



Consultation on monthly meter read requirements for allocation group 4 ICPs

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Gas Industry Co.



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1. Introduction

The purpose of this paper is to consult with retailers regarding the meter read requirements for customers with non-TOU meters and an annual consumption from 250GJ to 10TJ, currently referred to as allocation group 4 (AG4).

Gas Industry Co invites feedback on this paper from all retailers to help inform whether the existing monthly read requirement is still appropriate for AG4 customers. We will also need to consider any impacts on consumers.

Submissions are due by 14 June 2024, should be emailed to consultations@gasindustry.co.nz, and may be amended at any time prior to the closing date. Submissions will be published on Gas Industry Co's website after the closing date. Submitters should discuss any intended provision of confidential information with Gas Industry Co prior to submitting the information.

We are happy to meet with any stakeholder who wishes to discuss the consultation paper in more detail.



2. Background

According to the Gas (Downstream Reconciliation) Rules 2008, retailers must perform monthly readings on Allocation Group 4 (AG4)¹ ICPs. These ICPs have a yearly consumption range of 250GJ to 10TJ and are equipped with non-TOU meters. Recently, there has been a lack of consistency in retailer compliance with the monthly meter reading requirement, as indicated by informal retailer feedback and recent audit results.

In light of this non-compliance and a noticeable increase in unaccounted-for gas (UFG) throughout the transmission system, Gas Industry Co conducted a comprehensive assessment of one retailer's meter read attainment for their AG4 customers. This assessment aimed to examine the relationship between missed monthly reads and UFG.

The findings revealed that short-term UFG can occur during initial or interim allocation stages if readings are missed. However, if a reading is obtained before the final allocation stage (i.e. within the washup window), all volumes are accounted for, and there is no significant impact on long-term UFG.

Considering the minimal impact of non-compliance with this rule on long-term UFG, it raises questions about the continued appropriateness of the monthly meter reading requirement. To help inform our perspective, we seek feedback from allocation participants regarding monthly read requirements for AG4.

¹ This group of gas consumers makes up more than 5,500 ICPs which consume around 5TJ per annum, or 10% of total injections.



3. Current meter read requirements

3.1 Meter read requirements for AG4

Allocation group 4 (AG4) are ICPs with non-TOU meters and an expected annual consumption from 250GJ to 10TJ, typically serving smaller commercial customers. They are defined under the Gas (Downstream Reconciliation) Rules 2008 as ICPs where the daily gas quantities are determined by application of the gas gate residual profile to monthly gas quantities taken from register readings² that are required under rule 29.4.2 to be recorded monthly.

In contrast, electricity does not have a monthly read requirement for equivalent meters. However, there are specific read requirements for non-half hour meters, with intervals of 4³ and 12⁴ months. These requirements align with the read requirements for residential gas meters, which fall under Allocation Group 6.

3.2 Why monthly reads were put in place for AG4

Allocation group 4 ICPs are required to undergo a monthly physical reading due to their larger size and more diverse gas consumption profiles in comparison to residential customers.⁵

In the absence of a monthly read, estimated volumes are submitted as consumption data. Regular monthly reads enhance the accuracy of submissions under the Gas (Downstream Reconciliation) Rules 2008 which minimises customer billing volatility, especially for challenging-to-predict loads.

In the short term, if a month's consumption is estimated, the discrepancy between the actual and estimated consumption contributes to unaccounted-for gas (UFG). The credit associated with any over submission and cost associated with any under submission in each month will be shared proportionally among the non-TOU retailers trading at the gas gate.

In the long term, if a read is received before the final allocation, total differences between estimated and actual consumption over the read-to-read period will wash out. However, there may still be differences between the actual consumption for each month, and the portion of consumption allocated to each month within the read-to-read period.

The consumption period that consumption is allocated to impacts a retailer's wholesale and transmission charges for the relevant period. This is because allocations are a zero-sum game, any under- or over-submissions by a retailer translate directly to positive or negative UFG for that month. The impact of this on other retailers will vary depending on the volume difference between the estimated and actual consumption, the proportion of load each retailer is responsible for at the gas gate, and that retailer's own contractual arrangements.

² Register reading means the number displayed by a meter register or corrector register at a particular date in time, and that represents the volume of gas recorded by the register over a certain period

³ Electricity Industry Participation Code 2010: Schedule 15.2, 9 (1)

⁴ Electricity Industry Participation Code 2010: Schedule 15.2, 8 (1)

⁵ The Reconciliation Code, the industry agreement which preceded Gas Industry Co's rules, had a more stringent requirement that AG4 sites must be read at or close to month end. Monthly-read obligations have therefore been the industry norm for well over 20 years.

If regular monthly reads are received, timing differences which can affect the above points will wash out more quickly, and the differences between the estimated and actual consumption will be smaller.

3.3 Costs associated with reading AG4 monthly

Retailers incur costs when reading meters for AG4 ICPs on a monthly basis, which include agreements with meter reading providers to visit customer sites monthly and the necessary back-office systems and staff to support the monthly meter reading processes.

We acknowledge that the implementation of advanced gas meters for residential consumers, and the possibility of extending this to AG4 consumers in the future, will result in a decrease in the number of gas consumers subject to physical meter reads.⁶ Consequently, UFG associated with estimation processes should diminish over time as the pool of consumers subject to physical meter reads decreases.

The reduction in the number of consumers subject to physical meter reads may also have consequences for retailers who must maintain meter reading resources for a smaller number of consumers. We expect that the frequency of meter reads for these AG4 consumers will impact the cost of serving them.

⁶ Gas Industry Co has already proposed within its *Statement of Proposal Changes to Gas Governance Arrangements* that those AG4 customers who get meter upgrades to advanced gas meters be shifted to allocation group 3 (AG3).



4. Alternative options

Gas Industry Co is evaluating the suitability of the current mandate for monthly meter readings for AG4 ICPs. This includes a review of the potential alternative options and we welcome input from allocation participants regarding each option, including their respective advantages and disadvantages.

Please note that:

1. The costs and benefits associated with each option are based on the assumption of full compliance by retailers with the relevant option.
2. Although the benefits and costs for options 2 and 3 are identical, we anticipate that the actual benefits and costs for option 2 will be higher.

Option	Amendments to monthly read requirements for allocation group 4	Benefits	Costs
1	No change (i.e. keep monthly reads in place)	Higher accuracy of consumption information and therefore lower UFG in the short-term. Reduced potential impact on retailers' wholesale and transmission charges. Closer alignment of consumer bills with actual consumption. May provide incentives to invest in advanced meter technology.	Potential compliance costs for retailers. Higher costs associated with obtaining monthly meter reads and increased cost of serving these consumers.
2	Align with allocation group 6 ⁷ (i.e. 90% reads every 4-months)	Lower costs associated with obtaining less frequent meter reads and lower cost of serving these consumers.	Lower accuracy of consumption information and therefore higher UFG in the short-term. Greater potential impact on retailers' wholesale and transmission charges. May not provide incentives to invest in advanced meter technology.

⁷ Rule 29.5: Every retailer must ensure that a validated register reading is obtained at least once every 4 months for 90% of the consumer installations with non-TOU meters to which the retailer has continuously supplied gas for the previous 4 months.

			Less alignment between consumer bills and actual consumption
3	Between AG4 and AG6 (i.e. bimonthly)	Lower costs associated with obtaining less frequent meter reads and lower costs associated with serving these consumers.	<p>Lower accuracy of consumption information and therefore higher UFG in the short-term. Greater potential impact on retailers' wholesale and transmission charges.</p> <p>May not provide incentives to invest in advanced meter technology.</p> <p>Less alignment between consumer bills and actual consumption.</p>

Gas Industry Co does not have a preference on the above options.

Critical to our assessment of these options is balancing how we minimise UFG while keeping acceptable costs to serve consumers through regular meter reads.

We are requesting input from allocation participants to determine if the original justification for monthly meter readings for AG4 consumers under the Gas (Downstream Reconciliation) Rules 2008 remains valid, or if there is potential to ease the current reading obligations for allocation group 4 ICPs in order to decrease the costs linked to serving these consumers.



Questions

Consultation on monthly meter read requirements for allocation group 4 ICPs

Submission prepared by: <company name and contact>

Question	Comment
Could less frequent meter readings result in delays in detecting and addressing metering problems?	
What are the costs involved in reading meters for AG4 consumers? Would these costs vary under the different options presented in this document?	
Are retailers ok with short term UFG provided it is washed up? What is the impact of short-run UFG on wholesale and transmission commercial arrangements for each of the proposed options?	
What is your perspective on the optimal balance between the costs of obtaining monthly meter readings and the negative consequences of short-term allocation inaccuracies?	
What is your preferred proposed approach to AG4 meter reads? Does this approach have any negative impacts on existing customers?	

<Unfortunately, the 'Update Questions' button on the 'Template Toolkit' tab DOES NOT populate the table with styled questions they need to be entered manually>

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:
14 June 2024

SUBMIT TO:
consultations@gasindustry.co.nz

ENQUIRIES:
info@gasindustry.co.nz

p. +64 4 472 1800 • info@gasindustry.co.nz • gasindustry.co.nz

Level 10, Brandon House, 149 Featherston Street, PO Box 10-646, Wellington 6140



Gas Industry Co.