC process.  Greymouth considers these matters require proper consultation with industry and wishes to know whether and how GIC intends to address both the issues themselves, and (in respect of the current consultation) First Gas' prima facie reluctance to constructively engage with industry about industry matters.
<ol> <li>Do you support the proposals in Section 4 (Capturing and maintaining registry information)?</li> </ol>	
<ul> <li>Add two new meter owner fields to the registry re meter type and AGMI communicating</li> </ul>	Greymouth has no objection to this proposal. It is not presently involved in AGMI.
ii. Amend rules 58.1 and 61.1 to improve clarity and consistency of ICP update timeframes	In principle, Greymouth supports amending rules 58.1 and 61.1 to improve clarity and consistency. However, very little detail has been provided about how this is proposed to be achieved. It is expected there will be a further opportunity to provide feedback on the exact wording of the proposed amendments.
iii. Introduce a two-tier framework for assessing compliance with update timeframes	In principle, Greymouth also supports a two-tier or tolerance provision. As above, this is subject to review of the exact wording to be proposed. There should also be a materiality/de minimis and discretionary provisos to accommodate situations that fall just outside the prescribed parameters. For example, a party who updates 98% within 5 business days and 99% before 20 business days, but only reaches 100% on the 21st or 22nd business day, should not be subject to adverse comment or consequences.
iv. Introduce a new definition for distribution injection points	In principle, Greymouth supports the introduction of an obligation on distributors to give notice of any new injection point. However, it questions whether the Switching Rules is the right location for such an obligation, as the purpose of the rules is to "enable consumers to choose, and alternate, efficiently and satisfactorily between competing retailers".
	GIC is correct that distribution injection quantities will affect downstream reconciliation. As such, the Gas (Downstream Reconciliation) Rules 2008 would be more appropriate to

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		include this requirement. As an aside, GIC is incorrect to say that retailers need to know where delivered gas comes from if gas quality is within specification and only <i>energy</i> is reconciled.
	troduce an obligation on distributors to give notice a new distribution injection point	Wherever this obligation is introduced, Greymouth submits that standard industry wording should be used – i.e. use of receipt and delivery concepts should be used.
	stributor must populate details of the network ection point	As above.
wh	ease provide comments and feedback, including nether there are additional changes that Gas dustry Co should consider	<ul> <li>First, current arrangements must be made fit for purpose – i.e.:</li> <li>A field for retailer should be added to the gas registry. Currently, the gas registry has no such field (it only records the responsible retailer – i.e. the party responsible for updating the relevant fields). Many just assume that the responsible retailer is the retailer for that ICP, but that is not necessarily true for related parties.</li> <li>A field for shipper should be added to the gas registry. Currently, the gas registry has no record of this. Given behind-the-scenes 'tagging' is required to translate downstream rules' outputs (re responsible retailers) to transmission system processes (re shippers), it would be more efficient to understand who the shipper is and reconcile accordingly.</li> <li>Other changes to the Gas Governance (Critical Contingency Management) Regulations 2008 ("critical contingency rules"), switching rules and downstream rules will be required, as will drafting reviews to ensure that the right term is used (retailers supply (not deliver) gas; shippers deliver (not supply) gas). Also, it is no longer appropriate for legislation to assume that retailers and shippers are the same (e.g. r65 and 66 of the downstream rules) when retailers and shippers have had split arrangements for many years, including re non-related parties.</li> <li>The Gas (Safety and Measurement) Regulations 2010 ("gas safety rules") should also be reviewed by the appropriate party, with industry / GIC input. Currently there are gaps</li> </ul>

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vis-à-vis responsibility for gas quality and those gaps will widen if/when multiple product / retailer arrangements are introduced.
Without resetting the current structures, it will be difficult if not impossible to make forward-looking changes.
Second, future arrangements must be provided for – i.e.:
<ul> <li>There should be multiple fields for retailer and shipper added to the gas registry. More than one retailer could soon supply different gas products to a consumer at different points of supply, shipped by itself or using one or more shippers.</li> </ul>
<ul> <li>Other changes to the critical contingency rules, switching rules and downstream rules will be required, e.g. including the allocation methodology for energy quantities if there are multiple retailers and/or shippers, e.g. if a consumer buys some natural gas and some biogas (or does GIC intend for its legislation to limit competition?), how switches and partial switches work (we think shipper switches should be required), and clarifying responsibility for critical contingency directions when consumers are supplied / delivered by multiple retailers and/or shippers.</li> </ul>
<b>Third</b> , a field should be added for the address of the gas metering, as that address is not necessarily at the same address of the factory.
Greymouth supports this proposal subject to its comments on question 5.
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iii.	Require all consumer installations that have (or are expected to have) annual consumption greater than 20 TJ to have a TOU meter with telemetry installed and be assigned to allocation group 1	Greymouth supports this proposal, although retailers / shippers should not be punished for long-lead times, technological limitations or problems in specific areas, or an inability to find service providers to give effect to this. Greymouth has exceeded these proposed requirements for many years.
iv.	Retailers must provide daily metered energy volumes to the allocation agent each day for all ICPs in allocation groups 1, 3 and 5	Greymouth does not support this proposal for AG1 consumption. Retailers do not control when data is received – the parties in control are the metering owners, or meter data conversion service providers. One of these parties should have the obligation to provide AG1 data to industry, thus replicating what happens at present. That aggregation will also be more efficient than every retailer replicating the same function in-house. There is also the potential to go further in the aggregation space and centralise demand data conversion at various allocation group levels.  Whomever supplies the data should have a reasonable endeavours obligation that recognises technological limitations and other priorities – e.g. it is common for there to be some AG1 missing data on any given day. The need to supply data on non-business days should be subject to First Gas providing the relevant data back to industry on those days. Supply of AG1 data should not be optional, but nor should it be onerous, yet nor should parties be punished for things outside their control.
v.	Determine an appropriate file format for retailers to submit daily AGMI data to the allocation agent	No comment.
vi.	Validated injection and daily-reconciled consumption data must be produced seven days per week	Greymouth does not support this proposal unless and until First Gas provides its GTC data 7 days per week. Retailers do not have the resources to validate consumption data 7 days per week to the standard expected during the initial allocation process every day, so First Gas' participation in a 7-day D+1 model (by providing 7-day GTC data) would be critical to its success. Greymouth would support an AG1 validation standard that passes the meter owner's daily validation checks, not the retailers' billing quality / initial allocation checks.

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Vii.	Please provide comments and feedback, including whether there are additional changes that Gas Industry Co should consider	Putting "D+1" into the Downstream Reconciliation Rules is somewhat pointless unless systems to support D+1 are added to industry codes. Rather than delay its work while waiting for First Gas, GIC could put a few regulatory safeguards and system requirements into the Downstream Reconciliation Rules that direct general areas in the GTC, without expressly codifying those areas or their detail. Greymouth sets this out further in its feedback on question 6.  Coming up a level – and further to the introduction – it is disappointing that GIC seems to assume that First Gas will play ball here when First Gas has lacked D+1 system development leadership for many years. Greymouth doubts whether First Gas will improve its part of the system to the standards that a reasonable and prudent retailer / shipper would expect in post-pilot arrangements, particularly when the GTC change request process gives First Gas veto rights. Why does GIC think First Gas will deliver better system outcomes contemporaneously with GIC's proposed changes to the rules? Does GIC have that commitment (not a commitment to 'consider') from First Gas in writing?
	Do you support the proposals in Section 6 (Energy conversion)?	
i.	Broaden the obligation to demonstrate compliance with NZS 5259:2015 to capture (a) all allocation participants and (b) all aspects of the standard	Greymouth is surprised to see a 5259 proposal when that is reviewed in detail during regular audits under the downstream rules. Further, as GIC says that the other obligations it wants to include in the downstream rules are already partially provided for in other legislation, an expansion of the 5259 requirements in the downstream rules would require co-ordinated changes to the other legislation. Further, GIC will find it difficult, if not impossible, to make any party providing information used for measurement / conversion in 5259 comply with 5259 itself because those parties may not be industry participants. Something similar was considered recently by another authority who wanted to go beyond their jurisdiction into the realm of gas participants, and that proposal failed. Also – contrary to what GIC alludes – WorkSafe does liaise with industry from time to time, e.g. in recent years it surveyed odourisation arrangements.
ii.	Introduce the requirement to use GIC-published temperature data for temperature correction or	Greymouth supports this proposal. For many years before GIC published data Greymouth was using daily temperature data sourced from reputable meteorological sources.

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	otherwise be able to demonstrate compliance with NZS 5259:2015	
iii.	Require GIC to refresh temperature data at intervals not exceeding ten years	Greymouth does not support this proposal. With climate change and more short and long run temperature and climatic swings, ten years seems too long. One year would be more appropriate – but why don't other retailers use daily temperature data like us (which only needs to be sourced monthly for initial allocation purposes)?
iv.	The transmission system owner must publish validated gas composition data seven days per week	Greymouth supports this proposal. However, it needs to be more specific, e.g. where must validated gas composition data (the % of all molecules measured in the gas which then give rise to calculations including calorific value) be published, on what interval, if the interval is greater than what the technology can measure what is the averaging basis, and which parts of gas composition are required? There should be a measurement point after the last receipt point on all pipelines and between receipt points if there are consumers between those points. Also, given the discussion on biogas, distributors should be required to publish this data too if there are distribution injection points on their network.
V.	Develop appropriate roles and procedures to ensure retailers have all the information required to measure energy consumption for their customers on networks with distribution injection points	Greymouth does not understand this proposal – there is not enough discussion or explanation as to roles and procedures.
vi.	Please provide comments and feedback, including whether there are additional changes that Gas Industry Co should consider	No further comment.
	Do you support the proposals in Section 7 (Allocation stages)?	
i.	Incorporate the D+1 allocations into the Reconciliation Rules, allowing for changes to the timing of the morning and afternoon publication deadlines	Greymouth supports this proposal subject to its comments on questions 2 and 5.  Obligations on retailers / shippers should be reasonable. Greymouth also considers that GIC's use of the special allocation process is past its use-by date.

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ii.	Do not implement any changes to the timing of the initial or interim allocations at this stage	Greymouth supports the idea of not making major changes at present (already a lot of changes are proposed) while being open to reviewing / reconsidering that in the future (because more timely wash-ups would be good in principle). However, Greymouth often finds the existing fourth business day allocation agent deadline tight due to the time required for it and industry to validate the metering data – even just moving that to the fifth business day would help.
iii.	Please provide comments and feedback, including whether there are additional changes that Gas Industry Co should consider	Greymouth would like to see either a rule or acknowledgement regarding energy billed to consumers. The obligation on industry should be for consumers to be billed actual billing quantities, which for AG1 sites could reflect initial allocations (notwithstanding D+1) or D+1 that is then washed-up at the interim stage. We are not aware of issues in this space but consider it an important point to make as pilot arrangements progress towards permanency.
	Do you support the proposals in Section 8 (Allocation methodology and UFG)?	
i.	Maintain the current approach for UFG allocation (a combination of AUFG, MUFG and G1M MUFG) as the prevalence of AGMI and telemetry increases but continue to monitor UFG levels and causes	GIC has not done enough work here because there is no current AGMI approach to maintain. Greymouth considers there needs to be co-ordination between GIC and the Commerce Commission as to expectations around the responsibility for losses of natural gas from a regulatory and compliance perspective.
		GIC has never properly reviewed its UFG arrangements since the current Part 4 regulation of gas pipelines took effect. It would be timely to assess whether it is consistent with that framework to allocate UFG to retailers/shippers and address the consequences if it is not. In any event, Greymouth supports continuing to monitor UFG levels and causes.
ii.	Modify the standard and G1M allocation methodologies to provide for AGMI data in allocation groups 3 and 5	The consultation contains some inconsistent statements. For example, it says that "it is impossible for a retailer to separate out the gas consumed by injection source" but that "it is essential that … injection and consumption of renewable gases are transparent and have integrity". Those statements are contradictory. Some other examples include:
		- Where is the evidence that renewable gas will attract a premium?

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iv. Incorporate the D+1 allocation methodology into the reconciliation rules	<ol> <li>Greymouth supports this proposal in principle subject to the following changes (which are required to make the pilot arrangements robust and permanent):</li> <li>The downstream rules should require that industry codes cannot apply any cash-outs on any days when industry has not received data before 1.5 hours before the last intra-day cycle (including on non-business days). That will improve system integrity, efficiency, and fairness and encourage First Gas to provide industry with data 7 days per week.</li> <li>The downstream rules should provide an ability for retailers / shippers to dispute allocation agent outputs in case of material errors that were not picked up by the allocation agent, allowing the allocation agent discretion or obligation to call a non-business day (with a guideline note developed).</li> <li>The downstream rules should require that industry codes provide an ability for retailers / shippers to dispute First Gas outputs in the case of material errors, with non-business days mandated for industry if a retailer / shipper, acting reasonably, considers there to be a material error. At present there is nothing stopping adverse balancing outcomes.¹ Industry code wash-ups are inadequate compensation for material loss or opportunity loss when the wash-ups create unreasonable and imprudent real-time balancing positions for shippers. This is a demonstrable risk because things keep slipping through the cracks (e.g. in 2022 Ballance gas gate demand was missing for circa two weeks,² in 2021 non-direct connect but First Gas-metered AG1 data in Whakatane went missing over New Years, and in 2017 a 7 TJ Ballance error went through the process and a sub-optimal ROIL multiplier solution was applied (which is never a certainty under the codes)). A safety net is therefore required under the GTC.</li> </ol>

<sup>&</sup>lt;sup>1</sup> E.g. A – allocation agent's numbers are fine, but First Gas includes direct connect estimated full flow when the site is on maintenance – impact: 20 TJ extra demand, 20 TJ short balancing position for a shipper at 4.30pm with no spot gas available on the market (what should the shipper do?). B – allocation agent's numbers are fine, but First Gas includes direct connect estimated flow at zero when the site is on full flow – impact: 20 TJ less demand, 20 TJ long balancing position for a shipper at 4.30pm which will flood the market (if it can accommodate the gas) and cause opportunity cost to the shipper (what should the shipper do?).

<sup>&</sup>lt;sup>2</sup> That the site was on maintenance was of little comfort from a process perspective.

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	4. The downstream rules should require that industry codes always have arrangements in place that catch, add-value, and pass allocation agent data to shippers (re cash-outs and balancing positions). This is to mitigate the risk that First Gas' obligations are terminated at short notice. At present, the D+1 MBB pilot part of the GTC can be terminated by:
	<ul> <li>First Gas "at any time for any reason whatsoever [on potentially just 20 Business Day's notice]".</li> <li>Shippers if 75% or more of shippers supply a notice in writing to First Gas.</li> </ul>
	This termination risk (a function of the pilot arrangements) must be removed if the D+1 part of the downstream rules is to be robust and permanent. If not, then it is possible that the downstream rules will become dysfunctional with the GTC and industry systems. The downstream rules need to remove this risk because failure to do so would mean that improving one half of an interrelated system but not the other would not meet the fit for purpose test of good legislative design. <sup>3</sup>
	5. The downstream rules should require that industry code D+1 arrangements cannot permit shippers to indemnify consumers or third parties. Such terms should not be effectively sanctioned under rules that want to firm up pilot arrangements.
	<ol> <li>The downstream rules should specify timings including what happens operationally if those are not met on any day and if something materially wrong happened with the model for either a short or long time.</li> </ol>
	7. The downstream rules should give the option for retailers / shippers to supply estimated consumption data where actual data is missing and should require that to be factored into the allocation agent's model.

<sup>&</sup>lt;sup>3</sup> https://ldac.org.nz/guidelines/legislation-guidelines-2021-edition/early-design-issues-2/chapter-1/

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		8. The downstream rules should introduce a minimum level of prescription about the allocation methodology / regression model sufficient for it and industry to be able to hold the allocation agent to account. While improving the accuracy of the models without changing the rules is a good idea, that needs to be balanced with the need for there to always be a robust and accurate model.
		9. The downstream rules should state what factors, if any, are applied to consumption ordinarily allocated G1M factors at the initial allocation stage (and workshop options) and require that methodology to be published so that shippers can factor that into their own balancing / forecasting models.
		10. The downstream rules should add a rule requiring regular audit of the allocation agent vis-à-vis its part of the D+1 process (retailer / shipper obligations would fall under existing audit provisions and, while not perfect, First Gas can be audited under the GTC).
v.	Separate the calculation of the GGRP and SADSVs	No comment.
vi.	Allow calculation errors in the SADSV to be corrected at the next scheduled allocation	No comment.
vii.	Please provide comments and feedback, including whether there are additional changes that Gas Industry Co should consider	GIC should address problems with its existing regression model. E.g. it seems wrong that retailers supplying a new AG4 customer will not get allocated that demand for the first month after the switch date (because there is no data in the system for that retailer and ICP, from which to do modelling). That could be material at scale.  Also, as industry is looking for a systems solution, First Gas' D+1 systems should be audited under the GTC (have they ever been?) to search for more learnings and obtain high-level comfort on the direction of system development. A shipper could direct that audit, but perhaps GIC could pay for that given it would be related to legislative / system development.
		Further, the current omnibus should consider whether hydrogen qualifies as UFG, for the purposes of the Te Horo trial (an outstanding matter from a 2023 consultation).

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	you support the proposals in Section 9 (Maintaining tract & customer information)?	
i.	Require volumes transacted for distribution injection points to be assigned to a contract ID	Greymouth does not support this proposal. Why is it vital to track title when that does not happen at present and when GIC thinks it might be impossible? If required under other industry initiatives like certification schemes (which we reserve position on until we see the proposal) then further changes can be progressed at that time. As GIC says, such a scheme is possible not probable therefore the proposal does not meet the fit for purpose test of good legislative design. <sup>4</sup> NB: Contract IDs (and MPOC nominations) only work because they are part of transmission system balancing arrangements.
ii.	Require retailers to notify the allocation agent of customer, contract and consumption information that is pertinent to D+1 allocations	This proposal is contradictory because it requires accurate and up to date information in circumstances expressly contemplated to lack accuracy and up to date information. What the proposal should say is that when AG1 data is not available, retailers can choose (but not be required) to send in estimated (not actual) consumption information, and if so that should be based on internal modelling or be customer nominations or be based on other customer information (with the justification stated). Greymouth would support that. Notifying the allocation agent of customer and contract information (which information?) seems to serve little point as ICPs will be tagged to the relevant participants anyway in the gas registry.
iii.	Please provide comments and feedback, including whether there are additional changes that Gas Industry Co should consider	Greymouth considers that more interplay with the switching rules is required relating to AG1 (and AGMI) switches. While switches are being processed there is often a 2-4 day lag between the effective date and the date that the switch is approved in the gas registry (which flows through to the allocation agent's D+1 model). Currently the allocation agent requires the agreement of the retailers to tag demand to the right retailer notwithstanding the temporary inaccuracy of the gas registry. Greymouth proposes rule and system changes such that if the effective date has passed but the switch is still in progress, demand should automatically be allocated to the retailer that is in the process of winning the switch. That will improve efficiency and reduce risk.

<sup>4</sup> ibid

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technical changes)? Do you agree that these issues are minor and technical?  gain process of the second sec	Greymouth supports the following proposals which it considers to be minor and technical: r46A (DR) – UFG timings, r65 (DR) – option for narrow audits, r46 (DR) – UFG for amended gas gates, r30/41 (DR) – re Pauatahanui 3 etc., various (DR) – also consult with allocation agent, r5.2 (SW) – Matariki (but please also add regional anniversary days where allocation participants' head offices are located), r76.2 (DR) – accuracy in switching notice withdrawals, r25.3 (DR & SW) – reference to amounts payable.  Greymouth is not clear what the proposal for r43 (DR) is: "[just] consequence of not responding to UFG queries". Same for r72.2 (SW) which just seems to stipulate the current switch date rule.  Greymouth does not support the following proposals which it considers to be minor and technical: r75.1 (SW) – when a switch may be withdrawn (the logic is circular, and the reasons for the change have not been discussed), r61.1 (SW) – removal of "becoming aware" in order to update information (epistemologically, one cannot update information if one is not aware so removal of those words won't remove the test for them to first be aware), r91.3 (DR & SW) – to provide timely information to the auditor (this goes without saying, but if progressed, timely from the perspective of whom? During the last six years industry often received dis-coordinated multiple requests for information and feedback at any given time. Progressing a vague term also runs counter to GIC's logic to specify other proposals), and r72.1.3 (SW) – to provide reasonable estimates not just estimates (splitting hairs).  Greymouth does not support the following proposals which it does not consider to be minor and technical:  - r25/26 (DR) – GIC to decide file formats (we understand that network file formats are guidelines at present and should remain so for cost minimisation reasons).  - r47, 48 & Part A Schedule 1 (SW) – loss factor codes for network billing purposes (Greymouth is concerned that some distributors gross-up already allocated demand for further lo

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	i.	Please provide comments and feedback, including whether there are additional changes that Gas Industry Co should consider	<ul> <li>should audit this by way of information requests from distributors and consultation with industry before this change is progressed).</li> <li>r72.1 – accuracy of information in switching notices (while that is prima facie a good idea, the existence of so many superfluous fields (and workarounds required) for TOU switches should require that the information requirements for TOU switches is made fit for purpose before that rule is changed).</li> <li>Greymouth would like to see either a switching rule introduced so that losing retailers cannot change the ICP contract status to uncontracted just before a switch away, or a system change so that if losing retailers do that then it only affects the period from then until such time as there is a new retailer. Greymouth has been adversely affected here twice recently – once it was picked up quickly with no impact, but the other time we think it had a delayed impact on our D+1 allocations (when it was then picked up and promptly fixed). This should prevent erroneous demand allocations for ICPs with incorrect contractual status noted on the gas registry.</li> </ul>
8.	Do you change	support the proposals in Section 11 (Non-regulatory s)?	
	i.	Allow approved non-industry participants access to an ICP lookup API	There is no discussion about the Privacy Act, nor how GIC will control access to APIs once that information is 'out there'. Absent this – Greymouth does not support the proposal. Wider uncontrolled access could also pose physical and financial risks for vulnerable persons if the information went into the wrong hands.
	ii.	Allow use of the GIEP Exchange for GAA submissions/reports	Greymouth supports this proposal so long as it does not replace the existing way of doing things.
	iii.	Make improvements to gas registry security	Greymouth supports 90 days for passwords, and increased security, but the parameters are becoming so complex that passwords require writing down.
	iv.	Introduce a D+1 run report	Greymouth supports this proposal.

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v. Please provide comments and feedback, including whether there are additional changes that Gas Industry Co should consider	No further comment.