



Consultation Paper on Determinations, Guidelines and Exemptions under the Gas (Downstream Reconciliation) Rules 2008

Date issued: 17 April 2013
Submissions close: 16 May 2013





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.

Gas Industry Co's corporate strategy is to 'optimise the contribution of gas to New Zealand'.

Authorship

This paper was prepared by the Market Operations Group

Submissions close: 16 May 2013

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Executive summary

After extensive consultation on how to improve the Gas (Downstream Reconciliation) Rules 2008 (the 'Rules' or 'Reconciliation Rules') without changing the intent and purpose of the Rules, in December 2012 Gas Industry Co made a recommendation to the Minister of Energy and Resources on amendments to the Rules ([Recommendation to the Minister: Downstream Reconciliation Rules Review 2012](#) or 'Recommendation'). The Minister accepted the recommendation and the amended Rules were gazetted on 28 February 2013, with an effective date of 1 June 2013.

The amended Rules require Gas Industry Co, as the industry body approved under the Gas Act (1992), to consult on, determine, and notify certain technical details under the Rules (in particular the determination of direct connect, unmetered and oversized metered gas gates and criteria for the determination of G1M gas gates). This is also an appropriate time to revisit the existing determinations and guidelines made pursuant to the Rules, to ensure consistency with the recent amendments. Gas Industry Co has further committed to providing guidance on two new matters under the Rules (correction of annual UFG factors and audits of major system changes).

This Consultation Paper seeks feedback on the following matters:

- new determinations under the amended Rules;
- changes to existing determinations and guidelines published on the Gas Industry Co website; and
- additional issues relating to the interpretation and operation of the amended Rules, in particular, revocation and variation of eight existing exemptions and consideration of a new exemption application.

Next steps

Gas Industry Co seeks submissions on these and other related matters outlined in this Consultation Paper by 5pm Thursday, 16 May 2013. Gas Industry Co will consider any submissions before implementing any changes proposed in this Consultation Paper.

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Introduction

1.1 Background

Since the Rules took full effect on 1 October 2008, a number of issues have been identified which have created some unnecessary compliance burdens and inefficiencies. Gas Industry Co commenced a review of the Rules, starting with the [Downstream Reconciliation Options Paper](#) ('the Options Paper') published in December 2011, which explained that a review of the Rules was appropriate given they had been in operation for over three years and aimed to introduce a dialogue on changes to reduce inefficiencies. Based on the submissions it received, Gas Industry Co established the Downstream Reconciliation Advisory Group (DRAG) in early 2012 to assist development of amendments to the Rules.

This led to industry support for many of the proposals that were eventually included in the [Statement of Proposal: Downstream Reconciliation Rules Review](#) ('SoP') published in July 2012. The SoP contained the draft rule changes and all the issues raised in submissions on the Options Paper and by the DRAG, with the exception of the options for changing the initial allocation which were deferred to a second Statement of Proposal to be published later in 2013. Finally, Gas Industry Co made a Recommendation to the Minister enclosing the amended Rules on 21 December 2012, which was approved and gazetted on 28th February 2013. The amended Rules will go live on 1 June 2013.

Under the current Rules, Gas Industry Co is empowered and, for some matters, obligated to make certain determinations in respect of technical and/or operational aspects of the Rules. The [Notice of Determinations by the Industry Body \(Gas Industry Co\) under the Gas \(Downstream Reconciliation\) Rules 2008](#) ('Notice of Determinations') sets out the existing determinations. Under the new Rules, Gas Industry Co is required to consult on, and make, certain new determinations, which will be implemented via changes to the existing Notice of Determinations.

Gas Industry Co has also previously published several [Guideline Notes](#) on aspects of the Rules. To assist Allocation Participants and the Allocation Agent in interpreting and applying the amendments to the Rules and understanding Gas Industry Co's expectations, Gas Industry Co is proposing to amend the existing set of Guideline Notes to update their content and incorporate changes introduced by the amendments. Unlike the Notice of Determinations, the Guideline Notes have no regulatory status and are issued to provide guidance on the interpretation and operation of the Rules.

Several of the changes to the Rules relate to the content of existing exemptions which have been codified following a thorough policy review. Gas Industry Co intends to revoke seven exemptions that are made redundant by the rule changes and will also vary the deadline of an eighth exemption to ensure a seamless transition to the amended Rules. An application for a new exemption has been received from the Allocation Agent, relating to a further transitional issue, and this will be considered alongside the other exemptions.

The Consultation Paper is structured as follows: Section 1 introduces and summarises the proposals in the Consultation Paper; Section 2 covers the new determinations and changes to the existing Notice of Determinations; Section 3 addresses the changes to Guideline Notes, which are separated into material changes (including the new matters introduced by the amended Rules) and non-material changes; Section 4 covers the revocation and variation of existing exemptions and consideration of the new exemption application; finally, Section 5 provides a summary and next steps. The appendices to the Consultation Paper contain marked up changes to the Notice of Determinations and existing Guideline Notes.

1.2 Proposed changes to determinations and guidelines

The Rule amendments will affect the Notice of Determinations and existing Guideline Notes. This Consultation Paper seeks feedback on three new determinations (Appendix B) and on amendments to nine Guideline Notes, four of which have material changes (Appendix C).

The proposed new determinations are:

- rule 25A.1: list of direct connect gas gates;
- rule 25B.1: list of unmetered and oversized metered gas gates; and
- rule 25C.1: determination of global 1-month (G1M) criteria.

The Guideline Notes with material changes are:

- rule 5: definition of gas gate
- rule 30.3: flagging of estimates for allocation group 1 and 2 consumption data
- rules 44, 46A and 51: correction of allocations by Allocation Agent, corrections to annual UFG factors and performing special allocations
- rules 65 to 75: commissioning and carrying out performance and event audits

Submissions received will help inform Gas Industry Co's processes and ensure that all relevant factors are appropriately taken into account prior to the determinations and guidelines being published.

1.3 Proposed changes to existing exemptions and application for a new exemption

Submissions are invited on a proposal to revoke seven exemptions and vary one exemption with effect from the go-live date of the amended Rules, 1 June 2013. The variation is limited to amending the expiry date of the G1M gas gate exemption notice, to cover the period up to 1 October 2013. Feedback is also sought on a new exemption application from the Allocation Agent which will delay the implementation of the change to the calculation of seasonal adjustment daily shape values (SADSV) in order to coincide with the first allocations using the G1M methodology.

1.4 Submissions

Submissions are invited from stakeholders on this Consultation Paper. Submissions should be provided no later than 5pm Thursday, 16 May 2013. Please note that submissions received after this date will not be considered as it is anticipated that the determinations, guidelines and exemptions will need to be finalised and formally issued at the same time as the amended Rules go live (1 June 2013).

Submissions can be made by logging on to the website (www.gasindustry.co.nz), navigating to the Downstream Reconciliation work programme and uploading your submission in the Consultation section.¹ All submissions will be published on the website after the closing date. Submitters should discuss any intended provision of confidential information with Gas Industry Co prior to uploading their submissions.

The recommended format for submissions is attached as Appendix A and may be downloaded in MS Word format from the Consultation page on the website.

¹ Gas Industry Co no longer accepts submissions by email. Parties who are unfamiliar with the procedures for uploading submissions can search for 'help for new users'. Alternatively, please, call Tim Herbert on 04 472 1800 for assistance.

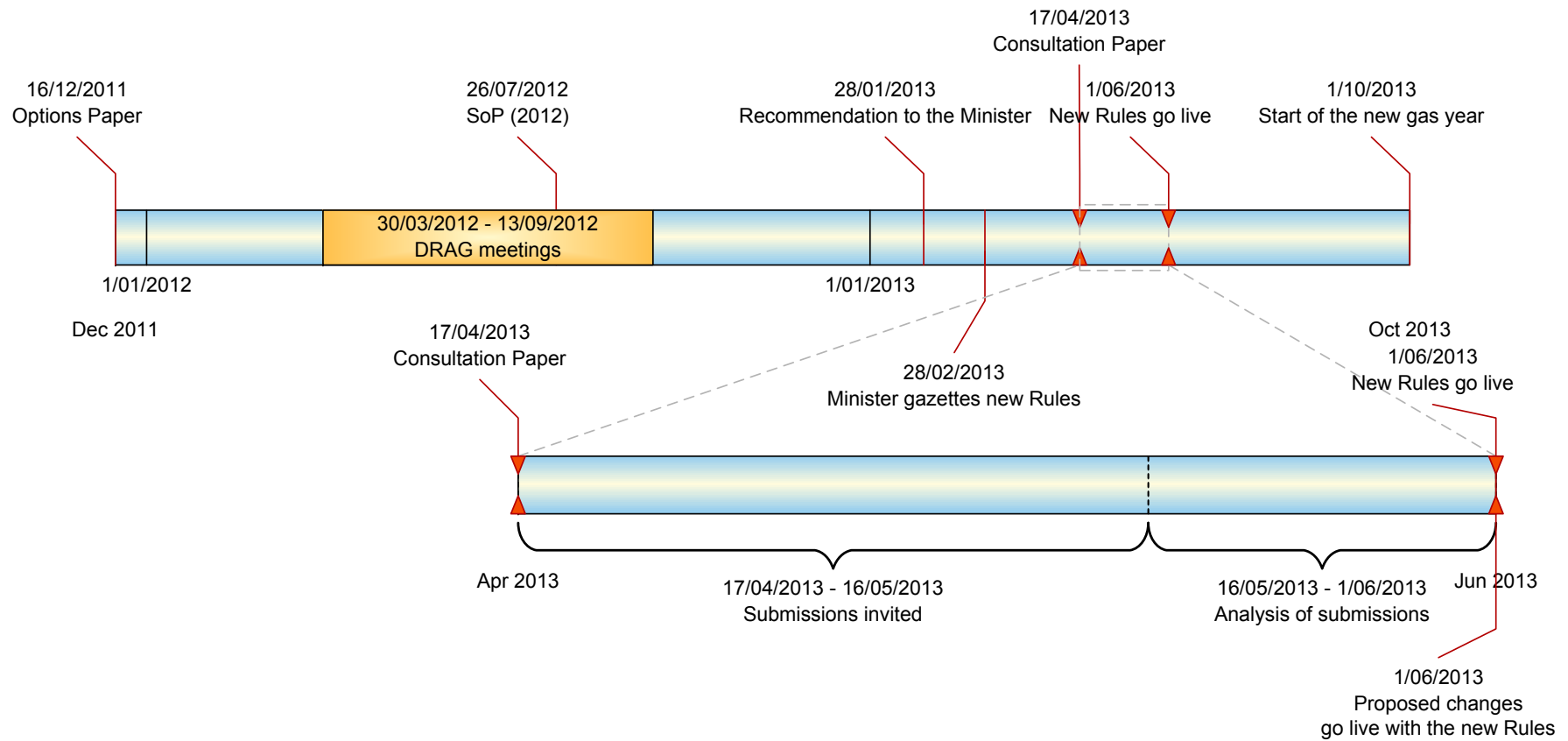


Figure 1. Timeline of past consultations on Rules changes and next steps

2

Proposed draft determinations

2.1 Rule 25A.1: determination of list of direct connect gas gates

Before the 2013 Rules amendment, retailers at direct connect gas gates could apply for exemption from the application of rules 29, 31, 32, 33, 39, 40, 48, 49, 50, 51, 52, 53, 78 and 79. The Rules review revisited the arguments for and against including direct connect gas gates in downstream allocation arrangements and confirmed the view that gas gates where delivered volumes are attributable to a single consumer installation should continue to be exempt, and that this should be codified in the Rules.

The new rule 25A makes provision for direct connect gas gates and consequent wording changes (from 'gas gate' to 'allocated gas gate') throughout the amended Rules create a distinction between the rules which do or do not apply to direct connect gas gates. Under rule 25A.1, Gas Industry Co must, after consultation with Allocation Participants, determine and publish the list of direct connect gas gates.

The policy settings that define direct connect gas gates haven't changed since the exemptions were granted so the existing gas gate list published on Gas Industry Co's website will form the basis of the proposed direct connect gas gate list (see Appendix B for the full determination).

Under rule 25A.3, Gas Industry Co may change the list of direct connect gas gates by adding or removing gas gates from the list, but must consult with Allocation Participants on any proposed changes. Given that the policy on direct connect gas gates is now clear, where the commissioning or decommissioning of a direct connect gas gate triggers a change to the list, Gas Industry Co will carry out a short form consultation only, if it considers that the circumstances are clear. This will take the form of an email to participants proposing the addition to, or deletion from, the list, giving participants the opportunity to object or give feedback.

2.2 Rule 25B.1: determination of list of unmetered and oversized metered gas gates

When the Rules went live in October 2008, nine gas gates were identified that did not have meters to measure injection quantities. In June 2009, two further gas gates were identified where meters were installed but delivery volumes were below the minimum flow rate of those meters. TSOs were initially exempted from the requirement to supply injection information for these gas gates but had to provide

an assessment of costs and benefits associated with installing appropriate metering in each case. For two of the unmetered gas gates, it was demonstrated that metering installation would be cost-effective and meters were thus installed. For the remaining gas gates, the significant cost of installation/replacement outweighed the benefits of accurate metering (in particular due to the low delivery volume at each gate) so the exemptions remained in place.

The Rules review revisited the policy argument on metering and, whilst noting the central role that accurate gas gate injection information plays in the allocation process, allowed that in certain circumstances it was better to allow some dispensation than risk the decommissioning of networks. Ongoing exemptions were not deemed to be a suitable method for implementing the policy, so provisions for unmetered and oversized metered gas gates were introduced in the amended Rules.

Under new rule 25B Gas Industry Co must, after consultation with Allocation Participants, determine and publish a list of unmetered and oversized metered gas gates. For gas gates on the list, TSOs are not required to submit injection information and the Allocation Agent must estimate injection based on retailers' consumption submissions.

As was the case with direct connect gas gates, the existing list of seven unmetered and two oversized metered gas gates will carry over into the proposed determination (see Appendix B), since the underlying policy has not changed, but rather it has been codified in the Rules. Gas Industry Co may amend the list of unmetered and oversized metered gas gates from time to time (subject to consulting Allocation Participants); any changes to the list will be considered on a case-by-case basis against the criteria in rule 25B.2.

Q1: Do you have any comments on, or suggested amendments to the proposed direct connect, unmetered and oversized metered gas gate lists?

2.3 Rule 25C.1: determination of G1M criteria

Rule 25C.2 sets out that Gas Industry Co must, after consulting with Allocation Participants, determine and publish the G1M criteria for use by the Allocation Agent in determining the G1M gas gates for each year.

Submitters on the Options Paper generally agreed that the global allocation method did not produce acceptable allocation results at gas gates with a high proportion of TOU load. Following DRAG discussions on how best to identify and treat TOU dominated gas gates, the decision was that Gas Industry Co should establish certain parameters by way of a determination, which may be updated from time to time subject to consultation, and the Allocation Agent will apply those parameters each year so as to identify those gas gates captured by the determination.

For the captured gas gates, the Allocation Agent would then apply the global 1-month methodology rather than the standard global method set out in the Rules. The DRAG agreed that the gas gates to

which the rule applies should be set annually, at the same time, and using the same information, as the annual UFG factor determination.²

The Allocation Agent is required to publish the G1M gas gate list determined in accordance with the G1M criteria by 1 July 2013, using the best available information at that time as presented by Figure 2 below. Gas Industry Co must therefore determine the G1M criteria with sufficient lead time for the Allocation Agent to perform the analysis this June. For the avoidance of doubt, as there has been no determination of G1M gas gates for the current gas year, the G1M methodology will not be applied until the 2013/14 gas year, that is, from the October 2013 consumption period onwards.

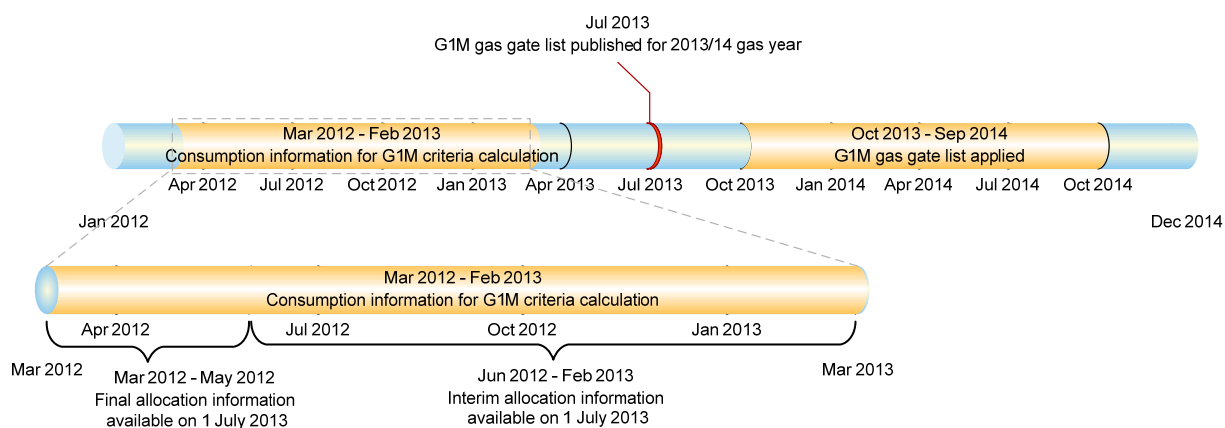


Figure 2. Process for annual G1M gas gate list calculation for the 2013/14 gas year

Analysis of G1M criteria

When determining the optimal threshold, Gas Industry Co must have regard to the matters listed under rule 25C.3. Gas Industry Co presented a sensitivity analysis in the SoP analysing the number of G1M gas gates if the TOU proportion threshold varies between 60%-99%. The SoP also mentioned that a cap and floor approach (with TOU load between 50% and 80%) and an additional process could be used to determine whether the gas gate would be a G1M gas gate, however it was considered to cause excessive administrative burden. The SoP noted that the presence of significant variability in monthly UFG (MUFG) factors at the interim or final allocation for a gas gate can also indicate that the preponderance of TOU load is distorting non-TOU shapes and therefore the allocations for allocation groups 4 and 6 are unlikely to reflect their actual consumption.

The options to set appropriate thresholds were discussed by the DRAG and Gas Industry Co proposed in the SoP that it is likely that the criteria in the initial determination will be an 80% TOU threshold and the presence of any MUFG factor greater than 1.1 or less than 0.9 (equivalent to $\pm 10\%$ swing in monthly UFG) for at least one month during the relevant 12 month period. The majority of submitters were in favour of expanding the application of the G1M allocation methodology to more gas gates on the basis of pre-determined suitability criteria.

² Taken from DRAG minutes 30/03/2012 available [here](#)

This Consultation Paper extends the analysis presented in the SoP incorporating

- the latest available allocation results;
- analysis of the effect of MUFG volatility thresholds on the G1M gas gate list;
- the list and comparison of G1M gas gate contenders in previous gas years; and
- a forecasted list of the gas gates that will be G1M gas gates for the gas year beginning 1 October 2013, based on the best currently available information.

The additional analysis presented in this paper supports the original recommendation for G1M criteria, so Gas Industry Co proposes that the criteria outlined in the SoP will form the determination under rule 25C.2 and will be added to the updated Notice of Determination (Appendix B).

Analysis of the TOU proportion threshold

Figure 3 below analyses the effect of setting different TOU proportion thresholds to determine the number of G1M gas gates in the past three gas years.

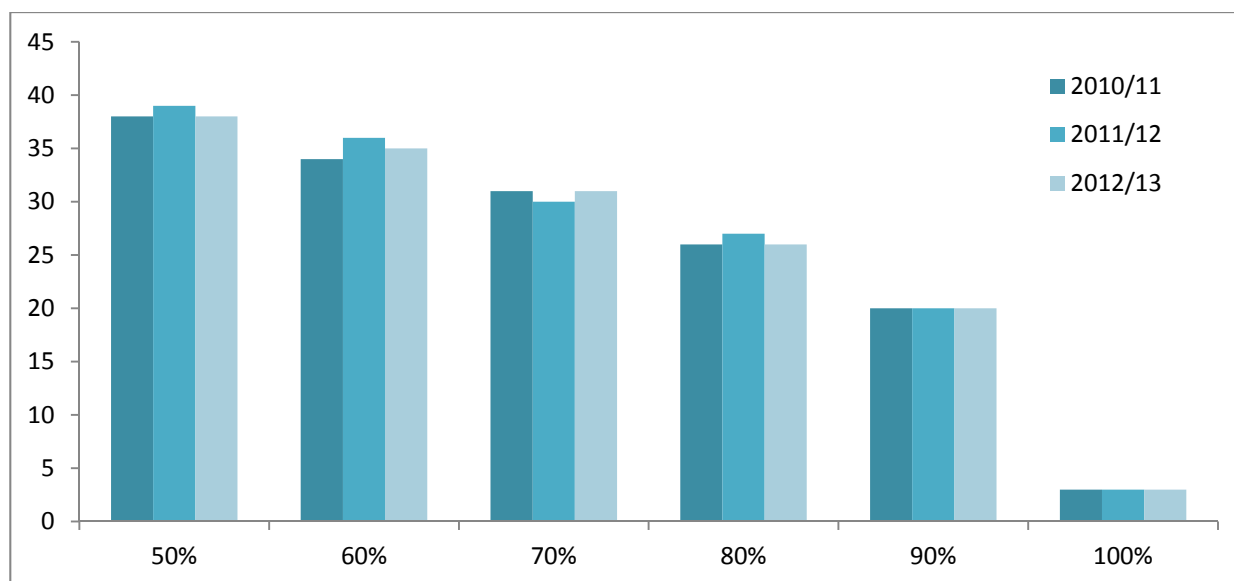


Figure 3. Number of G1M gas gate contenders per TOU threshold in the past three gas years, MUFG criteria being 10% variance for at least one month

Applying the proposed criterion, the 80% TOU G1M gas gate list would have contained 24 to 27 gas gates a year in the past three years. This represents a relatively small year-to-year change.

Analysis of the MUFG volatility threshold

A high proportion of TOU load at a gas gate does not, of itself, warrant special attention. The pertinent issue is whether volumes are being allocated unfairly due to TOU dominance. The purpose of the MUFG volatility threshold is to identify where the TOU dominance at a gas gate is causing harm to

non-TOU retailers. The SoP included an example where a small percentage variation in the reported TOU volume (within the bounds allowed by NZS 5259), compounded by the annual UFG factor, could translate to an MUFG factor that doubles or triples a non-TOU retailer’s allocation at that gas gate.

After discussions with DRAG, Gas Industry Co proposed to set the MUFG volatility threshold at 1 ± 0.1 , exceeded for at least one month during the relevant 12 month period. Figure 4 below shows how the number of G1M gas gate contenders changes as a function of varying MUFG criteria, when no TOU threshold is set. The results seem less sensitive to changing the variance threshold than to increasing the number of months exceeding that threshold: increasing the one month criterion to three, six and 12, reduces the number of contestant gas gates by approximately 10, 15 and 30 respectively in gas year 2012/13.

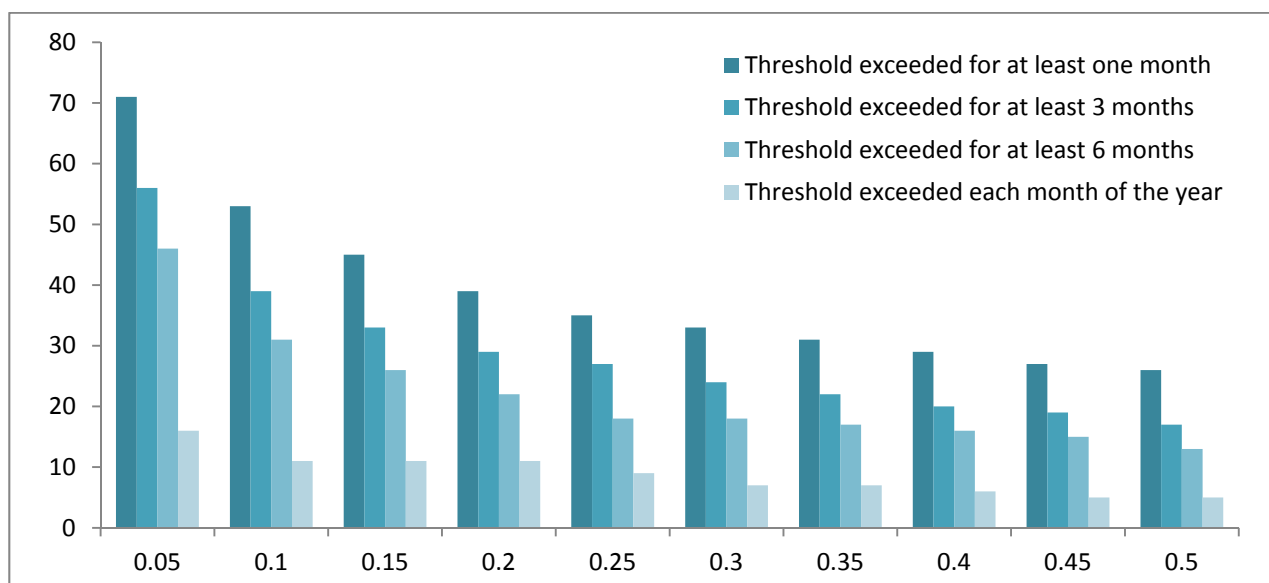


Figure 4. Number of G1M gas gates, varying MUFG criteria, TOU threshold not set, for gas year 2012/13

Because the root cause of higher MUFG volatility is not exclusively³ the higher proportion of TOU load at the gas gate, it would be misleading to apply this criterion alone. By tightening the TOU threshold criterion we can ensure that the most likely cause of MUFG variation is the TOU load at the gas gate.

Figure 5 below demonstrates that the G1M gas gate list would not be significantly altered by using more limiting MUFG criteria, eg the proposed MUFG threshold at 80% TOU load make no difference for the number of gas gates (or the gas gates on that list) for the 2012/13 gas year.

³ As pointed out in the SoP, care needs to be taken to separate MUFG volatility driven by forward estimation algorithms.

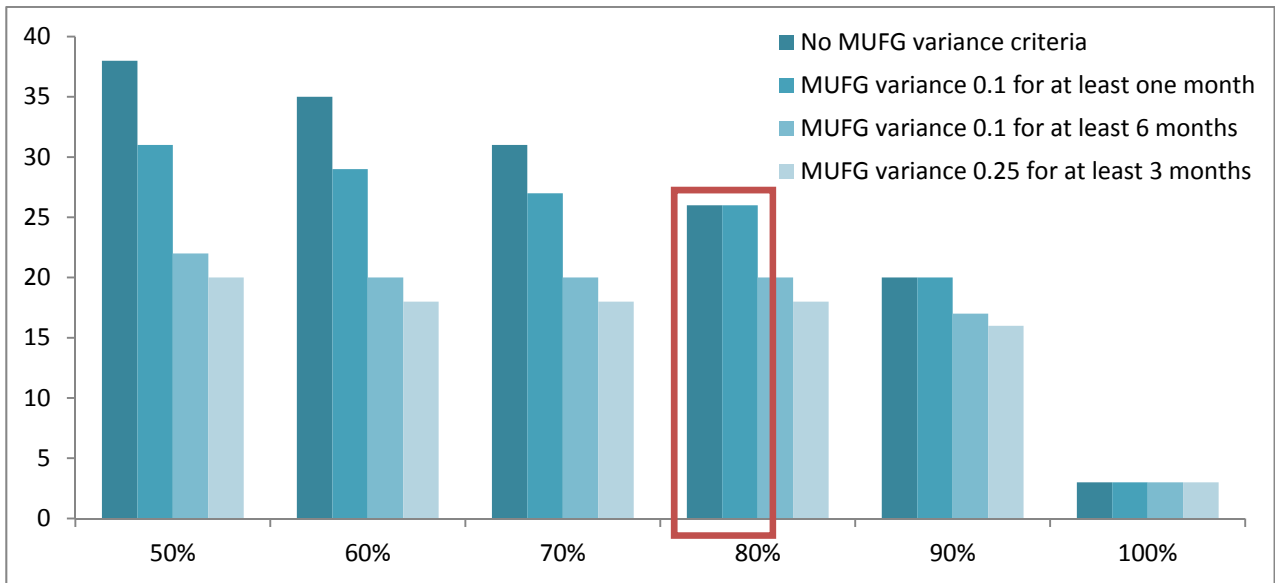


Figure 5. Number of G1M gas gate contenders as a function of TOU percentage threshold and varying MUFG criteria, 2012/13 gas year

Examination of groups of gas gates

Building on the above analysis, it is useful to examine particular groups of gas gates that share similar properties, in order to ensure that the G1M criteria strike the right balance. Figure 3 shows that there is a core group of 20 gas gates that consistently have more than 90% TOU load in each of the gas years studied, which can be attributed to one or two large consumers in each case. Those gas gates are:

Drury 2	Edgecumbe DF	Eltham	Harrisville	Horotiu
Hunua	Kapuni (Lactose et al)	Kinleith	Longburn	Pahiatua
Ramarama	Reporoa	Takapau	Te Kuiti South	Tuakau
Whakatane	Warkworth	Waitoa	Waitotara	Waverley

MUFG factors at the above gas gates breach the proposed MUFG volatility threshold for an average of 10 months out of 12 in each gas year, so it seems clear that they should be captured under the G1M methodology. In the last couple of years the load profile at Kakariki has also adopted this profile due to changes that took effect between 2009 and 2010.

There are a further five gas gates which are added to the G1M list in most years when the TOU threshold drops from 90% to 80%. These are:

Cambridge	Dannevirke	Huntly	Marton	Putaruru
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Again, examining the MUFG volatility at each of these gas gates, there are, on average, five months in each year when the MUFG factor falls outside the 1 ± 0.1 threshold, so there is still a good case for applying the G1M methodology to these gates.

At the next increment, 70% to 80% TOU, the situation changes slightly, as the gas gates captured are not consistent across each year. Hastings, Patea, Hawera and Manaia appear for three out of four years in this band but other gas gates such as Foxton and Greater Mount Maunganui hover around the high sixties and low seventies. Whilst it is not a requirement that there is consistency in the list of G1M gas gates across gas years, it is advantageous from a retailer’s point of view to have some level of certainty over how its large customers will be allocated UFG.

For the gas gates in (or on the edge of) this band there is significantly less MUFG volatility than those with TOU proportions greater than 80%. Though there are still excursions beyond the 1 ± 0.1 threshold, the average is only two months out of each 12 month period, and more importantly, as Figure 6 illustrates, where the MUFG factors do fall outside of tolerance they are generally only slightly over the threshold rather than MUFG factors of several hundred per cent which can be evident at gas gates with higher TOU proportions. Almost all MUFG factors at these gas gates fall within 1 ± 0.2 , with a trend over time tending towards the lower end of the threshold, that is, where non-TOU volumes get scaled down rather than up. So for these gas gates there is less justification in applying the G1M methodology as there is little evidence to suggest that TOU load is causing harm to non-TOU allocation groups.

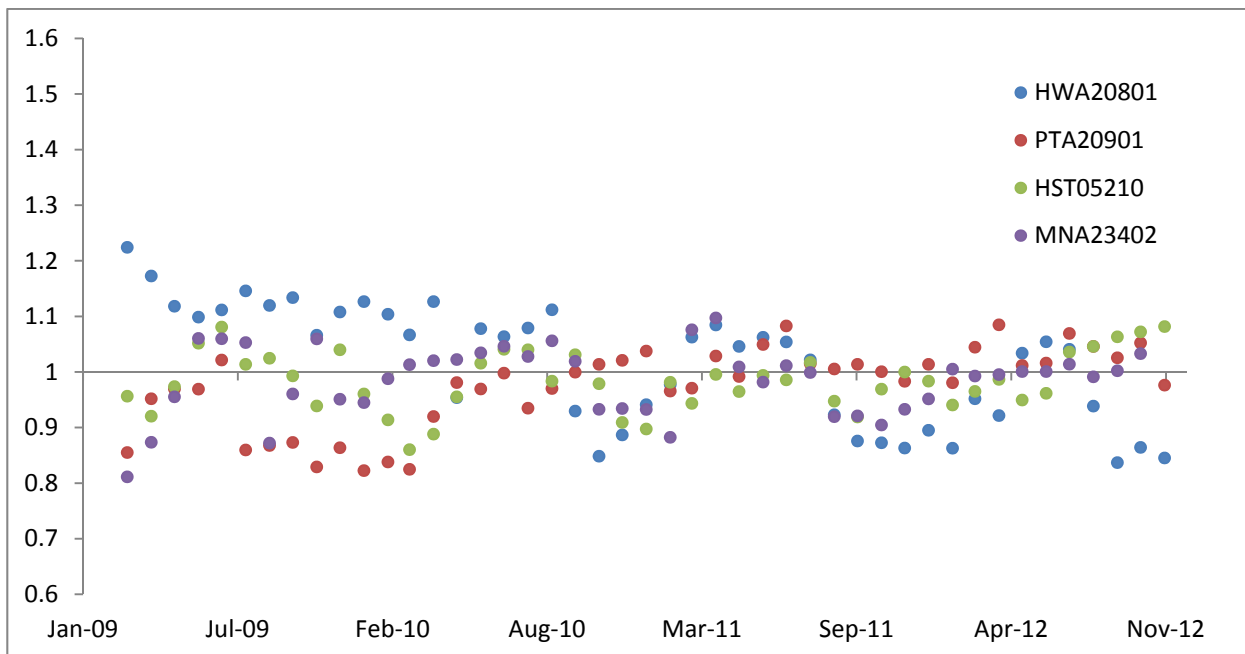


Figure 6. MUFG factors at final (March to May) and interim (June to February) allocations for gas gates with 70-80% TOU

Implementing the proposed set of G1M criteria

Assuming the proposed criteria (80% or more TOU load and an MUFG variance of 1 ± 0.1 for at least one month in the 12 month period of March to February prior to each gas year), Table 1 shows which gas gates would have been G1M contenders in the 2010/11, 2011/12 and 2012/13 gas years. The list for the coming gas year, 2013/14, uses the best available information, but is only indicative and might change before official publication on 1st July 2013 as it will be calculated using allocation information that is currently unavailable.⁴

Table 1. G1M gas gate contenders for 2010/11, 2011/12, 2012/13 and 2013/14 gas years⁵

Code	Gas Gate Name	2010/11	2011/12	2012/13	2013/14 ⁶
CAM17201	Cambridge	Yes	Yes	Yes	Yes
DAN05001	Dannevirke	Yes	Yes	Yes	Yes
DRU15102	Drury 2	Yes	Yes	Yes	Yes
EGC30701	Edgecumbe DF	Yes	Yes	Yes	Yes
ELM12301	Eltham	Yes	Yes	Yes	Yes
HAR11801	Harrisville	Yes	Yes	Yes	Yes
HRU16101	Horotiu	Yes	Yes	Yes	Yes
HTL16601	Huntly Town	Yes	Yes	Yes	Yes
HUN15301	Hunua	Yes	Yes	Yes	Yes
KAP12901	Kapuni (Lactose et al)	Yes	Yes	Yes	Yes
KIN02601	Kinleith	Yes	Yes	Yes	Yes
KIW34202	Kiwitahi 2	Yes	No	No	No
KKI23701	Kakariki	No	Yes	Yes	Yes
LNB24301	Longburn	Yes	Yes	Yes	Yes
MNA23402	Manaia	No	Yes	No	No
MTN23801	Marton	Yes	Yes	Yes	No
PHT04901	Pahiatua	Yes	Yes	Yes	Yes
PTR32601	Putaruru	Yes	Yes	Yes	No
RAM15201	Ramarama	Yes	Yes	Yes	Yes
RPR30801	Reporoa	Yes	Yes	Yes	Yes
TKP05101	Takapau	Yes	Yes	Yes	Yes
TKS17401	Te Kuiti South	Yes	Yes	Yes	Yes
TUK06501	Tuakau	Yes	Yes	Yes	Yes

⁴ View Figure 2 for explanation

⁵ For the three gas gates currently exempted as G1M gas gates (Kiwitahi, Pahiatua and Reporoa) the monthly UFG factor has been calculated using the standard methodology in order to provide a direct comparison.

⁶ Forecast based on best available information i.e. interim allocations for Mar-12 to Nov-12 and initial allocations for Dec-12 to Feb-13

Code	Gas Gate Name	2010/11	2011/12	2012/13	2013/14 ⁶
WHK32101	Whakatane	Yes	Yes	Yes	Yes
WRK18901	Warkworth	Yes	Yes	Yes	Yes
WTA16501	Waitoa	Yes	Yes	Yes	Yes
WTT20301	Waitotara	Yes	Yes	Yes	Yes
WVY23601	Waverley	Yes	Yes	Yes	Yes
Total		26	27	26	24

The three gas gates covered by the existing G1M exemption are included in the above table and have had their eligibility as contender G1M gas gates considered by treating the allocation group 3 volumes as TOU volumes that attract AUFG instead of MUFG. For Pahiatua and Reporoa the result was a confirmation that the gates fit the G1M profile for every gas year, but for Kiwitahi 2 the eligibility criteria are not met for any gas year since 2010/11, due to a fall in the proportion of TOU to around two thirds of gate volumes in recent years. It is therefore unlikely that Kiwitahi 2 will be allocated using the G1M methodology after the expiry of the exemption.

Section 4 of this paper considers a variation to the G1M exemption to ensure that it covers each allocation stage of consumption periods up to September 2013 (effectively extending the expiry of the exemption to cover the final allocation occurring in October 2014). This will ensure a seamless transition from the exemption-based G1M methodology to the rules-based G1M methodology which will take effect for consumption periods from October 2013 onwards.

Q2: Do you have any comments on, or suggested amendments to the proposed determination of G1M criteria in accordance with rule 25C.1-25C.4?

2.4 Changes to existing determinations

The current Notice of Determinations⁷ includes three determinations:

- non-business days additional to weekends and national public holidays;
- groups of gas gates under the definition of gas gate (rule 5); and
- the required accuracy of consumption information for initial allocation (rule 37).

In this chapter Gas Industry Co proposes minor amendments to these determinations to reflect changes to the Rules and make updates based on current practice. The marked-up text of the Notice of Determinations can be viewed in Appendix B.

⁷ Available [here](#)

According to paragraph 2.2 of the Notice of Determinations when Gas Industry Co consults on the determinations “[s]ubmissions will be sought by email and will be acknowledged by email.” This is no longer the case, as Gas Industry Co generally only accepts submissions uploaded on its website. Whilst we reserve the right to conduct a short-form email consultation if the issue is urgent or of a minor or technical nature, we propose to delete the quote to avoid confusion.

Additionally, paragraph 5.1 (the required accuracy of consumption information for initial allocation) is revisited to reflect the wording change in rule 37.1 (references to *allocated* gas gates instead of gas gates) and the information in paragraph 5.2 is tabulated for ease of reference.

Non-business days

In paragraph 3.2 the dates of Wellington and Auckland Anniversaries, both declared as non-business days in 2010, are outdated and will be deleted. Gas Industry Co does not generally declare regional anniversaries as non-business days unless there is a likelihood that compliance with, or the integrity of, the Rules could be severely jeopardised. In order to provide greater certainty to participants, Gas Industry Co is considering publishing guidance on how this decision will be made in future. We would therefore like to receive feedback from participants on the circumstances under which regional anniversaries should be treated as non-business days. Possible options for determining non-business days could include:

- where the day on which an allocation participant usually submits consumption/injection information for an allocation is a regional anniversary; or
- where a regional anniversary day impacts on the collection of metering data, because customers’ meters are read at, or close to, the end of the month, or because telemetry data is downloaded and validated after the end of the month; or
- where the day on which the Allocation Agent normally performs/publishes an allocation is a regional anniversary in Wellington (since the Allocation Agent, NZX, is based in Wellington); or
- a general rule that either Wellington Anniversary, or Wellington and Auckland Anniversaries, are always non-business days.

Wellington and Auckland anniversaries both occur towards the end of the month⁸ so are only likely to affect the interim or final allocation stages. These allocations refer to consumption periods that are 4 or 13 months ago so it seems unlikely that making the submission a day earlier (in order to comply with the deadline if staffing is a problem on the anniversary day) would impact on the quality of the data. The one exception to this in the past has been when Auckland Anniversary carries over into the beginning of February and impacts on some retailers’ ability to download and validate TOU data before the submission deadline for the January initial allocation. Auckland Anniversary will only fall in

⁸ On the Monday closest to 22nd January and Monday closest to 29th January respectively.

February once in the next seven years so this is by no means a regular occurrence. Some participants have noted that this kind of issue could be resolved via contractual arrangements with meter readers.

Previous feedback from participants has also indicated a preference for consistency with the Electricity Authority's determinations on non-business days. Where possible, Gas Industry Co would like to harmonise its approach with the Electricity Authority however this has to be balanced with the above policy of limiting non-business days to those days where compliance with the Rules may be at risk.

In the electricity market the Market Administrator has the power to determine non-business days and has historically declared Wellington Anniversary to be a non-business day each year. This is due to NZX and Transpower (who between them fulfil the reconciliation manager, pricing manager, clearing manager and system operator roles) both being located in Wellington. In particular, Wellington Anniversary impacts on NZX's ability to investigate and (with the help of Transpower) resolve interim pricing errors, so by determining a non-business day the associated publication deadlines are delayed. This is clearly not an issue that affects the downstream gas market so does not present a strong argument to declare every Wellington Anniversary as a non-business day for gas reconciliation.

Q3: Do you have any comments on, or suggested amendments to the changes to the proposed Notice of Determination? Do you have any comments on the determination of non-business days additional to weekends and national public holidays (in particular regional anniversary dates)?

3

Proposed draft guidelines

3.1 Guidelines with proposed material changes

Guideline note rule 5 – definition of gas gate

According to the new rule 25A, direct connect gas gates are not ‘allocated gas gates’ and therefore, are excluded from the application of global allocation and any liability for ongoing fees associated with volumes at those gas gates. Retailers and the Allocation Agent have no obligations at direct connect gas gates.

As a result of the new direct connect gas gate rule, a consequential rule change was required so that the Rules make a distinction between direct connect gas gates and other gas gates and thereby make participants’ responsibilities clear in each case. The consequential rule change (rule 5) is to define an ‘allocated gas gate’ and to amend references to gas gates in the current rules to allocated gas gates where relevant. This amendment is explained in the guideline note.

Another consequence of the amended references to allocated gas gates is that consumer installations at direct connect gas gates are no longer required to be assigned to allocation groups and this will be reflected in the amended guideline. As part of the implementation of the amended Rules it will be necessary to create a new registry code for direct connect gas gates for population of the mandatory allocation group field.

The other additions to the guideline are interpretation clauses for the newly defined direct connect, unmetered and oversized metered gas gates, and a clarification that physical gas gates within a notional (grouped) gas gate are not allocated gas gates.

Guideline note rule 30.3 – flagging of estimates for allocation group 1 and 2 consumption data

Formerly, the Rules required that retailers provide to the Allocation Agent ‘actual daily energy quantities’ for each consumer installation in allocation groups 1 and 2. If for any reason a retailer was unable to provide actual data, up to three breach notices could be alleged by the Allocation Agent (one for each allocation stage).

The guideline changes reflect changes of rules 5 (definition of daily metered energy quantity), 33.1, 32.1 and 33.1 and the deletion of 30.3.1, 30.3.2 and 44.5. In rules 30.3, 31.1, 32.1 and 33.1 'actual daily energy quantity' has been changed to 'daily metered energy quantity', defined by rule 5, which allows retailers to submit best estimates if the data from the metering equipment is unavailable or unreliable and providing an estimate in this case does not automatically imply a rule breach.

Guideline note for rules 44, 46A and 51 – correction of allocations by Allocation Agent, correction of an annual UFG factor and special allocations

Rule 51 sets out when Gas Industry Co may require the Allocation Agent to perform a special allocation, which amends and replaces the allocation results from the previous allocation of gas quantities. Rule 44 sets out the processes for the notification of errors in consumption information submitted to the Allocation Agent and, where such errors would have resulted in a materially different allocation, requires Gas Industry Co to consider whether to direct a special allocation. The guideline note currently provides guidance on how rules 51 and 44 are to be given effect by Allocation Participants and Gas Industry Co, including procedures for the correction of allocation results by the Allocation Agent and determination of special allocations by Gas Industry Co.

In addition to the rule 5 change which affects the wording of this guideline (allocated gas gates), some of the processes and factors that are considered when special allocations are determined have been updated based on four years' experience since the original guideline note was drafted. This includes a recommendation by the Allocation Agent to increase the threshold for what is considered to be a material impact on allocation results. Also paragraph 2.2 is deleted in the draft to reflect the deletion of rule 44.5 relating to metering equipment at consumer installation found to be in error.

The main change to this guideline note is the inclusion of a new section to help industry participants interpret rule 46A on the correction of an annual UFG (AUFG) factor. The new rule 46A enables the correction of the AUFG factor for one or more gas gates up to 15 months after publication by the Allocation Agent if they are found to be materially incorrect. The 15 month timeframe is given because the annual UFG factor is published three months before the start of the relevant gas year, hence the annual UFG factor could be potentially erroneous and require correction during this three months and the following 12 months (altogether 15 months). A further amendment, to rule 51.4, provides for a correction to AUFG factors outside of this 15 month period, if it pertains to a special allocation under that rule.

DRAG members agreed that a guideline would be useful to provide clarity on the application of rule 46A, including an indication of what Gas Industry Co considers will constitute "a sufficiently unfair impact on allocation results" under rule 46A.2. Discussions with the DRAG resulted in the idea of magnitude and materiality thresholds for correcting the AUFG factor. It was agreed by the DRAG that the starting point for setting the magnitude and materiality threshold for AUFG corrections should be as follows:

- a change in the magnitude of the AUFG factor in the order of 0.01; and/or
- that a material movement of 1000GJ between TOU and non-TOU allocation groups in any one month would result after making an AUFG correction.⁹

These thresholds have previously been tested in the 'Consultation on exemption application for correction of Annual UFG factor at Tawa A for 2012/13.'¹⁰ On the basis of the above criteria the AUFG factor for Tawa A would not have been corrected (it met the first but not the second proposed criterion), however as these thresholds had not yet been formally established, wider input was sought and submitters favoured correcting the AUFG factor at Tawa A. This took place via an exemption granted at the end of October 2012. The persuasive factor in that case was that the AUFG factor could be corrected before it had been applied in any allocations.

An exemption for the correction of an AUFG factor was also granted at the Greater Hamilton gas gate¹¹ where the AUFG correction was over 0.01, but only 400-500GJ of UFG was being misallocated each month to TOU load instead of non-TOU load. Again the timing of the correction played a large part in making the determination, since the error was discovered near the start of the gas year before any interim allocations had been performed.

Gas Industry Co is particularly interested in submitters' views on:

- the suggested thresholds and factors to be considered by the Allocation Agent in determining whether an AUFG correction would have resulted in materially different allocation; and
- in terms of special allocation, what other factors should influence Gas Industry Co's assessment of whether the existing allocation results are sufficiently unfair so that it is not appropriate to wait for the next (ie interim or final) allocation for a wash-up.

Guideline note for rules 65 to 75 (and 80) – the commissioning and carrying out of performance audits and event audits

This guideline note was issued to assist Allocation Participants in understanding the process adopted by Gas Industry Co when commissioning performance and event audits in accordance with the Rules.

Changes proposed to this guideline reflect wording changes in rule 5 (allocated gas gate). Further, part 5 of the Rules relating to transitional provisions has been deleted, as has rule 80 (industry body may commission event audit for capped gas gates). These changes affect the guideline note, including its title. Further, paragraph 4.4 on scheduling the first round of baseline audits is outdated and is proposed to be deleted.

⁹ Taken from DRAG minutes 27/04/2012 available [here](#)

¹⁰ Available [here](#)

¹¹ Available [here](#)

The DRAG considered that guidance on the new rules 65.4 to 65.6, relating to performance audits following a major system change, would be useful; interpretation on this issue has therefore been inserted in the section 'Performance audits outside the regular programme'. Under the amended Rules a major change is any change to systems, processes or procedures that could reasonably be considered to be likely to have a major impact on the Allocation Agent's or allocation participant's compliance with the Rules.

Rule 65.4 requires that the Allocation Agent or allocation participant must, at least 90 days before the change is to take place, advise the industry body of the proposed change and upon notification Gas Industry Co must arrange a performance audit to be completed at least 30 days before the change is to take effect.

The proposed guideline note gives examples of what Gas Industry Co considers is a major change, addresses the means by which the Allocation Agent or the allocation participant may notify Gas Industry Co, the additional information to be provided with the notification, and the approach Gas Industry Co intends to adopt upon notification especially in regard to determining the scope of a commissioned performance audit.

During discussions with the DRAG and also with an experienced electricity and gas auditor, it was recommended that post go-live audit should be carried out to test the accuracy of the system change after a few months of operation. In the Recommendation Gas Industry Co decided to maintain the approach proposed in the SoP, thereby retaining the pre-go live audit approach. Post-go live performance audits could check whether major system changes had indeed been successfully implemented; or an event audit could be commissioned if subsequent allocation results indicated step changes that might have been triggered by such system changes.

When developing the draft guideline note Gas Industry Co had regard to DRAG and industry feedback as follows:

- Gas Industry Co should publish a guideline with an example of what would be considered a major system change;
- major change should be similar to any change to retail systems as happens in the electricity market¹²;
- the audit would not have to be onerous, for example, the auditor could be given specifications of the change and a test plan. The audit can then be performed as a desktop audit;
- it should be clarified that a major system change audit would not be carried out for any other reason than to ensure the participant's new system does not produce erroneous allocation

¹² Electricity Industry Participation Code 2010, p. 22: Schedule 15.1, paragraph 8. defines changes as "change to any of [reconciliation participant's] facilities, processes or procedures that the reconciliation participant considers are material."

results that adversely impact other participants;¹³ proposed rule should be limited to changes that could affect gas reconciliation.¹⁴

Gas Industry Co also had regard to the current auditing process of electricity industry reconciliation participants before material changes, although there are some differences between the electricity and gas regime, particularly in relation to the frequency and scope of audits.

Gas Industry Co would be particularly interested in submitters' view on what other types of events might constitute a major change for the purpose of rule 65.4 to 65.6.

Q4: Do you have any comments on, or suggested amendments to, the proposed guideline notes with material changes - in particular (1) to procedures applying to the correction of annual UFG factor (rule 46A); and (2) types of events that might constitute a major change for the purpose of rule 65.4 to 65.6?

3.2 Guidelines with proposed non-material changes

Guideline note for rules 34-37 – historical and forward estimates, and seasonal adjustment for historical estimates

Rules 34 – 37 set out the process surrounding the use of historical estimates and forward estimates in respect of consumption information for allocation groups 3 to 6. The guideline is affected by wording changes eg allocated gas gate, seasonal adjustment daily shape values (rule 5), and historical estimate (rule 34). Reflecting these changes, minor changes to graphs and formulas are also proposed.

Guideline note rule 47 – force majeure event and annual UFG factor

Rule 47 provides that where a force majeure event has occurred, Gas Industry Co as the industry body must determine a fair and representative annual UFG factor for the affected allocated gas gate(s) to be applied during the relevant gas year.

Minor changes are proposed to this guideline, including changing the email address in paragraph 3.7, change wording to reflect change in rule 5 (allocated gas gate, daily metered energy quantities).

Guideline note rule 52 – annual reconciliation

Rule 52 sets out the process for annual reconciliation, which compares, over the previous 12 months, the gas quantities invoiced to consumers against the gas quantities supplied as consumption information for allocation. Changes proposed to this guideline reflect minor wording changes in rule 5 (allocated gas gate) and rule 52 (energy quantities billed).

¹³ Genesis submission on SoP

¹⁴ EDNZ submission on SoP

Guideline note rule 61 – guidelines for determination on profiles

Rule 61 requires Gas Industry Co to develop and publish guidelines to assist the determination of whether a static deemed profile or a dynamic deemed profile is, or continues to be, a reasonable representation of the actual consumption profile of the consumer installation or class of consumer installations to which it applies.

Changes proposed to this guideline reflect wording changes in rule 5 (allocated gas gate) and rule 34 (historical estimates). Further, the proposed changes incorporate new rule 45.2.4A for the inclusion of G1M gas gates.

Guideline note rule 64 – referral to industry body of disputed profile determinations

Rule 64 a retailer to dispute a determination by the Allocation Agent in respect of an applied for or registered deemed profile by referring it to Gas Industry Co as the industry body for review.

Rule 64.1 requires that, where a determination in respect of a profile by the Allocation Agent is disputed, the retailer may by notice in writing refer the matter to Gas Industry Co for review. The only proposed change is to the email address in paragraph 3.1 to info@gasindustry.co.nz.

Q5: Do you have any comments on, or suggested amendments to, the proposed guideline notes with non-material changes?

Although at this stage, Gas Industry Co does not plan to develop any further guideline notes for the amended Rules, it is willing to consider issuing guidance material in due course. Accordingly, submitters are invited to indicate other topics or issues that could require the development of guideline notes.

4

Consultation on exemptions

4.1 Consultation on the revocation and variation of existing exemptions

The timing of the Rules review was such that all relevant exemptions expired before any new rules might have come into effect. In order to enable a smooth transition to any new rules, Gas Industry Co decided to extend all relevant exemptions by two years from their previous expiry dates. Once the new rules take effect, with one exception all of the current exemptions will become redundant.

Submissions are invited on a proposal to revoke seven and vary one existing exemption commencing 1 June 2013, when the amended Rules take effect. The exemptions relate to direct connect gas gates, global 1-month UFG methodology gas gates, oversized metered gas gates, unmetered gas gates and to injection information supplied by transmission system owners, and correction of annual UFG.

Specifically the revocations relate to the following exemption notices, which can be viewed by following the hyperlinks to the Gas Industry Co website:

- [Exemption \(DR10-02-S: Te Rapa Cogen\) Notice 2010](#)
- [Exemption \(DR10-03-S: Direct Connect Gas Gates\) Notice 2010](#)
- [Exemption \(DR10-05-S: Injection Information\) Notice 2010](#)
- [Exemption \(DR10-06-S: Oversized Metered Gas Gates\) Notice 2010](#)
- [Exemption \(DR10-07-S: Unmetered Gas Gates\) Notice 2010](#)
- [Exemption \(DR11-01-S: Revision of Injection Quantities\) Notice 2011](#)
- [Exemption \(DR12-01-S: Tawa A Annual UFG\) Notice 2012](#)

Q6: Do you have any comments on the revocation of the listed seven exemptions?

The proposed variation relates to the following exemption: [Exemption \(DR10-04-S: Global 1-Month UFG Methodology\) Notice 2010](#). The variation is limited to amending the expiry date from 30

September 2014 to 31 October 2014 and also to clarify that the exemption will only apply to allocations of consumption periods up to and including September 2013. After this time retailers at G1M gas gates will submit TOU volumes under allocation groups 1 or 2, not 3. The variation will create a seamless transition between G1M allocations under the exemptions and G1M allocation under the Rules. It should be noted that if the variation is not made to the exemption then there will be a conflict between the G1M methodology set out in the exemption and the methodology in the Rules. Also Allocation Participants and the Allocation Agent will face costs in having to adjust systems to a state of compliance for the affected gas gates one month before the final allocation of Sept 2013 gas quantities.

Q7: Do you have any comments on the proposed variation to the global 1-month UFG methodology exemption?

4.2 New exemption for SADSV calculation

This chapter considers a standard exemption under rule 19. The Allocation Agent has applied for an exemption from the application of the new formula for SADSV in accordance with rule 53.1 until 1st October 2013. The application is attached as Appendix D.

The current formula for SADSV is identical to the formula for the GGRP, which is $El_d - AQ_{1,2,3 \& 5}$ where El_d is the daily injection volume and $AQ_{1,2,3 \& 5}$ is the volume allocated to groups 1, 2, 3 and 5. After the rule change, the SADSV calculation will be exclusive of quantities allocated to allocation groups 3 and 5 so it will become $El_d - AQ_{1\&2}$. The purpose of the rule change is to future proof against any use of static deemed profiles or dynamic deemed profiles that would shift volumes from allocation groups 4 or 6 to allocation groups 3 or 5 and therefore artificially reduce the SADSV.

The only gas gates affected are the three G1M gas gates where TOU quantities are submitted under allocation group 3 (Pahiatua, Reporoa, Kiwitahi 2). After the rule change (1st June 2013), for the consumption periods of June to September 2013, using the new formula for SADSV would create a distortion in the SADSV at the three current G1M gas gates due to the use of allocation group 3 for TOU volumes. Figure 7 uses 2012 data to provide an example of the kind of step change that would occur at the Pahiatua gas gate if the new exemption was not implemented.

Use of the published SADSV when producing historical estimates is mandated by the Rules and a step change of the kind illustrated in figure 7 would result in load being apportioned incorrectly for the consumption periods in the last six months of the year. This can be easily avoided, at zero cost, if the implementation of the new SADSV formula is aligned with the implementation of the new G1M process in the Rules, when TOU volumes at G1M gas gates will be submitted under their correct allocation groups.

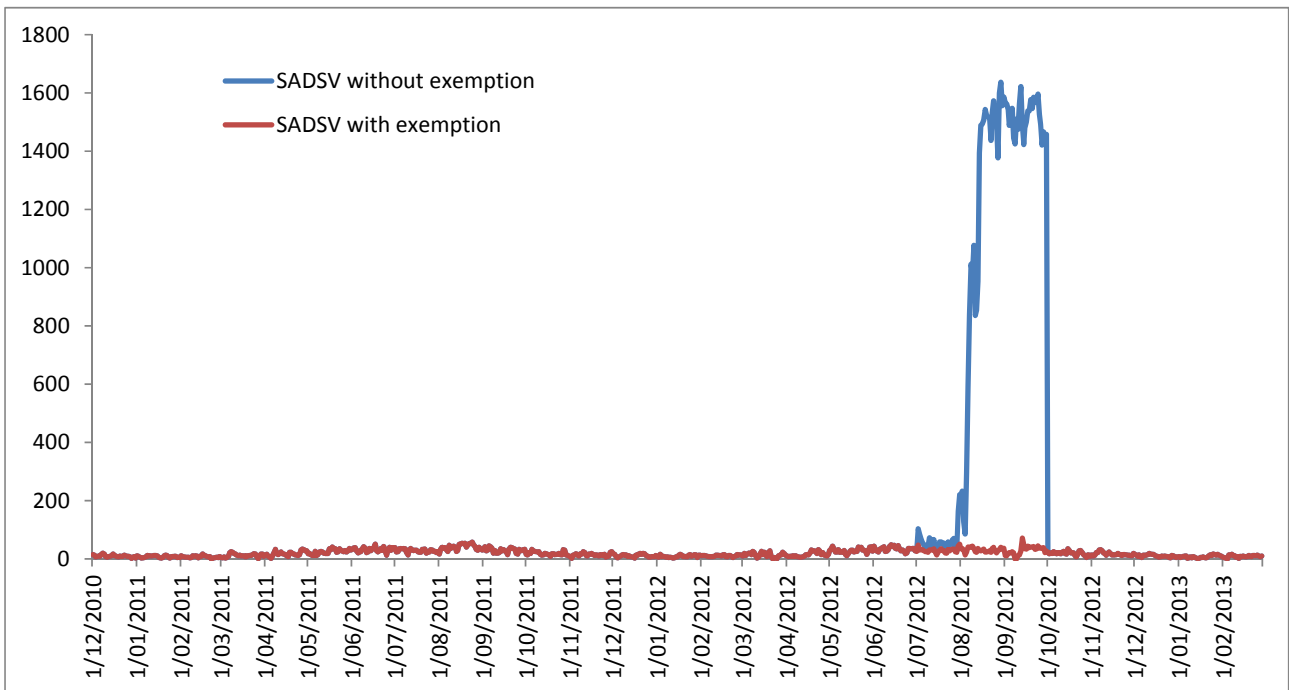


Figure 7. Impact on SADS V at Pahiatua if TOU volumes are included in the SADS V calculation

Assessment of application

Gas Industry Co’s power to grant exemptions is given in rule 19 of the Rules. Before granting an exemption, Gas Industry Co is required to consult with persons it considers are representative of those likely to be affected by the exemption. An exemption can only be granted if Gas Industry Co is satisfied that it is desirable to better achieve:

- the objectives set out in section 43ZN of the Gas Act; and
- the purpose of the Rules.

Subject to any comments made in submissions, Gas Industry Co is satisfied that the exemption is desirable to better achieve the objectives set out in section 43ZN of the Gas Act 1992 and the purpose of the Rules. The below table is an assessment against the determination criteria.

Criterion	Assessment
1. Allocations are fairer (Rule 2).	If the exemption is not granted, all participants at the current G1M gas gates would be affected when creating historical estimates using SADS V that incorporates consumption periods June-September 2013.
2. Allocations are more efficient (Rule 2 and section 43ZN(a) of the Act).	Granting the exemptions allows Allocation Participants at the current G1M gas gates to create non-distorted historical estimates using suitable SADS V values containing the June-September 2013 consumption period.

Criterion	Assessment
3. Reliability of allocation and supply is enhanced (Section 43ZN(a) of the Act).	Gas Industry Co considers that granting the exemption provides security and reliability to exemption-holders and other participants at the affected gas gates. Part of providing reliable historical estimates is to ensure that SADSVs are calculated in a way that accurately presents Allocation Participants' consumption.
4. Other section 43ZN objectives.	Other s43ZN objectives are not relevant.
5. Departure from uniform processes.	The only distinction is that in the case of the currently exempt G1M gas gates the SADSv calculation methodology will commence at a later date to ensure smooth transition to the application of the new SADSv calculation methodology from the start of the next gas year (1 st October 2013 instead of 1 st June 2013).
6. Any other relevant considerations.	None.

Overall, Gas Industry Co considers this assessment is positive and that it is appropriate to grant an exemption to the Allocation Agent to allow delaying the application of the formula for SADSv in accordance with rule 53.1 until 1st October 2013.

Q8: Do you have any comments on the exemption application for SADSv calculation?

5

Summary and next steps

Submissions are welcome on this Consultation Paper. Gas Industry Co will consider any submissions before implementing any changes proposed by this Consultation Paper. Any changes will be finalised on 1st June 2013, aligned with the go-live date of the 2013 amended Reconciliation Rules. For more detail on timing, see Figure 6. The timeline also includes the extensive consultation that preceded the publication of this Consultation Paper.

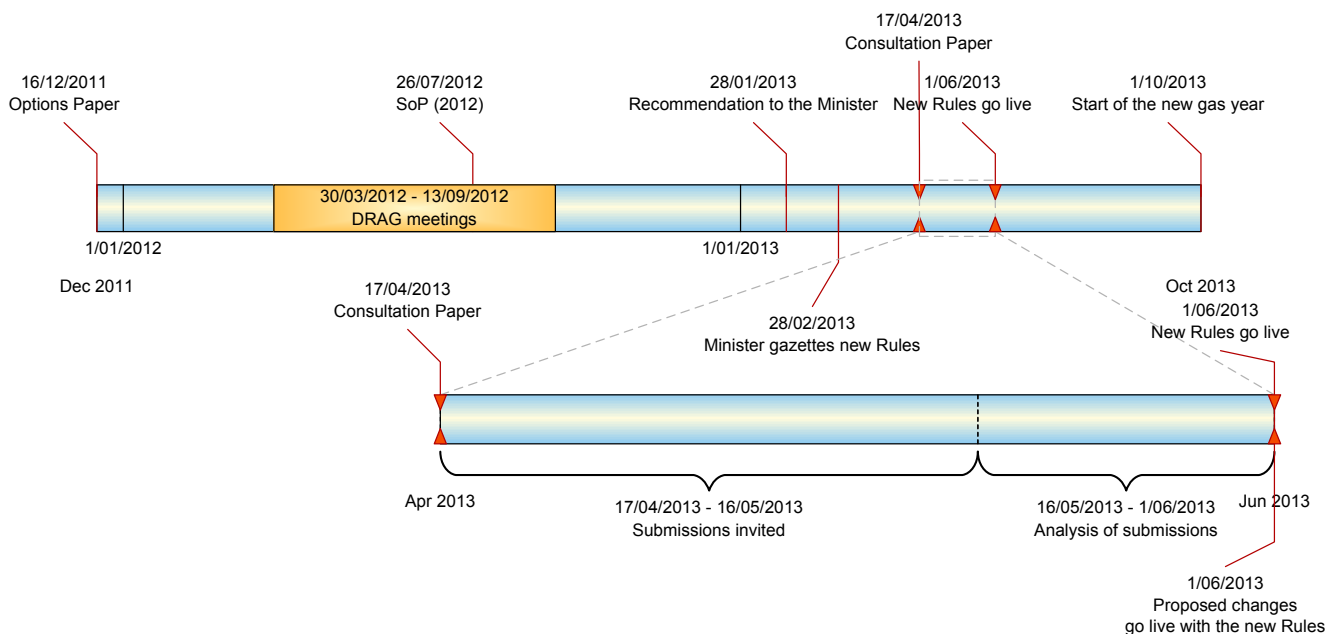


Figure 6. Timeline of past consultations and next steps

Appendix A. Submissions template

Submission prepared by: (company name and contact)

QUESTION	COMMENT
<p>1 Do you have any comments on, or suggested amendments to the proposed direct connect, unmetered and oversized metered gas gate lists?</p>	
<p>2 Do you have any comments on, or suggested amendments to the proposed determination of G1M criteria in accordance with rule 25C.1-25C.4?</p>	
<p>3 Do you have any comments on, or suggested amendments to the changes to the proposed Notice of Determination? Do you have any comments on the determination of non-business days additional to weekends and national public holidays (in particular regional anniversary dates)?</p>	
<p>4 Do you have any comments on, or suggested amendments to, the proposed guideline notes with material changes - in particular (1) to procedures applying to the correction of annual UFG factor (rule 46A); and (2) types of events might constitute a major change for the purpose of rule 65.4-6?</p>	

QUESTION	COMMENT
5 Do you have any comments on, or suggested amendments to, the proposed guideline notes with non-material changes?	
6 Do you have any comments on the revocation of the listed seven exemptions?	
7 Do you have any comments on the proposed variation to the global 1-month UFG methodology exemption?	
8 Do you have any comments on the new exemptions for SADSV calculation?	

Appendix B. Notice of Determinations

Subject **Notice of Determinations by the Industry Body (Gas Industry Co) under the Gas (Downstream Reconciliation) Rules 2008**

Version **1.72.0**

Date **~~28 September 2012~~ June 2013**

1. Introduction

- 1.1 The Gas (Downstream Reconciliation) Rules 2008 (the "Reconciliation Rules") provide for the establishment of efficient and effective downstream allocation and reconciliation arrangements, including the accurate and timely allocation of gas recorded at gas gates between those retailers who are metering gas to consumers from the distribution system attached to the gas gate.
- 1.2 The Reconciliation Rules provide for Gas Industry Co, as the industry body approved under the Gas Act 1992, to determine:
- non-business days additional to weekends and national public holidays;
 - groups of gas gates under the definition of gas gate (rule 5); ~~and~~
 - the required accuracy of consumption information for initial allocation (rule 37.3); and
 - the global 1-month criteria (rule 25C.23);
 - the list of direct connect gas gates (rule 25A.1); and
 - the list of unmetered and oversized metered gas gates (rule 25B.1)

Gas Industry Co's determinations in respect of these matters are set out in this notice.

2. Process for making changes to this notice

- 2.1 This notice will need to be amended from time to time in accordance with the requirements of the Reconciliation Rules and to reflect changing circumstances and other factors.
- 2.2 The process which is intended for making changes to this notice is as follows:

- The proposed notice change will be advised to all allocation participants. Where the changes are minor or affect only specifically identifiable parties and no consultation is required under the Reconciliation Rules, it is intended that the proposed change will be notified by email. Where the changes are considered to have a wide effect, or consultation is required under the Reconciliation Rules, it is intended that the proposed amendments to the notice will be posted on the Gas Industry Co website and allocation participants invited to make submissions.
- There will be a defined consultation period which will vary from 2 to 4 weeks depending on the circumstances. A shorter period will likely apply where the changes are minor or affect only specifically identifiable parties. The consultation period may be closed off earlier if responses have been received from all allocation participants.

~~• Submissions will be sought by email and will be acknowledged by email.~~

- Any new or amended determination made by Gas Industry Co will be advised to all allocation participants, together with a brief explanatory note on differences between the consultation proposal and the final result.
- A revised edition of this notice will be posted on the Gas Industry Co website.

3. Determination – business day (rule 5)

3.1 The definition of “business day” in rule 5 of the Reconciliation Rules provides that:

business day means any day of the week except—

- (a) Saturday and Sunday; and
- (b) Any day that Good Friday, Easter Monday, ANZAC Day, the Sovereign’s birthday, Labour Day, Christmas Day, Boxing Day, New Year’s Day, the day after New Year’s Day, and Waitangi Day are observed for statutory holiday purposes; and
- (c) Any other day that the industry body has determined not to be a business day as published by the industry body;

3.2 ~~As at the date of this notice, Gas Industry Co has made no determinations of forthcoming non-business days. Pursuant to rule 5, Gas Industry Co determines that the following days are not business days for the purposes of the Reconciliation Rules:~~

2010

- ~~• Wellington Anniversary Day – Monday, 25 January 2010~~
- ~~• Auckland Anniversary Day – Monday, 1 February 2010~~

4. Determination – groups of gas gates (rule 5)

- 4.1 The definition of gas gate in rule 5 of the Reconciliation Rules includes “(d) a group of gas gates, as determined and published by the industry body, treated as a single gas gate for the purposes of these rules”.
- 4.2 Pursuant to rule 5, Gas Industry Co determines that each of the following groups of gas gates are to be treated as single gas gates for the purposes of the Reconciliation Rules:
- Greater Auckland (GTA03610): comprising Bruce McClaren (BMC17901), Henderson (HEN74101), Papakura (PAP06610), Papakura B (PAP06604) (with effect from 1 September 2011) and Westfield (WST03610);
 - Greater Hamilton (GTH11301): comprising Hamilton Te Kowhai (HTK08301) and Hamilton Temple View (HTV11301);
 - Greater Kihikihi (GTK19101): comprising Kihikihi (KIH19101) and Te Awamutu North (TAW31004);
 - Greater Mt Maunganui (GMM08001): comprising Mt Maunganui (MMU08001) and Papamoa (PPA33201);
 - Greater Tauranga (GTT07701): comprising Pyes Pa (PYE36601) and Tauranga (TRG07701);
 - Greater Waitangirua (GTW06910): comprising Waitangirua (WTG06910) & Pauatahanui 1 (PAH23201); and
 - Greater Waitoki (GTW33901): comprising Waitoki (WTK33901) and Waitoki B (WTK33902).

5. Determination – accuracy of consumption information for initial allocation (rule 37)

- 5.1 In respect of consumption information at an an allocated gas gate for consumer installations in allocation groups 3 to 6, rule 37.2 of the Reconciliation Rules requires the consumption information provided by a retailer for initial allocation, when compared to that provided by that retailer for final allocation, to fall within the percentage of error determined and published by Gas Industry Co under rule 37.3. Rule 37.4 sets out the following matters to which Gas Industry Co must have regard in making its determination under rule 37.3:
- The primary aim of ensuring consumption information provided for initial allocation is as accurate as possible when compared with consumption information for final allocation;
 - The extent to which retailers are able to comply with the percentage of error for the accuracy of consumption information provided for initial allocation;
 - Any expected costs that would be reasonably incurred by retailers to achieve compliance with the percentage of error for the accuracy of consumption information provided for initial allocation; and

- Any other matter it considers relevant to its determination.

5.2 Pursuant to rules 37.3 and 37.4 of the Reconciliation Rules, Gas Industry Co determines that the percentage of error for consumption periods in each gas year is as follows:

<u>Gas year</u>	<u>Percentage error</u>
<u>1 October 2008 to 30 September 2009</u>	<u>±15%</u>
<u>1 October 2009 to 30 September 2010</u>	<u>±12.5%</u>
<u>1 October 2010 to 30 September 2011</u>	<u>±10%</u>
<u>1 October 2011 to 30 September 2012</u>	<u>±10%</u>
<u>1 October 2012 to 30 September 2013</u>	<u>±10%</u>

6. Determination – G1M criteria

6.1 Rule 25C.2 of the Reconciliation Rules requires that Gas Industry Co must determine and publish the G1M criteria, which are the criteria to be used by the allocation agent in determining which gas gates will be allocated using the global 1-month UFG methodology for the consumption periods in a gas year (the G1M gas gates).

6.2 Pursuant to rule 25C.2, Gas Industry Co determines that the G1M criteria shall comprise a TOU load proportion threshold and a monthly UFG factor volatility threshold. In order to determine the G1M gas gates for a gas year, these thresholds shall be applied against the best available consumption and allocation information for the 12 month period up to and including February of the previous gas year¹. The thresholds are as follows:

- TOU load proportion threshold: the presence of a 12-month average TOU load at the gas gate of greater than or equal to 80%; and
- monthly UFG factor volatility threshold: the presence of one or more monthly UFG factors at the gas gate in the 12 month period which are either:
 - less than or equal to 0.9; or
 - greater than or equal to 1.1

6.3 Pursuant to rule 25C.5 the allocation agent is required to determine and publish the G1M gas gates in accordance with the G1M criteria for each gas year by the 1st business day of July in the previous gas year. When determining the list of G1M gas gates the allocation agent will use the

¹ This will normally comprise final allocation data for March to May and interim allocation data for June to February, but could include special allocations if directed. Note that allocation data from the initial allocation (monthly UFG factors in particular) will not form part of the dataset.

best available information at that time. Unless special allocations have been performed for any of the consumption periods in the 12 month period, the best available information will comprise three final allocations (March to May) and nine interim allocations (June to February).

7. Determination – direct connect gas gates

7.1 The Reconciliation Rules require that Gas Industry Co, as the industry body approved under the Gas Act 1992, determines the list of direct connect gas gates under rule 25A.1.

7.2 Under rule 25A.2 Gas Industry Co must publish the list of direct connect metered gas gates when established or changed. Under rule 25A.3 Gas Industry Co may remove or add gas gate to the direct connect gas gate list following consultation with allocation participants.

7.3 The definition of direct connect gas gate in rule 5 of the Reconciliation Rules is “those gas gates that are (for the relevant consumption period) on the list determined by the industry body in accordance with rule 25A.” Under rule 25A.4 “[t]he industry body may only include a gas gate on the list of direct connect gas gates where the gas quantity delivered at the gas gate is attributable to a single consumer installation.”

7.4 Gas Industry Co determines the following list of direct connect gas gates:

<u>ALF15501</u>	<u>Alfriston</u>
<u>BAL08201</u>	<u>Ballance Ammonia-Urea</u>
<u>BAL09626</u>	<u>Ballance Ammonia-Urea</u>
<u>BER00653</u>	<u>Bertrand Road</u>
<u>BRO36301</u>	<u>Broadlands</u>
<u>GLB03401</u>	<u>Glenbrook</u>
<u>HPS02993</u>	<u>Huntly Powerstation</u>
<u>HUN15303</u>	<u>Hunua 3</u>
<u>KAI07602</u>	<u>Kaimiro Mixing Station Delivery Point</u>
<u>KAP09612</u>	<u>Kapuni</u>
<u>KAW04410</u>	<u>Kawerau (ex-Caxton)</u>
<u>KAW04411</u>	<u>Kawerau (ex-Tasman)</u>
<u>KIN04310</u>	<u>Kinleith (CHH mill)</u>
<u>KIW34201</u>	<u>Kiwitahi 1 (Peroxide)</u>
<u>KTK23901</u>	<u>Kaitoke</u>
<u>KUR33601</u>	<u>Kauri DF</u>
<u>KUP37503</u>	<u>Kupe</u>
<u>LCF20010</u>	<u>Lichfield DF</u>
<u>MGK05401</u>	<u>Mangatainoka</u>

MNG34001	Mangaroa
MCS01143	Mokau Compressor Station
MOK35801	Mokoia
MRV16301	Morrinsville DF
MSD01801	Marsden 1 (NZRC)
MSD01802	Marsden
MUT19001	Maungaturoto DF
NGA00669	Ngatimaru Road (Delivery)
NPS00530	New Plymouth Power Station
OKW23401	Okaiawa (Taranaki Byproducts)
OTB00301	Otahuhu B Power Station
RAG33401	Rangiuru
SDN00101	Southdown Power Station
STR00521	Stratford 2
STR00501	Stratford 3
TAC31001	Te Awamutu Cogeneration Plant
TAT16401	Tatuanui DF
TCC00201	Taranaki Combined Cycle (TCC)
TIR33501	Tirau DF
WKE19201	Waikeria

8. Determination - unmetered and oversized metered gas gates

8.1 The Reconciliation Rules require that Gas Industry Co, as the industry body approved under the Gas Act 1992, determines the list of unmetered gas gates and oversized metered gas gates under rule 25B1.

8.2 Under rule 25B.3 Gas Industry Co must publish the list of unmetered and oversized metered gas gates when established or changed. Under rule 25B.4 Gas Industry Co may remove or add gas gated to the unmetered and oversized metered gas gate list following consultation with allocation participants.

8.3 Gas Industry Co determines the following list of unmetered gas gates:

KUK22401	Kuku
MTP20601	Matapu
OAK18601	Oakleigh
OKS32801	Okoroire Springs
PGU13101	Pungarehu 1

THO22701	Te Horo
WEL18301	Wellsford

8.4 Gas Industry Co determines the following list of oversized metered gas gates:

FLH21901	Flockhouse
ITK30601	Te Teko

Draft

Appendix C. Marked up guideline notes

I Guidelines with proposed material changes

Guideline note rule 5 – definition of gas gate

Guideline note rule 30.3 – flagging of estimates for allocation group 1 and 2 consumption data

Guideline note for rules 44, 46A and 51 – correction of allocations by allocation agent, correction of an annual UFG factor and special allocations

Guideline note for rules 65 to 75 – the commissioning and carrying out of performance audits and event audits

II Guidelines with proposed non-material changes

Guideline note for rules 34 – 37 – historical and forward estimates, and seasonal adjustments for historical estimates

Guideline note rule 47 – force majeure event and annual UFG factor

Guideline note rule 52 – annual reconciliation

Guideline note rule 61 – guidelines for determinations on profiles

Guideline note rule 64 – referral to industry body of disputed profile determinations

Draft

I Guidelines with proposed material changes

Subject **Gas (Downstream Reconciliation) Rules 2008**

Guideline note rule 5 – definition of gas gate

Version **2.0 1.0**

Date **1 June 2013 ~~November 2008~~**

1. Introduction

1.1 Rule 5 of the Gas (Downstream Reconciliation) Rules 2008 (“the Rules”) defines the terms used in the Rules. The definition of “gas gate” as set out in rule 5 is as follows:

gas gate means the point of connection between –

(a) a transmission system and a distribution system; or

(b) a transmission system and a consumer installation; or

(c) two gas distribution systems; or

(d) a group of gas gates, as determined and published by the industry body, treated as a single gas gate for the purposes of these rules;

1.2 Many provisions in the Rules set out obligations and functions for allocation participants and the allocation agent in respect of gas gates. The purpose of this note is to provide guidance on how the definition of “gas gate” is to be applied by allocation participants and the allocation agent in those situations.

1.3 This note is explanatory in nature and is not legally binding. It needs to be read in conjunction with the Rules and the general approach set out in this note in no way reduces the requirement upon participants to know and comply with their obligations under the Rules. [This note may be amended from time to time.](#)

2. Interpretation of “gas gate” and gas measurement system connections

2.1 One allocation participant has raised a concern regarding subclause (c) in the definition of “gas gate” ie a point of connection between two gas distribution systems. The concern is that the definition could be interpreted by allocation participants to include connections between a distribution system (owned by one person) and a gas measurement system (owned by a different person) – on the basis that a gas measurement system could be considered ~~to~~ a distribution system in its own right. One potential consequence of such an interpretation is that every connection between a distribution system and a consumer’s gas measurement system (where owned by a third party) could arguably be considered a “gas gate”.¹

¹ Allocation participants have provided information to Gas Industry Co indicating there are likely to be more than 150,000 of these types of situations – in which case the ability to efficiently and reliably carry out downstream allocation and reconciliation would be significantly hindered. In addition, this approach would make the operation of the Gas (Switching Arrangements) Rules 2008, and the gas registry under those rules, administratively untenable.

- 2.2 It is not the intention of the Rules that the point of connection between a distribution system owned by one person and a downstream gas measurement system owned by a different person be considered a “gas gate”.
- 2.3 This approach adopted in respect of points of connections between distribution systems in the definition of “gas gate” in the Rules is the same adopted in the Gas (Switching Arrangements) Rules 2008.
- 2.4 The inclusion in the definition of gas gate of “the point of connection between two gas distribution systems” is intended to cover embedded networks, for example Waitoki B (WTK33902). Although embedded networks are not as common for gas as with embedded electricity networks, for the overall effectiveness of the switching and downstream reconciliation regulatory regimes, it was considered necessary for embedded networks to be captured. While it may be possible to mount a technical legal argument for the inclusion of third party gas measurement system connections as gas gates, Gas Industry Co considers that approach to be contrary to the scheme and purpose of the Rules (and, for that matter, the Gas (Switching Arrangements) Rules 2008).
- 2.5 Accordingly, in applying the definition of “gas gate” under the Reconciliation Rules, a gas gate is not to include a point of connection between a distribution system and a downstream gas measurement system.
- 2.6 Gas Industry Co does not consider that the potential ambiguity necessitates a rule change at this time.

The definition of “gas gate” under the Gas (Downstream Reconciliation) Rules 2008 is not to be applied as including a point of connection between a distribution system and a downstream gas measurement system.

3. Interpretation of “allocated gas gate”

- 3.1 As a result of rule 25A (determination of direct connect gas gates), consequential amendments were required so that the Rules make a distinction between direct connect gas gates and other gas gates and thereby make participants’ responsibilities clear in each case. The rule change is to define an ‘allocated gas gate’ and to amend references to gas gates in the current Rules to allocated gas gates where relevant.
- 3.2 One consequence of the amended references to allocated gas gates is that consumer installations at direct connect gas gates are no longer required to be assigned to allocation groups.
- 3.3 Allocated gas gates are defined by negation (that is, allocated gas gates are those gas gates that are *not* direct connect gas gates), so it is important to clarify that any gas gate which is determined by Gas Industry Co to be part of a group of gas gates is not captured by the definition of an allocated gas gate. For example, the notional gas gate Greater

Auckland is an allocated gas gate but the physical gas gates Bruce McLaren, Henderson, Papakura, Papakura B and Westfield which comprise Greater Auckland are not allocated gas gates.

4. Interpretation of “direct connect gas gate”

4.1 Under rule 5, direct connect gas gates are those gas gates that are on the list determined by Gas Industry Co in accordance with rule 25A and published on its website. Gas Industry Co determines the direct connect gas gate list following consultation with participants.

4.2 The list of direct connect gas gates can only include gas gates where the gas quantity delivered at the gas gate is attributable to a single consumer installation. A consumer installation can include one or more gas installations (for example a chemical plant may take gas as a feedstock and as a fuel source to produce heat or steam), but will generally only have a single point of connection to the transmission system (and hence a single ICP).

4.3 If a single consumer installation comprises multiple gas installations it must be demonstrable that the installation is not a distribution system, for example, the gas installations must be sited either within a single property title or a contiguous set of unit titles or cross leases (such as an apartment block), or the majority of the pipework feeding the gas installations must lay under private land rather than public land or public roads.

4.4 A single retailer gas gate (that is, a gas gate feeding a distribution system with multiple ICPs that all receive gas from the same retailer) is not a direct connect gas gate.

4.5 Any gas gate which has the characteristics of a direct connect gas gate but is not on the list determined by Gas Industry Co will be treated as an allocated gas gate until it has been determined to be a direct connect gas gate under rule 25A.3.

5. Interpretation of “unmetered gas gate” and “oversized metered gas gate”

5.1 Under rule 5, unmetered and oversized metered gas gates are those gas gates that are on the list determined by Gas Industry Co in accordance with rule 25B and published on its website. Gas Industry Co determines the list of unmetered and oversized metered gas gates following consultation with participants.

5.2 Any gas gate which has the characteristics of an unmetered or oversized metered gas gate but is not on the list determined by Gas Industry Co will be treated as an allocated gas gate (including the obligation on the transmission system owner to provide daily injection information under rule 41), until it has been determined to be an unmetered or oversized metered gas gate under rule 25B.4.

Subject **Gas (Downstream Reconciliation) Rules 2008**

Guideline note rule 30.3 – flagging of estimates for allocation group 1 and 2 consumption data

Version **2.0 1.0**

Date **29 May 2009 1 June 2013**

1. Introduction

1.1 Rules 31.1, 32.1 and 33.1 of the Gas (Downstream Reconciliation) Rules 2008 ('the Rules') require that retailers submit daily metered energy quantities to the allocation agent for each consumer installation in allocation groups 1 and 2. Rule 5 gives the following definition of daily metered energy quantities:

[Q]uantities taken from metering equipment with a datalogger fitted that records daily information or if the data from metering equipment is unavailable or unreliable, are quantities determined in accordance with the responsible allocation participant's best estimate consistent with Schedule 1 or Schedule 1A as applicable;

1.1.2 Rule 30.3 of the Gas (Downstream Reconciliation) Rules 2008 ('the Rules') sets out the requirement on retailers to advise the allocation agent where a daily metered energy quantity provided under one of the above rules was not taken from the relevant day's register reading. Retailers satisfy this requirement by flagging such quantities as estimates in the consumption files sent to the allocation agent their best estimate of consumption information for a consumer installation in allocation groups 1 and 2 to the allocation agent in instances when they are unable to provide daily metered actual daily energy quantities that have been taken from that day's register reading for the consumer installation.

1.2.3 The purpose of this guideline note is to clarify for allocation participants retailers when they are to flag estimated consumption information provided to the allocation agent for allocation groups 1 and 2.

1.3.4 This note is explanatory in nature and is not legally binding. It needs to be read in conjunction with the Rules and the general approach set out in this note in no way reduces the requirement upon allocation participants to know and comply with their obligations under the Rules. This note may be amended from time to time.

2. Background

2.1 Rules 29.4.1, 30.1, 31.1, 32.1 and 33.1 all place an obligation on retailers to provide the allocation agent with daily metered actual daily energy quantities that have been taken from that day's register reading for each consumer installation in allocation groups 1 and

~~2, from register readings or consumption recorded each day.~~ These quantities must be provided to the allocation agent by:

- (a) ~~0800-1200~~ hours⁴ on the ~~fourth-4th~~ business day of the month that immediately follows the consumption period to which the information relates, for initial allocation;
- (b) 0800 hours on the ~~ninth-9th~~ business day of the ~~fourth-4th~~ month that follows the consumption period to which the information relates, for interim allocation; and
- (c) 0800 hours on the 14th business day of the 13th month that follows the consumption period to which the information relates, for final allocation.

2.2 If, for whatever reason, a retailer is unable to provide the allocation agent with daily metered actual daily energy quantities from that day's register reading for a consumer installation in allocation groups 1 ~~and-or~~ 2 per the requirement in rules 31.1, 32.1 and 33.1, then rule 30.3 applies. Specifically, in accordance with rule 30.3.1, with the definition of daily metered energy quantities in rule 5 and Schedule 1, a retailer must provide its best estimate of consumption information to the allocation agent, and advise the allocation agent of the fact that it is an estimate provided in accordance with rule 30.3.1.

2.3 ~~Rule 30.3.2 also notes that compliance with rule 30.3.1 does not mean that the retailer has complied with the requirement to provide actual daily energy quantities.~~

3. Advising the allocation agent of estimated allocation group 1 or 2 consumption information

3.1 The rule 30.3.1 requirement to advise the allocation agent of estimated consumption information-daily metered energy quantities not taken from that day's register reading for a consumer installation in allocation groups 1 ~~and-or~~ 2 is the reason for the 'estimate indicator' field in the GAS050 file format determined by Gas Industry Co.²

3.2 It is important to note that the 'estimate indicator' field in the GAS050 applies, and therefore needs to be completed, for all-each allocation submissions (ie initial, interim, and/or final allocations³) for each day of a consumption period where the retailer has not been able to obtain actual daily quantities at a consumer installation data is unavailable.

3.3 ~~So-if~~, for example, the data for an allocation group 1 or 2 consumer installation is unrecoverable, then the retailer will need to provide its best estimate of consumption information to the allocation agent for not only the initial allocation undertaken for that

⁴ ~~Until 30 April 2009, under the 'Gas (Downstream Reconciliation) Rules 2008 (Exemption DR08-15 to 18-S: Injection information) Notice 2008', the deadline for the provision of information by retailers was extended by four hours for initial allocations until 1200 hours. This approach is continued until June 2009, under the 'Gas (Downstream Reconciliation) Rules 2008 (Urgent Exemption DR09-09-S: Injection Information) Notice 2009.~~

² See 'Notice by the Industry Body (Gas Industry Co) under rule 25 of the Gas (Downstream Reconciliation) Rules 2008 specifying information exchange file formats', version 1.2, dated 3 November 2008.

³ Including, as required, for any special allocations.

consumption period, but also for the interim and final allocations (and as required, for any special allocations). In addition, for each allocation, the retailer will need to flag this estimated allocation group 1 or 2 consumption information in the GAS050 file. On the other hand if the data is unavailable at the initial allocation due to a telemetry issue but can be obtained in time for submission at the interim and final allocations, then estimation is only required (and should only be flagged) at the initial.

~~3.4 — When estimating allocation group 1 or 2 consumption information where any part of the metering equipment installed at a consumer installation is found to be in error, a retailer is to follow the requirements of rule 44.5 and the Schedule to the Rules. These set out correction criteria for metering errors and also describe the process to be adopted when no reliable data is available to confirm the time period during which the device was in error or the amount by which it was in error.~~

~~3.4 Prior to the amendments to the Rules taking effect on 1 June 2013, any estimated TOU volumes submitted by retailers in the GAS050 file would form the basis of breaches alleged by the allocation agent of rules 31.1, 32.1 and/or 33.1. The amendments to the Rules make provision for estimates so breaches will no longer be routinely alleged by the allocation agent. The frequency of TOU estimation will still be monitored by the allocation agent and Gas Industry Co and each retailer's estimation methodology will be reviewed periodically against Schedule 1 as part of the performance audits commissioned under rule 65.~~

4. Estimated consumption information for allocation groups 3, 4, 5, 6

4.1 For consumption information pertaining to allocation groups 3, 4, 5 and 6, the requirement under rules 31, 32 and 33 is for retailers to provide estimated either daily or monthly profiled energy quantities – subject to the meter reading and accuracy obligations under rules 26 to 30 and ~~historical~~ historic and forward estimate provisions in rules 34 to 37. Consumption information for these allocation groups will consist of a combination of forward estimates and ~~historical~~ historic estimates, calculated in accordance with those rules. Therefore, the 'estimate indicator' does not apply to allocation group 3 consumption information in the GAS050 file. Instead, the 'Quantity of Historical ~~Historic~~ Estimate' field is to be used.

5. Validated register readings and permanent estimates

5.1 Rule 5 provides for 'validated register readings' to mean either a register reading or a permanent estimate which has passed an allocation participant's validation process. However, it is important to note that, under the Rules, this definition is only relevant to consumption information for consumer installations in allocation groups 3, 4, 5 and 6 – see rules 29.4.3, 29.5, 35 and 36.

5.2 Under the Rules, the concept of validated register readings (including permanent estimates which have passed a validation process) is not relevant to the submission of

consumption information for consumer installations in allocation groups 1 and 2. That concept is only relevant for the purpose of the Rules in respect of consumption information for non-TOU consumer installations – see rules 29.5, 34 and 35 – so as to address the frequency of meter readings, and the calculation of ~~historical~~ historie and forward estimates, for allocation groups 3 to 6.

- 5.3 Accordingly, ~~daily actual~~ register readings (or daily recorded quantities) are required for allocation group 1 and 2 consumer installations. So, if an allocation participant must use a permanent estimate for a consumer installation in allocation group 1 or 2, then that allocation participant will need to flag this estimate in the GAS050 file for each of the initial, interim and final allocations (and, as required, for any special allocations).

Draft

Subject **Gas (Downstream Reconciliation) Rules 2008**

Guideline note for rules 44, 46A and 51 – correction of allocations by allocation agent, correction of an annual UFG factor and special allocations

Version 2.0 ~~1.0~~

Date 1 June 2013 ~~17 March 2009~~

1. Introduction

1.1 From time to time errors are discovered in the consumption information or injection information that is submitted to the allocation agent and consideration is given as to whether it is necessary to correct allocation results. The Gas (Downstream Reconciliation) Rules 2008 ('the Rules') allow for various types of corrections to be made.

~~1.1.2~~ Rule 44 sets out the processes for the notification of errors in consumption information submitted to the allocation agent and, where such errors would have resulted in a materially different allocation, requires Gas Industry Co consider whether to direct a special allocation. Rule 51 of the Gas (Downstream Reconciliation) Rules 2008 ('the Rules') sets out when Gas Industry Co may require the allocation agent to perform a special allocation, which amends and replaces the allocation results from the previous allocation of gas quantities. Rule 46A allows an annual UFG factor to be recalculated and republished if an error is discovered which is considered to have a material impact on the calculation of that annual UFG factor. ~~Rule 44 sets out the processes for the notification of errors in consumption information submitted to the allocation agent and, where such errors would have resulted in a materially different allocation, requires Gas Industry Co consider whether to direct a special allocation.~~

~~1.21.3~~ The purpose of this note is to provide guidance on how rules 44 and 51 are to be given effect by allocation participants and by Gas Industry Co, including some detail of what is considered to constitute a "material effect" under rule 46A. Under rule 51, Gas Industry Co may also determine any specific procedures that will apply to a special allocation; this guideline sets out the general process that will be followed for special allocations including how each decision will be assessed. ~~– which are also set out in this note.~~

~~1.31.4~~ This note is explanatory in nature and is not legally binding. It needs to be read in conjunction with the Rules and the general approach set out for participants in no way reduces the requirement upon participants to know and comply with their obligations under the Rules. This note may be amended from time to time.

~~1.4 In this guideline note 'allocation results' means:~~

- ~~(a) the quantities determined by the allocation agent in accordance with rule 45 and allocated to allocation participants as initial, interim, or final allocations under rules 48 to 50; and~~
- ~~(b) includes any quantities allocated as a special allocation under rule 51 or corrected quantities allocated under rule 44.3.¹~~

2. Correction of allocations - application of rule 44

2.1 Under rule 44, allocation participants are to advise the allocation agent immediately if they discover a material error in consumption information submitted to the allocation agent. The allocation participant (usually the relevant retailer or transmission system owner) must immediately advise the allocation agent of the nature and extent of the error and provide corrected consumption information as soon as practicable.

~~2.2 Where metering equipment at a consumer installation is found to be in error, the affected consumption information is to be corrected in accordance with the Schedule to the Rules. If the period over which the error occurred is unknown, then:~~

- ~~(a) for a TOU meter installed at an allocation group 1 or 2 ICP, the allocation agent must estimate the expected period of the error using the best available information; and~~
- ~~(b) for any other metering equipment at any ICP, the retailer at that ICP must estimate the expected period of the error using the best available information.²~~

Errors discovered in the next business day

~~2.32.2~~ Up until 1730 hours on the next business day following an initial, interim or final allocation, the allocation agent may amend the allocation results using the corrected consumption information in accordance with rule 44.3. To exercise this discretion, the allocation agent must have amended the allocation results and notified affected allocation participants by this time. If an allocation participant provides the allocation agent with corrected consumption information within sufficient time for an amended allocation to occur, then it is expected that the allocation agent shall amend the allocation results.

~~2.42.3~~ If the allocation agent does notis unable to amend the allocation results by 1730 hours on the next business day after the allocation results were provided, then n the process for errors discovered later than the next business day will apply. ~~corrected consumption information is to~~

¹This is the definition of 'allocation results' in rule 5 of the Rules — which, to avoid doubt, includes the quantities in the gas gate residual profile and also the allocated quantities attributed to each gas transmission contract in the allocation results (ie as per GAR010 report).

²The estimated correction cannot extend back further than 13 months from when the error was first notified or detected.

~~be resubmitted for the next scheduled allocation for that consumption period (ie included in either the interim or final allocation).~~

Errors discovered later than the next business day

2.52.4 If an error is discovered later than 1730 hours on the next business day after the original allocation results were provided, the allocation agent must consider whether the correction of that error would have resulted in a materially different allocation. If the allocation agent reasonably considers the correction of that error would have resulted in a materially different allocation then:

- (a) it must notify the affected allocation participants and Gas Industry Co; and
- (b) Gas Industry Co must decide in accordance with rule 51 whether a special allocation should occur.

2.62.5 In determining whether the correction of that error would have resulted in a materially different allocation, the allocation agent must have regard to all of the relevant circumstances surrounding the error and its effect. However, to provide a degree of consistency and certainty, Gas Industry Co has sought to identify some objective thresholds and factors to assist the allocation agent in making this decision. These include where:

- (a) there is a change in a retailer's allocated quantity at an allocated gas gate of more than ~~500GJ~~1,000GJ, the correction of that error is generally considered to result in a materially different allocation;³
- (b) there is a change in a retailer's total allocated quantities across all allocated gas gates of more than ~~4,000GJ~~2,000GJ, the correction of that error is generally considered to result in a materially different allocation; and
- (c) there are any other matters including financial impacts⁴ that, in the particular circumstances surrounding the error and its effect, the correction of that error is reasonably considered to result in a materially different allocation.

2.72.6 Note that if the allocation agent considers the correction of the error would not have resulted in a materially different allocation or Gas Industry Co decides not to require a special allocation in respect of the error, the corrected consumption information is to be resubmitted in the next scheduled allocation for that consumption period (ie included in either the interim or final

³ ~~Clause 2.19 of Schedule 2 of the Allocation agent service provider agreement provides an initial reference point for determining materiality is a change in a retailer's allocated quantity at an allocated gas gate of more than 500GJ—subject to any other circumstances considered by the allocation agent to be relevant.~~

⁴ For example, the following situations may be also considered to result in a materially different allocation:

- There is a change in a retailer's allocated quantity at an allocated gas gate which will, on the best available information, have a financial impact in excess of \$5,000 on an allocation participant at the allocated gas gate; and
- There is a change in a retailer's total allocated quantities across all gas gates which will, on the best available information, have a financial impact in excess of \$7,000 on an allocation participant

allocation). If there is no further scheduled allocation in that situation, the corrected consumption information is not used and the existing allocation results stand.

Information on error to be provided by allocation agent to Gas Industry Co

2.82.7 Gas Industry Co's consideration of whether or not to require a special allocation relies significantly on the information provided by the allocation agent (and the information that has been provided by allocation participants to the allocation agent). To assist Gas Industry Co in making this decision, the allocation agent is expected to provide Gas Industry Co with all relevant information surrounding its knowledge of the error and its effect on the allocation results. This information must include as a minimum:

- (a) The allocation affected (ie the consumption period(s) in question and whether the allocation is an initial, interim or final allocation);
- (b) The difference between the existing allocation results and the allocation results that would apply if the corrected information was used;⁵
- (c) Information identifying which of the thresholds set out in paragraph 2.56 above apply and how they have been considered; and
- (d) Any other information relevant to Gas Industry Co's decision on whether to direct a special allocation under rule 51.

2.92.8 The allocation agent is to also provide the appropriate allocation participants (ie those allocation participants at an allocated gas gate affected by the error) with the same information. This is to assist an allocation participant in understanding the error and any effect it may have on the participant.

3. Directing a special allocation - application of rule 51

3.1 A special allocation is performed by the allocation agent in a similar manner as an initial, interim or final allocation, but:

- (a) it needs to be specifically required directed by Gas Industry Co in accordance with rule 51; and
- (b) it can occur at any time, rather than at the set times applying to initial, interim or final allocations in rules 48 to 50.

3.2 A special allocation can be performed up to 12 months after a final allocation has been performed (ie up to 25 months after the consumption period affected).

⁵ Note in order to provide this information, the allocation agent may need to rerun the allocation calculations. To avoid doubt, if a re-run is required, the re-run is not in any way an allocation under the Rules and the allocation agent will not publish the re-run on the allocation agent website or upload it into OATIS.

- 3.3 When deciding whether or not to direct the allocation agent to undertake a special allocation, Gas Industry Co must:
- (a) believe that the current allocation information or allocation results are sufficiently unfair that it is not appropriate to wait until the next (if any) scheduled interim allocation or final allocation is performed; and
 - (b) balance the unfairness of the current allocation information or allocation results against any commercial reasons for retaining the current allocation results.
- 3.4 As noted in paragraph 1.2 above, Gas Industry Co may determine specific procedures applying to a special allocation. These specific procedures may be generic (ie such as those set out in this note that are intended to apply to all special allocations) or they may be case specific (ie to apply to a single particular special allocation). Examples of such procedures would include the process and consultation steps to be taken before reaching a decision or identifying factors to be assessed before reaching any decision. These procedures may also relate to the type of allocation methodology to be used for a particular special allocation – though a departure from the allocation methodology provided in the Rules is likely to be exercised only in exceptional cases.
- 3.5 Gas Industry Co may request a special allocation on its own initiative – for example, in situations where there has been no error or no material error advised by the allocation agent under rule 51. Gas Industry Co does not generally intend to unilaterally investigate situations that might warrant such action. However, any allocation participant is able to request Gas Industry Co to consider initiating a special allocation on the basis that the current allocation information or allocation results are sufficiently unfair. Allocation participants are to put any requests for a special allocation to Gas Industry Co in writing. Requests must include detailed reasons, together with full supporting information.
- 3.6 To assist its assessment, Gas Industry Co will generally seek the views of, and additional information from, the allocation agent and the allocation participants (including both retailers and transmission system owners) likely to be affected by a special allocation – particularly in respect of the degree of unfairness of the current allocation results and the commercial considerations for retaining those current allocation results.⁶ In respect of material errors notified under rule 44, Gas Industry Co will also rely on the information previously provided to it in respect of the error by the allocation agent.
- 3.7 Gas Industry Co will notify all allocation participants of any decision, including reasons, to require the allocation agent to perform a special allocation.

Allocation information/results must be sufficiently unfair

⁶ Gas Industry Co will endeavour to provide all relevant information surrounding the error to allocation participants and the allocation agent so as enable informed views to be provided – however, information which is confidential or commercially sensitive will generally be withheld.

3.8 In considering whether the current allocation information or allocation results are sufficiently unfair such that it is not appropriate to wait for the next scheduled allocation, Gas Industry Co will have regard to all of the relevant circumstances. In particular, it will consider the following factors:

- (a) the extent to which the objective thresholds and factors described in paragraph 2.6 above in relation to assessing materiality have been met or exceeded and the resulting degree of unfairness in the current allocation results. The financial impact on an allocation participant is also relevant here⁷;
- (b) the magnitude or nature of any claimed unfairness including, but not limited to, matters such as the effect of letting uncorrected allocation results stand until the next allocation on transmission charges, mismatch and imbalance positions, the billing of affected consumers, and any residual negative effects on other commercial or research activities reliant on such information;
- (c) the degree to which any unfairness would be remedied, or the benefits that would be achieved, by directing an immediate special allocation rather than waiting until the next scheduled allocation. Timing may be of particular relevance if:

 - (i) a special allocation can be directed and published before transmission billing is carried out, such that corrected results can be used in calculating throughput and mismatch positions;
 - (ii) the publication, or non-publication, of a special allocation at a certain time would create an unfair and/or unforeseen negative impact on the mismatch position of a shipper who was not itself in error (compared with the situation that would prevail but for the error);
 - (iii) the next scheduled allocation or allocations will rectify the error, thus making a special allocation unnecessary;

- (d) the magnitude of any impact on other allocation activities or the wider operation of the Rules, such as the calculation and publication of annual UFG factors, seasonal adjustment daily shape values, ongoing fees, G1M gas gates etc.
- (e) whether the correction of an error may be more efficiently or expeditiously addressed under the Gas Governance (Compliance) Regulations 2008;
- (f) where there are no errors in the current allocation information or allocation results, the unfairness resulting from the application of the allocation methodology set out in the Rules – including the extent to which the current allocation results attribute UFG to

⁷ See footnote 4 above.

retailers or consumers who, on the best available information, are unlikely to be responsible for that UFG.

Unfairness versus commercial reasons for retaining allocation results

3.9 In balancing any unfairness of the current allocation information or results against the any commercial reasons for retaining those results, Gas Industry Co will have regard to the following factors:

- (a) Whether there are any affected allocation participants that oppose a special allocation occurring. Where unfairness in respect of the current allocation results exists and there are no objections, Gas Industry Co will generally direct a special allocation. Where an affected allocation participant does object, Gas Industry Co will only direct a special allocation if it is satisfied that the commercial reasons in the objection are outweighed by the negative effect or unfairness on all other affected allocation participants;
- (b) The quantitative and qualitative aspects of the commercial reasons for retaining or amending the current allocation results – including the financial cost to allocation participants, and any negative effects or additional costs on the allocation agent in carrying out the special allocation. Where the financial cost to an allocation participant (in retaining the allocation results) is greater than the total financial cost to allocation participants (in amending the allocation results), Gas Industry will generally direct a special allocation.

Notification of decision

3.10 When a decision has been made by Gas Industry Co to either:

- (a) ~~require direct~~ a special allocation under rule 51 generally; or
- (b) not to ~~require direct~~ a special allocation in response to advice from the allocation agent under rule 44,

that decision, along with reasons, will be notified to the allocation agent and to all of the allocation participants potentially affected by, or with an interest in, the decision. This will generally comprise the transmission system owner and all the retailers at the affected allocated gas gate. In notifying that decision, information which is confidential or commercially sensitive will generally be withheld.

- 3.11 When directing the allocation agent to perform a special allocation, Gas Industry Co will specify whether or not the special allocation replaces the previous allocation for the consumption period. This has an impact on whether the results of the special allocation are used for the purpose of rules 16 (ongoing fees) and rule 37 (estimation accuracy)
- 3.12 Gas Industry Co will also endeavour to use previous experience and precedent as a guide in determining whether or not to direct ~~follow previous decisions on directing~~ special allocations. ~~Given the Rules have only recently come into effect, the approach set out above is, to a degree, ad hoc, but over time, decision making will be able to be based on previous experience and precedent. As such, it is expected that this guideline note will be reviewed and updated in due course.~~

Final allocations in error

- 3.13 Where an error has been identified in relation to an initial or interim allocation one of the considerations, in deciding whether or not to direct a special allocation, is that the error can be corrected at the next allocation stage (interim or final). However, if there is an error in a final allocation then there is not a further allocation stage in which to correct the error.
- 3.14 Given that allocation results are used as the basis for a range of charges in the gas industry, there is great reliance on the accuracy of the final allocation. ~~Many~~ Some final allocation results will be used as input into the calculation of annual UFG factors and G1M gas gates and it is important that these figures are as accurate as possible. In addition, when using final allocation results for further analysis it is essential that the data series is sound.
- 3.15 Gas Industry Co's interpretation of rule 51.2.1 is that the lack of a subsequent allocation stage after a final suggests that errors in final allocations will need to be addressed by special allocations unless the errors are immaterial or there are compelling commercial reasons for retaining the results of the final allocation. ~~To date, Gas Industry Co has not identified, or been informed of, commercial reasons for retaining incorrect allocation results.~~

4. Injection Quantities

- 4.1 Rule 44 ~~primarily~~ addresses the correction of errors in both consumption information and rather than errors in injection information. ~~Nevertheless, errors in injection information are able to be dealt with under the Rules.~~
- 4.2 Where errors in injection information are discovered, Gas Industry Co is able to require the allocation agent to perform a special allocation under rule 51. The same processes outlined above will apply to Gas Industry Co's consideration of special allocations for errors in injection information.
- 4.3 Gas Industry Co also notes that transmission system owners are required to provide information that is accurate and complete. Where an allocation participant becomes aware of an error in

injection information provided by a transmission system owner, the nature and extent of that error is also to be notified to the allocation agent. Corrected injection information is to be provided to the allocation agent by the transmission system owner as soon as possible.

4.4 As with errors in consumption information, the allocation agent shall determine whether the correction of that error would have resulted in a materially different allocation, having regard to the matters set out in paragraph 2.56 above. Where the correction of that error would have resulted in a materially different allocation, the allocation agent is to provide Gas Industry Co and the appropriate allocation participants with the information set out in paragraph 2.78 above.

5. Correction of an annual UFG factor – application of rule 46A

- 5.1 The allocation agent must, if directed by Gas Industry Co, determine and publish a corrected annual UFG (AUGF) factor to be applied, in accordance with rule 45, to consumption periods in the relevant gas year for one or more allocated gas gate.
- 5.2 The corrected AUGF factor will be applied to all allocations of consumption periods in the relevant gas year that take place after the publication of the corrected annual UFG factor. For example, if an AUGF factor is republished on 1 March 2013, it will be applied to the initial allocations of February 2013 to September 2013, the interim allocations of November 2012 to September 2013 and the final allocations of all months in the gas year. Previous allocation stages will only be revisited to the extent that special allocations are directed by Gas Industry Co that take place after republication.
- 5.3 The corrected AUGF factor must be determined in accordance with rule 46.3.1, unless Gas Industry Co determines any specific procedures that should apply under rule 46A.4. The consumption information used to determine the AUGF factor should be the best available consumption information for all retailers as at the date of recalculation.
- 5.4 The direction to correct and republish an AUGF factor will specify the affected allocated gas gate(s). The allocation agent will republish the list of AUGF factors for all allocated gas gates (ie, the complete GAR090 report), but the AUGF factors will only be recalculated for the gas gates specified by Gas Industry Co.
- 5.5 Gas Industry Co may require the allocation agent to correct and republish an AUGF factor up to 15 months after an AUGF factor has been determined and published in accordance with rule 46.4. This time period covers the three months between the publication of the AUGF factors and the start of the gas year (July to September) plus the 12 months of the gas year to which the AUGF factors apply (October to the following September).
- 5.6 Before directing the allocation agent to correct an AUGF factor, Gas Industry Co must be of the opinion that the current AUGF factor may have, or have had, a sufficiently unfair impact on

allocation results at the affected allocated gas gate. In determining whether the impact is sufficiently unfair, Gas Industry Co has identified some objective materiality thresholds. An AUFG factor may be corrected where:

(a) the change in the magnitude of the AUFG factor is in the order of 0.01 (for example a change from 1.035 to 1.025); and/or

(b) the AUFG correction results in a movement of 1000GJ between TOU and non-TOU allocations in any one month.

5.7 Based on previous experience, the timing of the potential AUFG correction is also of significance when deciding whether or not to require a correction. For example, an error that is discovered before the first allocation of the gas year has been performed (ie in the period July to October) may result in a correction being directed that doesn't meet the materiality criteria set out in clause 5.6.

Draft

Subject **Gas (Downstream Reconciliation) Rules 2008**

Guideline note for rules 65 to 75 ~~and 80~~: – the commissioning and carrying out of performance audits and event audits

Version **3.0 ~~2.0~~**

Date **1 June 2013 ~~4 October 2010~~**

1. Introduction

- 1.1 Rule 65 of the Gas (Downstream Reconciliation) Rules 2008 (the Rules) requires Gas Industry Co to commission performance audits of ~~the allocation agent and~~ allocation participants⁸ at regular intervals and upon notification of a proposed major system change. The purpose of a performance audit is to review the performance of an allocation participant, and its associated systems and processes, in terms of compliance with the Rules.
- 1.2 Rule 66 of the Rules provides that Gas Industry Co may commission event audits, either on its own initiative or in response to a request from an allocation participant. The purpose of an event audit is to ascertain the cause or causes of any particular issue or event that has arisen in relation to the allocation of gas under the Rules.
- 1.3 There is no requirement in the Rules for Gas Industry Co to determine or publish the processes and criteria it intends to use for audits. This guideline note has been issued to assist allocation participants in understanding the processes that will be adopted by Gas Industry Co when commissioning audits in accordance with the Rules.
- 1.4 This note is explanatory in nature and is not legally binding. It needs to be read in conjunction with the Rules and the general approach set out for participants in no way reduces the requirement upon participants to know and comply with their obligations under the Rules. This note may be amended from time to time.
- ~~1.5 Gas Industry Co may revise this guideline note from time to time. Proposed revisions will be publicly consulted upon before they are made final.~~

⁸ For the purposes of this guideline note only, any reference to 'allocation participant' in this guideline note also includes the allocation agent.

2. Appointment and expectations of auditors

Auditor approval

- 2.1 Rule 68 sets out the provisions governing who may be appointed as an auditor. Auditors must be independent to, and not have a conflict of interest with, the party to be audited. Auditors may not be officers or employees of Gas Industry Co.
- 2.2 In addition to the requirements set out in the Rules, auditors must be able to demonstrate competency in the following areas:
- (a) Understanding of the process of downstream reconciliation and allocation;
 - (b) Understanding of the systems and processes used by allocation participants;
 - (c) Report writing and communication skills; and
 - (d) Investigative skills.
- 2.3 Due to the complex, technical nature of the Rules, Gas Industry Co is developing a register of approved persons who have the industry knowledge, experience and skill required to act as auditors. To be considered for inclusion on the register, auditors must have completed at least one audit under the Rules to the complete satisfaction of Gas Industry Co. Gas Industry Co has sole discretion on whether to include an auditor on the register.
- 2.4 Auditors who are not on the approved register but who satisfy the selection criteria listed above may be appointed to undertake an audit. Audit reports from unapproved auditors will be peer reviewed (preferably by an approved auditor).
- 2.5 Gas Industry Co will evaluate audit reports on an ongoing basis. Auditors who submit unsatisfactory audit reports may be removed from the approved register at Gas Industry Co's sole discretion. Gas Industry Co also has the discretion to remove an auditor from the approved register for any reason at any time.

Auditor appointment

- 2.6 Subject to the requirements of the Rules, the process to be used for appointing an auditor (~~i.e., contestable, tendered or by direct negotiation~~) will be at the discretion of Gas Industry Co. Factors influencing this decision include the size of the audit (a major and relatively costly audit is more likely to be subject to a contestable process), the degree of specialisation of skills and background knowledge involved, and the urgency of the audit. ~~The appointment of an auditor has been delegated to the Chief Executive by the Board of Gas Industry Co.~~

2.62.7 As provided in rule 68, Gas Industry Co will ask each allocation participant to recommend an auditor to be considered to undertake its performance audit. The selection of an auditor is at Gas Industry's Co's discretion, but it is anticipated that a participant's choices will be accepted, subject to the recommended auditor fulfilling the necessary criteria. The appointment of an auditor has been delegated to the Chief Executive by the Board of Gas Industry Co.

Expectations of auditors

2.72.8 Gas Industry Co has the following expectations of auditors:

- (a) Auditors must ensure that they have sufficient resources to enable them to perform their auditing obligations as set out in the Rules in relation to any audits they agree to carry out;
- (b) Subject to any specific terms and conditions in their letter of appointment, Auditors may use suitably qualified employees or subcontractors to assist them in carrying out parts of the audit tasks. However, they will be responsible for the accuracy and quality of the final audit;
- (c) Auditors must comply with the External Reporting Board's Auditing Standard ISA (NZ) 610/NZICA Auditing Standard AS-604 (and any subsequent revisions or replacement standards) if they are relying on the work of an internal auditor of the allocation participant being audited; and
- (d) Auditors are expected to protect the confidentiality of information where information is provided on a confidential basis (refer also to the section on confidential information below).

3. Audit reports

Content of audit reports

- 3.1 Audit reports must address all the matters raised in the terms of reference, in a logical order, with appropriate headings.
- 3.2 In addition, audit reports must include the following information:
 - (a) The auditor responsible for the audit;
 - (b) All persons used to perform the audit;
 - (c) Comments on the extent to which information was made available to the auditor;
 - (d) Clear identification of any alleged rule breaches identified in the course of the audit; and

- (e) Any other matters that the auditor considers relevant to the allocation process or to the event being audited.

Confidential information

3.3 In providing information to the auditor under rule 69, an allocation participant ~~or the allocation agent~~ may indicate where such information is considered to be confidential. Rule 69.5 stipulates that information is confidential if the allocation participant ~~or the allocation agent~~ who either owns or holds the information considers that the information is commercially sensitive. Rule 72 provides that such information may be excluded from the draft and final audit reports provided to other allocation participants. It is at the discretion of the auditor as to whether any version of their audit report excludes confidential information (refer rule 72.2). A complete version of the report must be provided to the industry body.

~~3.4 All details of an audit report that are not published will remain confidential unless otherwise agreed between the allocation participant and Gas Industry Co.~~

4. Performance audits

4.1 Performance audits are carried out in relation to allocation participants. Where an allocation participant is a single entity that carries out more than one allocation participant function (eg retailer and transmission system owner or retailer and meter owner) and is the subject of an audit, the audit will generally only relate to the allocation participant function or issue being audited.⁹

Schedule of regular performance audits

4.2 Rule 65 requires Gas Industry Co to arrange performance audits of allocation participants at regular intervals.

4.3 ~~The audit programme will commence with baseline audits of every allocation participant and the allocation agent.~~ Gas Industry Co anticipates that performance audits of allocation participants will generally be performed at about two-yearly intervals. This timing will allow all allocation participant actions to be considered within the ambit of at least one audit, as the Rules disallow the auditing of information from earlier than 30 months prior to the commissioning of the audit. However, the timing of subsequent audits for individual allocation participants will depend upon the findings of the baseline audits. ~~if~~ if compliance concerns are raised for a particular participant, then Gas Industry Co may choose to increase the frequency of subsequent audits for that participant.

⁹ ~~Note though that the auditor may request any information from any allocation participant in respect of an audit — see rule 69.1~~

4.4 ~~Gas Industry Co intends to schedule performance audits in a way that accommodates participants' scheduling constraints, to the extent practicable and without delaying the audit programme. Gas Industry Co intends to adhere to the following schedule for baseline audits:~~

~~**Retailers:** baseline audits to be completed for each retailer by 30 June 2011~~

~~**Allocation agent:** baseline audit to be completed by 31 December 2010~~

~~**Meter owners:** baseline audits to be completed for meter owners by 30 June 2011~~

~~**Transmission system owners:** baseline audits to be completed for transmission system owners by 30 June 2011~~

~~Note although distributors are defined as allocation participants, they have no specific obligations under the Rules. Gas Industry Co does not therefore intend to include them in the performance audit programme.~~

4.5 ~~It is intended that N~~new entrant retailers and ~~new entrant~~ meter owners will be subject to baseline audits within six months of becoming allocation participants.

~~As provided in rule 68, Gas Industry Co will ask the allocation participants to recommend auditors to be considered to undertake their performance audits. The selection of an auditor is at Gas Industry's Co's discretion, but it is anticipated that participants' choices will be accepted, subject to the recommended auditor fulfilling the necessary criteria. Similarly, Gas Industry Co intends to schedule performance audits in a way that accommodates participants' scheduling constraints, to the extent practicable.~~

Terms of reference

4.6 ~~It is intended that T~~the terms of reference for ~~the baseline~~ audits will be substantially similar within each class of allocation participant in order to promote consistency between audits and comparability between audit reports. The terms of reference for subsequent audits are anticipated to be a combination of generic items and participant-specific issues raised in previous audit reports.

Performance audits outside the regular programme

4.7 Performance audits of an allocation participant may also be initiated in response to a particular issue or event, including the findings of an event audit or another performance audit.

4.8 Such extraordinary performance audits will be conducted according to terms of reference that are tailored to suit the particular circumstances of the need for a performance audit. Due to the sensitive nature of such audits, it is anticipated that the resulting audit reports will routinely be peer reviewed to ensure the robustness and integrity of the auditing process.

Major change requiring performance audit

4.9 Under rule 65.5, Gas Industry Co must arrange a performance audit of an allocation participant upon notification of a proposed change to any of the allocation participant's systems, processes or procedures that could reasonably be considered to be likely to have major impact on the allocation participant's compliance with the Rules.

4.10 Gas Industry Co has identified the following examples or circumstances which may be considered to be system changes that have a major impact. Due to the variety and complexity of allocation participants' systems, this list is by no means exhaustive and allocation participants should seek confirmation from Gas Industry Co:

(a) establishing a new system or replacing one software package with another, for example:

(i) an upgrade from a spreadsheet based system to an integrated solution; or

(ii) a move from one software provider to another such as Gentrack to SAP;

(b) establishing or replacing a specific system component or module which directly impacts downstream reconciliation, for example introducing a new TOU or mass market billing engine to an existing system.

4.11 Changes such as version upgrades to existing software, bug fixes, or upgrades to database management operating systems, communications and other third party software are not regarded as changes causing a major impact.

4.12 It will be satisfactory for notifications from the allocation participant to Gas Industry Co to be in the form of an email addressed to info@gasindustry.co.nz. Notifications should contain the following information:

(a) the nature and cause of the change to systems, processes or procedures that is considered to have a major impact on compliance with the Rules;

(b) the magnitude of the impact on compliance with the Rules;

(c) the expected go-live date of the change to systems, processes or procedures;

(d) the name and contact details of one or more auditors recommended pursuant to rule 68.3 (if any).

4.13 It is likely, given the magnitude of the changes anticipated to be covered by the auditing provision, that allocation participants will undertake substantial testing/auditing independently from the requirement in the Rules. The purpose of an audit under rule 65.5 is not to duplicate any system testing or UAT for the proposed change, but instead to focus on whether the allocation participant's system will be rules-compliant after the implementation of the change. It is likely that the auditor would use any test plans, scenarios and results as an input into his or her own audit.

4.74.14 The Rules only require that an allocation participant submits to a pre go-live audit, however Gas Industry Co considers that it is good practice for an allocation participant to also conduct a post go-live audit of system changes. If a post go-live audit is not conducted then the performance (in terms of compliance with the Rules) of the allocation participant's system since the change can be addressed in the next regular performance audit under rule 65.1 or, to the extent that a system change triggers a breach, through the compliance regime.

5. Event audits

- 5.1 Rule 66 allows Gas Industry Co to decide whether and when an event audit should occur. An allocation participant can request that an audit be carried out, but Gas Industry Co has sole discretion to decide whether to commission the event audit and must not grant a request if it considers that request to be frivolous, vexatious or not made in good faith.
- 5.2 While an 'event' is not defined in the Rules, it may cover a broad range of circumstances related directly or indirectly to the allocation of gas under the Rules, including both long-term issues and one-off events. This approach is consistent with the purpose of an event audit, which is to ascertain the causes of a particular issue or event that has arisen in relation to the allocation of gas under the Rules.
- 5.3 Particular issues or events that may result in an event audit being commissioned include, without limitation:
- (a) A significant step change in the total actual level/percentage of UFG at a gas gate in a particular consumption period or series of consumption periods, which might indicate a disruption to the normal pattern of supply and/or significant meter¹⁰ or meter read errors either at the gas gate or at the consumer installation;
 - (b) A persistently high positive or negative level/percentage of UFG at a gas gate; or
 - (c) Any information or incident that indicates that inaccurate or incomplete data, whether due to meter or meter read errors, data estimation errors, allocation participant system or process errors, or otherwise, is materially influencing the accurate allocation of gas at a

¹⁰ Including corrector register.

gas gate or may be contributing materially to a persistently high positive or negative level/percentage of UFG at a gas gate.

- 5.4 With regard to item (b) above, Gas Industry Co ~~intends to review~~periodically reviews the gas gates that have ~~historically had~~ high levels of UFG, whether positive or negative, and ~~to~~ commission-commissions event audits where necessary to determine the cause(s) of the UFG.
- 5.5 In relation to other issues or events that may arise but are not mentioned above, Gas Industry Co will generally not consider commissioning an event audit unless specifically requested to do so by an allocation participant under rule 66 and the issue or event is having a significantly adverse or unfair effect on the allocation of gas under the Rules.

Draft

II Guidelines with proposed non-material changes

Subject Gas (Downstream Reconciliation) Rules 2008

Version Guideline note for rules 34 – 37: ~~historical~~historic and forward estimates, and seasonal adjustments for ~~historical~~historic estimates

Date 1.10

Date ~~1 June 2013~~27 November 2008

1. Introduction

- 1.1 Rules 34 – 37 of the Gas (Downstream Reconciliation) Rules 2008 (“the Rules”) set out the process surrounding the use of ~~historical~~historic estimates and forward estimates in respect of consumption information for allocation groups 3 to 6.
- 1.2 The purpose of rules 34 – 37 is to estimate consumption within a *consumption period*. This note provides guidance on how those rules are to be given effect by allocation participants.
- 1.3 This note is explanatory in nature and is not legally binding. It needs to be read in conjunction with the Rules and the general approach set out in this note in no way reduces the requirement upon participants to know and comply with their obligations under the Rules. This note may be amended from time to time.

2. Terminology

~~2.1~~—In this guideline note:

~~2.2.1~~ words have the same meaning as in the Rules. Additionally: “Consumption period” means a month during which gas is supplied (or deemed to have been supplied) to consumers.

- (a) “Meter read period” means the period between two consecutive *validated register readings* (ie meter register readings which have been validated by the retailer).
- (b) “Profiled consumption” means the sum of the applicable registered profiled consumption (using a static deemed profile or a dynamic deemed profile), the sum of the applicable *seasonal adjustment daily shape values (SADSVs)*, or, where there is no profile and no SADSVs, consumption profiled via a retailer’s own seasonal shape methodology or flat straight-line profile.

~~(c) —“Register reading” means the number displayed by, or estimated for, 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.~~

~~(d) — “Seasonal adjustment daily shape values (SADSVs)” means, for each allocated gas gate, the daily GJ values published by the allocation agent in accordance with rule 53, that form the gas gate residual profile for all retailers at that gas gate. Up to 24 prior months of SADSVs are published by the allocation agent on a rolling basis, with the first month being October 2008. The daily GJ values in SADSVs may change between the initial, interim and final allocations, due to changes in injection and/or consumption information submitted to the allocation agent.~~

~~(e) — “Validated register reading” means a register reading or permanent estimate which has passed an allocation participant’s validation process.~~

3. Application of rule 34

3.1 Under rule 34, retailers are to use ~~historical~~*historic* estimates and/or forward estimates, as applicable, when preparing consumption information in respect of allocation groups 3 to 6 for submission to the allocation agent. Consumption information submitted for a consumption period may contain a combination of both ~~historical~~*historic* estimates and/or forward estimates.

4. Application of rule 35

4.1 Rule 35 explains the methodology to be followed by retailers in calculating ~~historical~~*historic* estimates.

4.2 Rule 35.1 – definition of ~~historical~~*historic* estimate

(a) “~~Historical~~*Historic* estimates” for ICPs at an allocated gas gate are derived by applying to the gas consumption quantity for the *meter read period* either:

- o the applicable registered deemed profile; or
- o if no applicable registered deemed profile exists, the SADSVs for that *consumption period* or part of the *consumption period* (subject to the SADSVs being available for the *consumption period*).

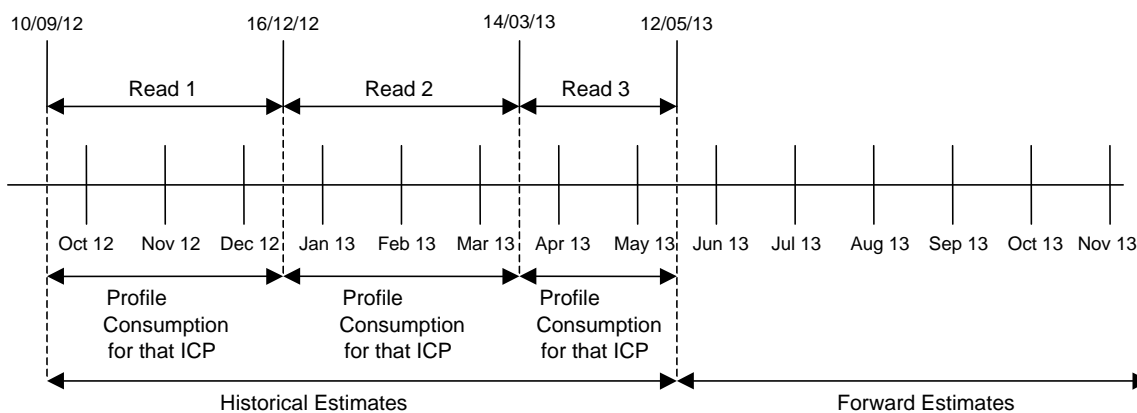
(b) For the submission of consumption information for an allocation, a ~~historical~~*historic* estimate is to be calculated by a retailer for an ICP at an allocated gas gate if a *validated register reading* occurs during the *consumption period* being allocated and up until the date when initial consumption information must be provided to the allocation agent ie up until the fourth business day of the month following the consumption period. (In practice, a *validated register reading* will need to have occurred sufficiently prior to the deadline for the submission of the initial consumption information to allow enough time to validate the *register reading* and to calculate a ~~historical~~*historic* estimate for the ICP for the *consumption period* being allocated).

- (c) A *forward estimate* is to be used if no *validated register reading* occurs during the *consumption period* being allocated and up until the date when initial consumption information must be provided to the allocation agent (see section 5 – “Application of rule 36”).
- (d) By way of example (**Example A**):
- A retailer’s system may require that any validated register reading (to be used in ~~historical~~*historic* estimate calculations for submission to the allocation agent) be performed no later than three business days prior to the deadline for the submission of consumption information.
 - If the retailer is submitting October 20~~1208~~ consumption information to the allocation agent in November 20~~1208~~ for initial allocation, and a validated register reading occurs on Sunday 2nd November, then that retailer is able to apply its validation processes and calculate a ~~historical~~*historic* estimate using that validated register reading for submission to the allocation agent by midday Thursday 6th November 20~~1208~~.
 - The retailer is to calculate a ~~historical~~*historic* estimate for those ICPs for which it receives a validated register reading between 1st October 20~~1208~~ and 2nd November 20~~1208~~.
- (e) For the submission of consumption information for the interim or final allocation, a ~~historical~~*historic* estimate is to be calculated by a retailer for an ICP at an allocated gas gate if a *validated register reading* occurs prior to the date when interim or final (as applicable) consumption information must be provided to the allocation agent.

4.3 Rule 35.2.1 – a meter read period spans an entire consumption period

- (a) Where the period between any two consecutive *validated register readings* encompasses an entire consumption period, the ~~historical~~*historic* estimate is calculated using the following methodology:
- the total profiled consumption at the allocated gas gate for the consumption period is divided by the total profiled consumption at the allocated gas gate for the period of the meter reading. This gives the proportion of profiled consumption at the allocated gas gate for the consumption period vis-à-vis the meter read period;
 - the ICP’s gas consumption quantity for the meter read period is then multiplied by the ratio calculated above, to determine the ICP’s gas consumption for the consumption period.

(b) An example of the process is as follows (**Example B**):



Historical Estimate (April 2013)

$$\text{Read 3 (15/03/13 to 12/05/13)} \quad \times \quad \frac{\text{Profiled Consumption (Apr 2013)}}{\text{Profiled Consumption (15/03/13 to 12/05/13)}}$$

(c) This process will tend to be applied when calculating ~~historie~~*historical*-estimates for interim and final allocations rather than for initial allocations.

4.4 Rule 35.2.2 – a meter read period spans part of a consumption period

(a) Where only part of a consumption period falls within a meter read period, then the ~~historie~~*historical* estimate is calculated using the following methodology:

Step 1 (First part of consumption period)

- the total *profiled consumption* at the allocated gas gate for the first part of the *consumption period* is divided by the total *profiled consumption* at the allocated gas gate for the *meter read period* pertaining to the first part of the *consumption period*. This gives the proportion of *profiled consumption* at the allocated gas gate for the first part of the *consumption period* vis-à-vis the *meter read period*;
- the ICP’s gas consumption quantity for the *meter read period* pertaining to the first part of the *consumption period* is then multiplied by the ratio calculated above, to determine the ICP’s gas consumption for the first part of the *consumption period*.

Step 2 (Second part of consumption period)

- the total *profiled consumption* at the allocated gas gate for the second part of the *consumption period* / month is divided by the total *profiled consumption* at

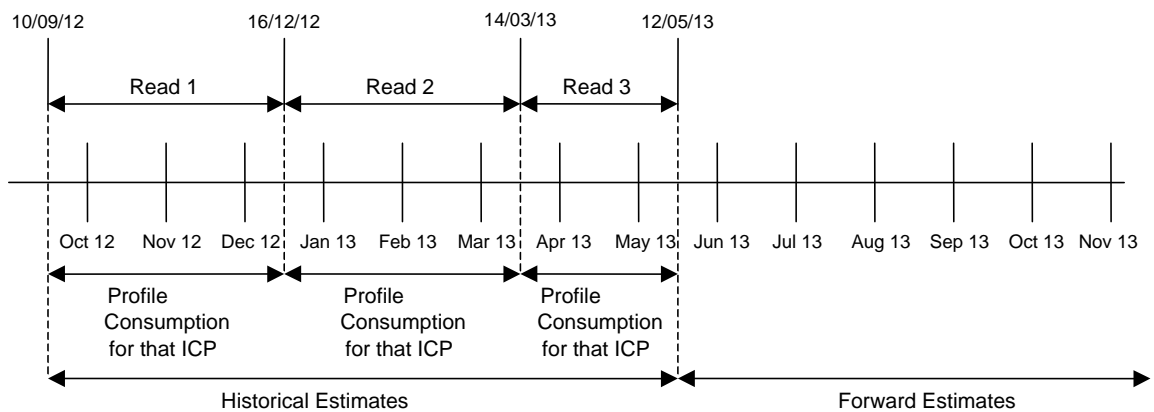
the allocated gas gate for the meter read period pertaining to the second part of the consumption period. This gives the proportion of profiled consumption at the allocated gas gate for the second part of the consumption period vis-à-vis the meter read period;

- the ICP's gas consumption quantity for the meter read period pertaining to the second part of the consumption period is then multiplied by the ratio calculated above, to determine the ICP's gas consumption for the second part of the consumption period.

Step 3 (Total consumption period)

- the two quantities calculated under each of the steps above are then summed to give the ICP's gas consumption for the consumption period.

(b) An example of the process is as follows (**Example C**):



Historical Estimate (March 2013) =

Read 2 (17/12/12 to 14/03/13)	x	<u>Profiled Consumption (Mar 01–14)</u> Profile Consumption (17/12/12 to 14/03/13)
	<i>Plus</i>	
Read 3 (15/03/13 to 12/05/13)	x	<u>Profiled Consumption (Mar 15-31)</u> Profile Consumption (15/03/13 to 12/05/13)

4.5 Rule 35.3 – unavailability of SADSVs

- (a) As noted above, a retailer must generate a *historicalhistoric* estimate for an initial allocation if that retailer has available to it a *validated register reading*.
- (b) However, when calculating *historicalhistoric* estimates for inclusion in consumption information being submitted to the allocation agent for initial allocation, a retailer will not have available to it the SADSVs (as published by the allocation agent) for the *consumption period* being allocated. Therefore, the retailer must substitute these SADSVs with either:
 - its own seasonal shape profile; or
 - a flat straight-line profile.
- (c) To assist a retailer in meeting the accuracy requirement under rule 37:
 - (i) if the start of the *meter read period* is prior to the start of the *consumption period* being allocated (in which case, SADSVs exist for the portion of the *meter read period* that is prior to the *consumption period* being allocated) then for the portion of the *meter read period* which is in the *consumption period* being allocated, the retailer should use either:
 - a seasonal shape profile that is consistent with the SADSVs for the earlier portion of the *meter read period*, adjusted for seasonality; or
 - a flat straight-line profile for which the daily average consumption quantity in the *consumption period* being allocated is the daily average consumption quantity of the SADSVs for the portion of the *meter read period* that is prior to the *consumption period*, adjusted for seasonality.
 - (ii) if the start of the *meter read period* aligns with the start of the *consumption period* being allocated, then for that portion of the *meter read period* which is in the *consumption period* being allocated, the retailer should use either:
 - its own seasonal shape profile; or
 - a flat straight-line profile.
- (d) While it is important to note that a retailer must generate *historicalhistoric* estimates when submitting consumption information for initial allocation, the methodology that the retailer uses is at the retailer's discretion. Hence, retailers may decide, for practical purposes, to use the same methodology as they use to calculate *forward estimates*.

5. Application of rule 36

- 5.1 “Forward estimate” means an estimate of consumption information for ICPs in allocation groups 3 – 6, where it is not possible to calculate that consumption information using a ~~historical~~*historic* estimate.
- 5.2 A retailer may, at its discretion, determine the method it wishes to use for calculating a *forward estimate*.
- 5.3 A *forward estimate* is to be used by retailers in the instance where it is not possible to calculate consumption information using a ~~historical~~*historical* estimate. In other words, a retailer is to use a *forward estimate* for an ICP if a *validated register reading* has not occurred for that ICP during the *consumption period* being allocated and up until the date when consumption information must be provided to the allocation agent ie up until the 4th business day of the month following the consumption period¹.
- 5.4 By way of example (**Example D**):
- If the retailer is submitting October 200~~128~~ consumption information to the allocation agent in November 20~~1208~~ for initial allocation, and a *validated register reading* occurs on Sunday 2nd November, then that retailer is able to apply its validation processes and to calculate a ~~historical~~*historical* estimate for submission to the allocation agent by midday Thursday 6th November 20~~1208~~ (as set out in Example A above).
 - However, if the *validated register reading* occurred on Monday 3rd November (or later), then the retailer would need to calculate a *forward estimate*.

6. Application of rule 37

- 6.1 Rule 37 states that consumption information provided by a retailer for the initial allocation must be within a certain margin of error of the consumption information submitted by that retailer for final allocation. This margin of error applies to all allocation group 3 to 6 consumption information submitted for initial allocation, whether it includes ~~historical~~*historical* estimates, *forward estimates* or both. The margin of error is to be determined annually by the industry body (Gas Industry Co) and published on its website.
- 6.2 For the ~~margin of error for each gas year 2008-2009 gas year, Gas Industry Co has determined that the allowable margin of error between initial consumption information and final consumption information is 15 percent—~~ see *Notice of Determinations by the Industry Body (Gas Industry Co) under the Gas (Downstream Reconciliation) Rules 2008* dated ~~1 June 2013~~*19 September 2008*.

~~7.—Calculation and publication of SADSVs for period prior to 1st October 2008~~

¹ As noted earlier, in practice a *validated register reading* will need to have occurred sufficiently prior to the deadline for the submission of the initial consumption information to allow enough time to validate the *register reading* and to calculate a ~~historical~~*historical* estimate for the ICP for the *consumption period* being allocated.

~~7.1 Gas Industry Co has engaged the incumbent industry-appointed allocation agent to calculate SADSVs for the 24 months prior to 1 October 2008², for those allocated gas gates allocated under the existing industry arrangements.~~

~~7.2 The purpose of this is to enable retailers to apply these SADSVs to their *historichistorical* estimate calculations where the meter read period spans 1st October 2008. For example, a retailer could use the average of the SADSVs for October 2006 and October 2007 to estimate October 2008 SADSVs when calculating the *historichistorical* estimate for October 2008. These SADSVs may also be of assistance to participants in the calculation of forward estimates.~~

~~7.3 Please note that these pre-1st October 2008 SADSVs do not have any regulatory status under the Rules and do not represent SADSVs published under rule 53.1.~~

8.7. Worked Example for October 2008 consumption period

8.7.1 Initial allocation

- The current month is November 2008.
- A retailer reads its allocation group 4 and allocation group 6 meters once every three months. Therefore, the retailer will, in any one month, have *validated register readings* for approximately one third of its allocation group 4 and 6 ICPs, enabling it to calculate *historichistorical* estimates for this subset of its ICPs.
- The retailer's internal business processes require any *validated register reading* that is to be used for calculating a *historichistorical* estimate to occur no later than the last calendar day of the *consumption period* being allocated.
- By midday³ on 6th November 2008, the retailer provides the allocation agent with the aggregate estimated energy quantities (600 GJ), by allocated gas gate for all ICPs in allocation groups 4 and 6, for initial allocation of downstream gas in October 2008.
- Of the aggregate estimated energy quantities submitted, a material proportion will be calculated using *historichistorical* estimates⁴ (eg 100 GJ), with the remaining aggregate estimated quantities calculated using *forward estimates*.
- Since the retailer is submitting consumption information for initial allocation, the retailer will not be able to use SADSVs published by the allocation agent in the calculation of its *historichistorical* estimates. Instead the retailer will use either its own profiling methodology or use a flat straight line profile to generate *historichistorical* estimate energy quantities for submission. In this example, the retailer elects to use the

² ie October 2006 to September 2008 inclusive

³ The 12 pm timeframe is set out in the *Gas (Downstream Reconciliation) Rules 2008 (Exemption DR08-15 to 18-S: Injection information) Notice 2008*. This exemption expires on 30 April 2009, at which point the 8am timeframe set out in rule 31 will apply.

⁴ Perhaps in the region of one sixth, if all of the retailer's allocation group 4 and 6 customers consume approximately equal quantities of gas and their meters are read evenly across a month.

SADSVs published for the 24 months prior to 1st October 2008 to allocate consumption to October 2008 when calculating the *historiehistorical* estimate. To calculate a profile for October consumption, the retailer takes the average of the October 2006 and October 2007 SADSVs to derive estimated October 2008 SADSVs – thereby enabling the retailer to apportion consumption between the months of July, August, September and October 2008.

- Similarly, the retailer shall use its own estimation methodology for generating *forward estimate* energy quantities for submission.

For initial allocation, in the GAS040 file the retailer shall have 600 GJ in the "Consumption" field and 100 GJ in the "Quantity of *HistoricalHistorie* Estimate" field.

8.27.2 Interim allocation

- By 8am on 13th February 2009, the retailer provides the allocation agent with the aggregate estimated energy quantities by allocated gas gate for all ICPs in allocation groups 4 and 6, for interim allocation of downstream gas in October 2008.
- By now, the retailer has obtained (in this example) *validated register readings* for 95 percent of its allocation group 4 and 6 customers⁵. Consequently, the retailer is able to calculate *historiehistorical* estimates for approximately 90 per cent of the aggregate estimated energy quantities submitted for October 2008.
- Moreover, because the allocation agent published the SADSVs for October 2008 on 1st December 2008, the retailer is to use the most recently published SADSVs (as they relate to the month of October 2008) for all *historiehistorical* estimates calculated for October 2008 aggregated estimated energy quantities (ie the retailer replaces the estimated October 2008 SADSVs (or its estimated seasonal shape methodology/flat shape basis if applicable) used in its *historiehistorical* estimates for October 2008 with the actual October 2008 SADSVs published by the allocation agent; and the retailer replaces most of its *forward estimates* for October 2008 with *historiehistorical* estimates using the actual October 2008 SADSVs).

For interim allocation, in the GAS040 file the retailer shall have 600 GJ in the "Consumption" field and 540 GJ in the "Quantity of *HistoricalHistorie* Estimate" field.

8.37.3 Final allocation

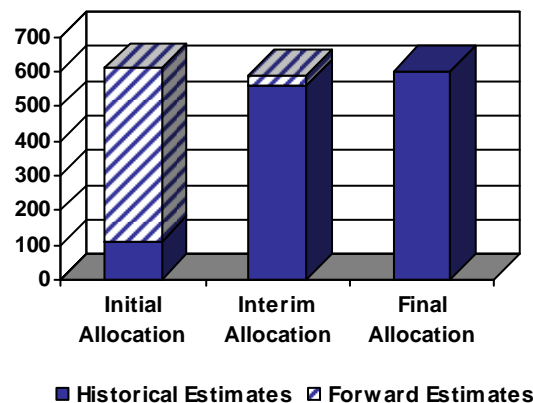
- By 8am on 18th December 2009 the retailer provides the allocation agent with the aggregate estimated energy quantities by allocated gas gate for all ICPs in allocation groups 4 and 6, for final allocation of downstream gas in October 2008.

⁵ Note that the Rules require that "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" (rule 29.5). In addition, all such consumer installations "must have register readings recorded at least once every 12-months unless exceptional circumstances prevent such an interrogation" (rule 29.4.3).

- By now the retailer has *validated register readings* for 100 percent of its allocation group 4 and 6 customers. Consequently, the retailer is able to calculate ~~historical~~*historical* estimates for all of the aggregate estimated energy quantities submitted for October 2008.
- Because the allocation agent published the *SADSVs* for October 2008 on 1st December 2008, the retailer is to use the most recently published *SADSVs* (as they relate to October 2008) for all ~~historical~~*historical* estimates calculated for October 2008 aggregated estimated energy quantities (ie the retailer replaces the remaining estimated October 2008 *SADSVs* used in its ~~historical~~*historical* estimates for October 2008 with the actual October 2008 *SADSVs* published by the allocation agent; and the retailer replaces its remaining *forward estimates* for October 2008 with ~~historical~~*historical* estimates using the actual October 2008 *SADSVs*).

For final allocation, in the GAS040 file the retailer shall have 600 GJ in the "Consumption" field and 600 GJ in the "Quantity of ~~Historical~~*Historic* Estimate" field.

- Since all allocation group 4 and 6 gas consumers do not consume the same quantity of gas and because retailers are not able to estimate perfectly their customers' consumption, in reality the quantity of gas in the "Consumption" field will vary between the initial, interim and final allocations.
- The proportions of ~~historical~~*historical* and forward estimates for each respective allocation for the October 2008 consumption period are illustrated below.



Subject **Gas (Downstream Reconciliation) Rules 2008**

Guideline note rule 47 – force majeure event and annual UFG factor

Version **1.10**

Date **1 June 2013~~17 March 2009~~**

1. Introduction

- 1.1 Rule 47 of the Gas (Downstream Reconciliation) Rules 2008 ('the Rules') provides that where a force majeure event has occurred, Gas Industry Co as the industry body must determine a fair and representative annual UFG factor for the affected allocated gas gate(s) to be applied during the relevant gas year.
- 1.2 The purpose of this guideline note is to assist allocation participants in understanding the processes that will be adopted by Gas Industry Co to give effect to rule 47. This guideline note addresses two matters:
- (a) The circumstances under which the allocation agent may notify Gas Industry Co that a force majeure event has occurred, and the information to be provided with the notification; and
 - (b) The approach Gas Industry Co intends to adopt in determining a fair and representative annual UFG factor.
- 1.3 This note is explanatory in nature and is not legally binding. It needs to be read in conjunction with the Rules and the general approach set out in this note in no way reduces the requirement upon allocation participants to know and comply with their obligations under the Rules. This note may be amended from time to time.

2. Background

- 2.1 Rule 47 defines a force majeure event as an event or circumstance:
- (a) beyond the reasonable control of an allocation participant and that was not reasonably foreseeable in the circumstances; and
 - (b) which substantially affects the information relied on to determine the annual UFG factor in rule 46 so that it no longer will result in a fair and representative calculation of the annual UFG factor for a particular allocated gas gate.

- 2.2 Where the allocation agent considers that a force majeure event has occurred, it may give notice to Gas Industry Co but it must do so at least 10 business days prior to determining and publishing the annual UFG factors in accordance with rule 46.4.2.¹
- 2.3 On receiving notice of a force majeure event from the allocation agent, under rule 47.3 Gas Industry Co must, after consultation with affected allocation participants, determine the annual UFG factor to be applied for the allocated gas gate for the upcoming gas year. Gas Industry Co must determine an annual UFG factor which it considers will result in a fair and representative calculation of the annual UFG factor for that allocated gas gate.
- 2.4 Gas Industry Co's determination must be notified to the allocation agent, which then publishes the annual UFG factor in the normal way but with a notation that it has been determined by Gas Industry Co.

3. Determining and notifying a force majeure event

- 3.1 Calculation of the annual UFG factor relies on aggregate gas injection information and consumption information for an allocated gas gate over a prior 12 month period.² Accordingly, there is the potential for unforeseen events or circumstances, outside the reasonable control of allocation participants, which are so significant that the injection or consumption information provided will be distorted and an unrepresentative annual UFG factor for the relevant upcoming gas year will result.
- 3.2 Gas Industry Co has identified the following examples of exceptional events or circumstances which may constitute a force majeure event:
- (a) Unforeseen rupture of a distribution system, which materially distorts UFG on the distribution system (eg caused by third parties such as heavy machinery contractors, or by natural disasters such as earthquakes or flooding);
 - (b) Other significant malfunctions of the distribution system and/or its connection(s) with the transmission system that had not previously been discovered, which materially distort UFG on the distribution system (eg leakage at an interconnection point or on the distribution system);
 - (c) Oil or water contamination of part of the transmission or distribution system such that incorrect metering data at the gas gate and/or consumer installations materially distorts UFG on the distribution system;
 - (d) The inability of the allocation agent to access information required for calculating the annual AUFG factor;

¹ Under rule 46, annual UFG factors are required to be published by the allocation agent on the first business day of July each year. Therefore, for the 2009/10 gas year, the allocation agent must give notice of any force majeure event by 17 June 2009.

² For the 2009/10 gas year, the prior 12 month period is the 12 months ended 30 September 2008 – see rule 79.2.2. For all future gas years, the prior 12 month period is the 12 months up to and including February of the previous gas year – see rule 46.3.

- (e) A permanent loss of data required by the allocation agent to calculate annual UFG factors, such that the annual UFG factor for a distribution system would be materially distorted;
 - (f) The discovery of ICPs which were allocated to the wrong **allocated** gas gate or the discovery of orphan installations (ICPs with no retailer), the existence of which are likely to have impacted on the AUFG for the particular year; and
 - (g) The declaration of a critical contingency during the particular year.
- 3.3 Before the allocation agent notifies Gas Industry Co that it considers a force majeure event has occurred, the allocation agent must be of the opinion that the event or circumstance has substantially affected the information relied on to determine the annual UFG factor, so that it will no longer result in a fair and representative calculation of the annual UFG factor for a particular **allocated** gas gate. In particular, the effects of the types of events set out in paragraph 3.2 above may have already been remedied through the provision of corrected injection or consumption information for an interim, final or special allocation ie the annual UFG factor will now be fair and representative following the data corrections. In these situations, a force majeure event for the purposes of the Rules will not have occurred and is not to be notified by the allocation agent under rule 47.
- 3.4 In assessing whether an event or circumstance has substantially affected the information relied on to calculate the annual UFG factor at a gas gate, Gas Industry Co considers that the allocation agent should take account of the following criteria:
- (a) The event or circumstance has resulted in an annual UFG factor at a gas gate that differs by +/- 0.01 from the annual UFG factor that would have otherwise been calculated ie based on the remaining unaffected data in the relevant 12-month period or, if no such information is available, the best information available to the allocation agent (eg the previous gas year's annual UFG factor);
 - (b) The event or circumstance has resulted in an additional or reduced level of UFG of more than 1,000 GJ at a gas gate for each consumption period in the affected period ie based on the remaining unaffected data in the relevant 12-month period or, if no such information is available, the best information available to the allocation agent (eg the previous gas year's UFG data); and
 - (c) Any other matters that, in the particular circumstances surrounding the event or circumstance, are so significant as to substantially affect the information relied on to calculate the annual UFG factor so that a fair and representative calculation of the annual UFG factor is no longer possible in the allocation agent's opinion.
- 3.5 When forming its opinion on whether it considers a force majeure event has occurred, the allocation agent should also seek information surrounding the event or circumstance from affected allocation participants. In most cases, Gas Industry Co expects affected allocation

participants will have already notified the allocation agent and Gas Industry Co of the occurrence of a potential force majeure event. Such information sought would be additional to that held by the allocation agent and would relate to the actual quantitative impact of the event or circumstance to the extent possible (eg estimated/corrected injection quantities from the transmission system owner). Where the impact of the event or circumstance is not known (or will not be known prior to the deadline for publishing the annual UFG factor), the allocation agent is expected to estimate the impact either by comparison with existing historical data for the affected allocated gas gate, other gas gates which are considered to have similar characteristics, or through such other means as the allocation agent considers to be most appropriate.

- 3.6 In general, the allocation agent should give notice to Gas Industry Co as soon as practicable after the completion of the February allocations that it considers a force majeure event has occurred ie on completion of the final allocation in February, the 12 months of data needed to calculate the annual UFG factor is available. As noted above, the latest date for a notification is 10 business days before 1 July each year.
- 3.7 It will be satisfactory for notifications from the allocation agent to Gas Industry Co to be in the form of an email addressed to info@gasindustry.co.nz downstreamreconciliation@gasindustry.co.nz. Notifications should contain the following information:
- (a) The gas gate(s) affected by the force majeure event;
 - (b) The nature and cause of the force majeure event;
 - (c) The size and nature of the substantial effect on the calculation of the annual UFG factor and, to the extent possible, the allocation participants who would be affected. To the extent that the information is not available, the allocation agent is to provide its best estimate of that information;
 - (d) To the extent possible, a preliminary view from the allocation agent on an annual UFG factor (or range) that it considers would be a fair and representative calculation of the annual UFG factor at the affected gas gate(s).
- 3.8 It is possible, but unlikely, that circumstances will exist where the allocation agent may not be able to notify Gas Industry Co of a force majeure event before the required deadline of ten business days prior to determining and publishing the annual UFG factor. In such situations, a late notice is non-compliant with the requirements of rule 47.2 and Gas Industry Co is generally unable to exercise its discretion to determine a fair and representative UFG factor under rule 47.3. However, Gas Industry Co will consider whether other potential steps are needed at gas gates affected by the force majeure event. One possible option may be the use of the exemption provisions in the Rules.

4. Determining and publishing the annual UFG factor as a result of a force majeure event

4.1 Having received notification of a force majeure event from the allocation agent, rule 47.3 sets out the process to be followed by Gas Industry Co in determining and notifying a fair and representative annual UFG factor for an affected allocated gas gate. Details of the process are as follows:

- (a) The determination must be made as soon as is practicable. In general, Gas Industry Co will aim to complete the process, including notifying the allocation agent, within 10 business days or, in any event, two business days prior to the deadline for publication of the annual UFG factor on 1 July;
- (b) To the extent reasonably practicable in the time available, consultation with affected allocation participants is required before the annual UFG factor is determined. Gas Industry Co will generally take a broad view of which allocation participants might be affected and this will usually mean all of the retailers at the affected allocated gas gate and the relevant transmission system operator. Gas Industry Co will generally aim to initiate the consultation process within two business days of receiving notice of a force majeure event and the consultation period will usually be between one and two weeks, depending on how much time is available. Consultation will generally be done by email;
- (c) The information provided to affected allocation participants for consultation will include the information provided by the allocation agent in the notification to Gas Industry Co (excluding any information that has been identified as confidential or commercially sensitive);
- (d) The information sought from allocation participants will generally relate to additional information on: the nature and extent of the effects of the force majeure event on the annual UFG factor; particular impacts on individual allocation participants of the 'unfair and unrepresentative' annual UFG factor; the correct quantities to use for the calculation of the annual UFG factor if that information can be provided; and the most appropriate method of estimation to use if daily metered actual quantities cannot be provided; and
- (e) The determination by Gas Industry Co will be notified to the allocation agent as required by rule 47.3.1, but the notification will be copied to all those affected allocation participants that were consulted. The notification will be by email.

4.2 Rule 47.3.2 requires Gas Industry Co to determine an annual UFG factor which it considers will result in a fair and representative calculation of the annual UFG factor for that allocated gas gate for the gas year. The approach that Gas Industry Co will adopt in order to achieve this will be as follows:

- (a) Where corrected gas injection and consumption information is available, that information will be included in the relevant 12-month period used to determine the annual UFG factor;
- (b) Where 'estimated corrected' gas injection and consumption information has been provided by affected allocation participants and Gas Industry Co considers that it is reasonably accurate, that information will be included in the relevant 12-month period used to determine the annual UFG factor;
- (c) Where corrected or 'estimated corrected' gas injection and consumption information is not available or is considered to be inaccurate, the annual UFG factor calculation will be based on the remaining unaffected data in the relevant 12-month period; or
- (d) If, for each of the above options, insufficient information is available and/or none of the above options are considered to result in a fair and representative annual UFG factor, Gas Industry Co will determine an annual UFG factor based on its own methodology, taking into account the views of the allocation agent and affected allocation participants (eg adjusting the previous year's annual UFG factor based on the best information available to Gas Industry Co).

Subject **Gas (Downstream Reconciliation) Rules 2008**

Guideline note rule 52 – annual reconciliation

Version **1.10**

Date **J June 2013 ~~3 November 2008~~**

1. Introduction

1.1 Rule 52 of the Gas (Downstream Reconciliation) Rules 2008 (“the Rules”) sets out the process for annual reconciliation, which compares, over the previous 12 months, the gas quantities invoiced to consumers against the gas quantities supplied as consumption information for allocation.

1.2 The purpose of this note is to provide guidance on how rule 52 is to be given effect to by allocation participants and the allocation agent. It has been developed in consultation with allocation participants and endeavours to assist those participants and the allocation agent in interpreting and determining how they might comply with rule 52 in practice.

~~1.3~~ This note is explanatory in nature and is not legally binding. It needs to be read in conjunction with the Rules and the general approach set out in this note in no way reduces the requirement upon participants to know and comply with their obligations under the Rules. This note may be amended from time to time.

~~1.41.3 In due course, Gas Industry Co will consider whether a rule change is appropriate to provide additional clarity surrounding the operation of rule 52.~~

2. Rule 52 – terminology

2.1 In this guideline note words mean the same as in the Rules. Additionally:

- “Energy qQuantities billed” means the total energy quantities billed to consumers (or to a retailer itself) in a calendar month, as identified by the date of the invoice falling within that calendar month and as sourced directly from a retailer’s financial records. Energy qQuantities billed include energy quantities supplied under any sponsorship, promotions, or other similar ‘give-away’ arrangement, and also vacant consumption where this consumption has been accounted for in a retailer’s financial records. However, please note unbilled vacant consumption or adjustments for accounting unbilled sales accruals are not included, as such consumption or adjustments have, at that point, not yet been accounted for in a retailer’s financial records.

- “Billing month(s)” refers to the period (calendar month or months or part month or part months) in which a consumer consumed (or was estimated to have consumed) the quantity of gas referred to in an invoice.⁴
- ~~“Consumption period” means a calendar month during which gas is supplied (or deemed to have been supplied) to consumers.~~
- ~~“Invoice month” refers to the calendar month in which the date of the invoice (ie in the date field of an invoice) from a retailer to a gas consumer (or to the retailer itself) falls.~~

3. Background

- 3.1 For time-of-use (“TOU”) consumers billed for a complete calendar month, the energy quantities submitted for allocation for a particular *consumption period* should align very closely (if not exactly) with the energy quantities invoiced shortly after the end of that *consumption period*. This one month offset between when consumption occurs and when invoicing takes place is typical for TOU consumers, but less so for non-TOU consumers.
- 3.2 For non-TOU consumers, a comparison of consumption quantities for a *consumption period* with invoiced energy quantities in the following month will only provide a sanity check of the accuracy of the consumption quantities. This is because invoices may include consumption billed to consumers based on actual and estimated meter reads and meter reads spanning one or more *consumption periods*. While the comparison for non-TOU information is likely to be less exact in the short-term, over a period of 12 months, the comparison will become more accurate and provide information that may highlight areas of concern. Accordingly, non-TOU information is treated identically to TOU information for the purposes of the annual reconciliation under rule 52.
- 3.3 As all gas meters are required to be read at least once per annum², 12 months of consumption information is expected to materially align with 12 months of billing information (lagged or offset by one month).³ If the variance is significant, it may point to an issue with the interface between a retailer’s billing and reconciliation systems and/or a reporting issue.

4. Rule 52.2.1 – provision of information by retailers

- 4.1 The total energy quantities billed in an *invoice month* may pertain to consumption spanning one or more months or part months and be based on actual or estimated meter reads. The retailer is to provide the allocation agent with the total energy quantities billed

⁴ Note “previous billing month” is also defined in rule 52.3.1 – referring to the month prior to the previous *consumption period* ie month_{t-2}, which is 2 months prior to the current month_{t-0}.

² Rule 29.4 provides that TOU meters in allocation group 1 or 2 must have daily register readings, non-TOU meters using between 250GJ and 10TJ must have monthly register readings, and other non-TOU meters must have register readings at least once every 12 months (unless exceptional circumstances apply).

³ The comparison will almost certainly never align perfectly, due to the different billing practices amongst retailers. However, over a period of 12 months, the level of misalignment is not expected to be material.

to all consumers (or to the retailer itself) where the date of the invoice falls within the same *invoice month*, irrespective of the *billing month* to which the invoice relates.

- 4.2 By way of example, in November a retailer provides the allocation agent with the October *invoice month* information – total *energy quantities billed* – that pertains to the consumption month(s) of October or earlier – *the billing month(s)*.

Under rule 52.2.1, retailers are to provide to the allocation agent, in month_{t0}, with their total billed quantities of gas that were invoiced in month_{t-1} (eg in December 2008, retailers are to provide their quantities of gas invoiced in November 2008).

5. Rule 52.2.2 – comparison by the allocation agent

- 5.1 To give effect to rule 52.2.2, the allocation agent compares the sum of the total *energy quantities billed in GJ* for the 12 months up to and including the last *invoice month* (ie month_{t-1}) received from retailers against the sum of the best available consumption information, as submitted to the allocation agent under rules 31, 32 and 33, for the 12 months up to and including the *previous billing month* (ie month_{t-2}).
- 5.2 The allocation agent applies a one month lag in its comparison of *invoice month* information against consumption information, because the *invoice month* generally lags behind the relevant *billing month / consumption period* by one month (particularly in relation to TOU consumption)⁴.
- 5.3 By way of example, in November 2009 retailers will provide the allocation agent with invoicing information for October 2009 (ie total *energy quantities billed* for the October 2009 *invoice month*), and the allocation agent will in November 2009 compare the total *energy quantities billed in GJ* for the *invoice months* November 2008 – October 2009 against consumption information for the *consumption periods* October 2008 – September 2009~~08~~.
- 5.4 ~~The allocation agent will commence carrying out the as-billed comparison report from December 2008 for the months following the go-live date, even though the allocation agent will not yet have received 12 months of historical invoice or consumption information.⁵ Participants should note that, until 12 months of historical invoice or consumption information has been provided, caution should be taken in drawing any inferences from the comparisons.~~

⁴ A one month lag is not always present as the invoice month and the billing month may be the same in a lot of cases. For example, some retailers may read and bill their customer in the same month but provide that consumption information for allocation in the following month. In addition non-TOU consumption may actually relate to one or more previous *billing months*. Nevertheless, a one month lag is still applied for consistency purposes given that over time any misalignment reduces in significance.

⁵ ~~Rule 76.2 provides that the reports by the allocation agent under rules 52 and 53 do not apply to consumption periods prior to the go-live date. Accordingly the 12-month comparison only applies to consumption periods subsequent to the go-live date.~~

Under rule 52.2.2, in month t_0 , the allocation agent is to compare the total billed quantities of gas that were invoiced in month $t-1$ with the consumption information for month $t-2$:

Example 1: In December 2008, the allocation agent is to compare total billed quantities of gas in invoices dated November 2008 against the consumption information submitted for October 2008;

Example 2: In January 2009, the allocation agent is to compare the sum of total billed quantities of gas in invoices dated in November and December 2008 against the sum of consumption information submitted for October and November 2008;

Example 3: In November 2009, the allocation agent is to compare the sum of the total billed quantities of gas in invoices dated during the 12 months November 2008 – October 2009 inclusive against the sum of consumption information submitted for the 12 *consumption periods* October 2008 – September 2009 inclusive.

6. Worked Example

6.1 A worked example on the operation of rule 52 is set out below.

The current month is November 2009.

On the 11th business day of November 2009, a retailer provides the allocation agent with the total *energy quantities billed in GJ* to consumers (or the retailer itself) with an invoice date in October 2009, which will be billed quantities relating to consumption in September 2009 (or consumption since the previous invoice across one or more months or part months up to and including September 2009). (In the GAS070 file, the “Month Billed” field will contain “10/2009”.)

On the 14th business day of November 2009, the allocation agent publishes the results, for that retailer, of comparing the total *energy quantities billed in GJ* for the 12 month period up to and including October 2009 against the consumption information provided to the allocation agent by that retailer for the 12 *consumption periods* up to and including September 2009. (In the GAR080 file, the “Last Month Billed” field will contain “09/2009”.)

Subject **Gas (Downstream Reconciliation) Rules 2008**

Guideline note rule 61 – guidelines for determinations on profiles

Version **1.10**

Date **1 June 2013 ~~17 March 2009~~**

1. Introduction

- 1.1 Rule 61 of the Gas (Downstream Reconciliation) Rules 2008 ('the Rules') requires Gas Industry Co to develop and publish guidelines to assist the determination of whether a static deemed profile or a dynamic deemed profile is, or continues to be, a reasonable representation of the actual consumption profile of the consumer installation or class of consumer installations to which it applies.
- 1.2 This note sets out those guidelines – which, under rule 61, the allocation agent must take into account in making a determination on the approval, review, or challenge of static deemed profiles and dynamic deemed profiles under Part 3 of the Rules.¹
- 1.3 This note is explanatory in nature and, though the guidelines in this note must be taken into account by the allocation agent, it is not legally binding. The note needs to be read in conjunction with the Rules and the general approach set out for participants in no way reduces the requirement upon participants to know and comply with their obligations under the Rules.

2. Background

2.1 In this guideline note words have the same meaning as defined in the Rules:

~~(a) — A static deemed profile is a predetermined estimate of daily gas quantities which is used to define the daily profile of consumption during a consumption period for the consumer installation or class of consumer installations to which it applies (see rule 55.1). A dynamic deemed profile is a consumption profile that changes in accordance with information obtained from TOU meters installed at one or more sample consumer installations that are representative of the daily consumption profile of the consumer installation or class of consumer installations to which it is applied (see rule 56.1).~~

~~(b) — A consumption period is a month during which gas is supplied to consumers (see rule 5).~~

¹ This guideline note does not address the processes surrounding the referral to Gas Industry Co under rule 64 of dispute regarding a determination on a profile by the allocation agent. These processes are addressed by a separate guideline note 'Guideline note rule 64 – referral to industry body of disputed profile determinations'.

2.2 Profiles consist of a set of day by day gas quantities over the relevant *consumption periods* in a gas year.

2.3 It is noted that:

- (a) Deemed profiles are only applicable to the calculation of daily consumption information for consumer installations in allocation groups 3 and 5. These are generally the so-called 'mass market' meters or non-TOU meters. Profiles are specifically not required for TOU meters.
- (b) The use of deemed profiles is not mandatory. For non-TOU metered consumer installations without a deemed profile²:
 - (i) when calculating daily consumption quantities, the allocation agent uses the gas gate residual profile (rules 45.2.5 and 45.2.6 or 45.2.6A); and
 - (ii) when calculating ~~histori~~historical estimates, retailers must use the relevant seasonal adjustment daily shape values (SADSVs) in lieu of a deemed profile, or if SADSVs for the relevant allocated gas gate are not available for the *consumption period*, retailers can use either a flat straight-line profile or their own seasonal shape methodology (rules 35.1 and 35.3).
- (c) Deemed profiles are specific to both the consumer installation(s) concerned and the associated retailer. Thus if a consumer installation with a deemed profile and its associated ICP is switched to another retailer, the deemed profile is no longer applicable to that consumer installation. This change must be notified by the retailer to the allocation agent as soon as practicable under rule 57, as it is a change in circumstances material to the registration of the deemed profile. Where a deemed profile covers several consumer installations, a switch by one of those consumer installations is also to be notified to the allocation agent under rule 57 and may result in a review of the deemed profile in relation to the remaining consumer installations.

3. Determinations in respect of static deemed profiles

3.1 The general process for determinations in respect of the registration of static deemed profiles is as follows.

3.2 *Registration of static deemed profiles (rule 55)*

- (a) **Step 1:** Requests for registering static deemed profiles should be made to the allocation agent in writing, which could be in email form, and should contain the following information:

² Such consumer installations are designated to allocation group 4 or 6. Consumer installations with a registered profile are designated either allocation group 3 (static deemed profile) or allocation group 5 (dynamic deemed profile) – see rules 6 and 29.

- (i) A description of the profile;
- (ii) The period for which the profile is to be applied, ie how many and which months (a minimum of 12 consecutive months is required);
- (iii) The consumer installation or class of consumer installations to which the profile will apply, the specific ICP(s) proposed to be covered by the profile, and the allocated gas gate(s) that the ICP(s) are supplied from;
- (iv) The eligibility criteria for consumers to be included in the profile. These criteria must be readily verifiable and must include that all consumers within the profile have similar consumption patterns;
- (v) The information specified in rule 55.2, including as a minimum the elements making up each ICP's consumption quantities, with the documentation provided to the allocation agent to include a description of the inputs, methodology, formula, and results of any calculations for any estimated data; and

By way of example, information provided should include: details of dynamics derived from sources external to the metering installation if appropriate (eg SCADA); details of any TOU metering used as a control or source of input data to the profile; statistical or engineering data that supports the proposed profile shape; relevant consumer operating information such as hours/days of operation; and information on the operating profile including when the plant involved is warming up, is at full load, or warming down during the week)

- (vi) Any relevant additional information which should include any external factors that may affect the predictability of the load (or other information reasonably requested by the allocation agent).
- (b) **Step 2:** As required by rule 55.3, the allocation agent will consider whether the proposed profile is a reasonable representation of the consumer installation or class of installations to which it will apply. The criteria and approach to applying the 'reasonable representation' test for static deemed profiles are discussed in section 5 below.
 - (c) **Step 3:** The allocation agent must, as soon as practicable and no later than 20 business days after receiving the profile application, determine to either accept or reject the profile application. The allocation agent will advise the applicant in writing of the determination, together with reasons. A suggested format for advising applicants is set out in section 7 below.
 - (d) **Step 4:** If the static deemed profile is approved, the allocation agent must record that profile on the register established for this purpose under rule 54.

4. Determinations in respect of dynamic deemed profiles

4.1 The general process for determinations in respect of the registration of dynamic deemed profiles is as follows.

4.2 *Registration of dynamic deemed profiles (rule 56)*

- (a) **Step 1:** If a retailer wishes to register a dynamic deemed profile, that retailer is to advise the allocation agent in writing, which could be in email form, of the following information:
- (i) A description of the profile;
 - (ii) The consumer installation or class of consumer installations to which the profile will apply, the specific ICP(s) proposed to be covered by the profile, and the allocated gas gate(s) that the ICP(s) are supplied from; and
 - (iii) The eligibility criteria for consumers to be included in the profile. These criteria must be readily verifiable and must include that all consumers within the profile have similar consumption patterns.
- (b) **Step 2:** The allocation agent shall determine a suitable initial sample size from the list of ICPs proposed to be covered by the profile, along with the required sample accuracy. In determining the sample size and sample accuracy, the allocation agent shall ensure that this determination is informed by relevant statistics expertise, which may be internal or external. The allocation agent will also engage in discussions with Gas Industry Co, retailers and consumers. ICPs to be sampled will be selected at random from the proposed profile population.
- (c) **Step 3:** The applicant shall be responsible for ensuring that TOU meters are installed at the sample ICPs and TOU data will be gathered for those ICPs. The sample consumption information is to be analysed by the applicant for sample accuracy against the accuracy level determined by the allocation agent in step two above. A proposed profile must be evaluated over 12 months (ie over all seasons). However, at the discretion of the allocation agent, the profile may be registered after three months of data have been evaluated, and monitored for the following nine months.
- (d) **Step 4:** Having obtained a minimum of three months of sample data, the profile applicant may then seek registration of a dynamic deemed profile. The retailer must provide the allocation agent with the following information (additional to that provided in step 1 above):
- (i) The period for which the profile is to be applied, ie how many and which months (a minimum of 12 consecutive months is required);

- (ii) The information specified in rule 56.2 including, as a minimum, the consumption information from the sample of TOU meters and the retailer's analysis of that consumption information for sample accuracy;
 - (iii) Any relevant additional information which should include any external factors that may affect the predictability of the load (or other information reasonably requested by the allocation agent).
- (e) **Step 5:** As required by rule 56.3, the allocation agent will consider whether the proposed profile is a reasonable representation of the consumer installations or class of installations to which it will apply. The criteria and approach to applying the 'reasonable representation' test for dynamic deemed profiles are discussed in section 5 below.
- (f) **Step 6:** The allocation agent must, as soon as practicable and no later than 20 business days after receiving the profile application, determine to either accept or reject the profile application. The allocation agent will advise the applicant in writing of the determination, together with reasons. A suggested format for advising applicants is set out in section 7 below.
- (g) **Step 7:** If the profile is approved, the allocation agent must record that profile on the register established for this purpose under rule 54.

5. Determining whether profiles are reasonable

5.1 This section identifies general and specific considerations when applying the 'reasonable representation' test to static deemed profiles and dynamic deemed profiles.

5.2 *General points*

- (a) The allocation agent should make an assessment against each of the tests sets out below, accepting that the assessment may be qualitative rather than quantitative in some instances; and
- (b) It is difficult to recommend specific quantitative reference points. In paragraphs 5.3 and 5.4 below some quantitative references are suggested, but these are intended only as examples of a potential starting point and, if appropriate, other reference points may be used. Should this occur, the allocation agent shall provide in writing the basis for the amended quantitative reference.

5.3 *'Reasonable representation': static deemed profile*

In determining whether the profile is or will be a representation of the actual consumption profile, the allocation agent shall consider the following factors:

- (a) The eligibility criteria for consumers to be included in the profile;
- (b) That the profile methodology uses recognised engineering principles to calculate the consumption information making up the profile shape;
- (c) The average ratio of total gas quantities contained in the profile consumption information to the total gas gate injection quantities (it may be acceptable to have a lower level of accuracy if the profiled quantities are a small percentage of the total injection quantities);
- (d) The extent to which the profile aligns with other profiles for like populations; and
- (e) That the profile can be incorporated into the allocation process.

5.4 'Reasonable representation': dynamic deemed profile

In determining whether the profile is or will be a representation of the actual consumption profile, the allocation agent shall consider the following factors:

- (a) The eligibility criteria for consumers to be included in the profile;
- (b) The profiling methodology used and the sample accuracy or the 'degree of fit' between the sample profile population consumption information and the full profile population consumption information (eg a standard of error of 5-10%; a confidence level of 95-99%);
- (c) The accuracy of the profile vis-à-vis the gas gate residual profile (an 'F-test'³ shall be used to evaluate the difference between the sample data and the gas gate residual profile data at the relevant **allocated** gas gate(s)). Should the result of this analysis not demonstrate that the proposed profile is an improvement over the gas gate residual profile, then options available to the retailer proposing the profile include increasing the sample size, stratification of the sample, and redrawing the profile population;
- (d) The average ratio of total gas quantities contained in the profile consumption information to the total gas gate injection quantities (it may be acceptable to have a lower level of accuracy if the profiled quantities are a small percentage of the total injection quantities);
- (e) The extent to which the profile aligns with other profiles for like populations; and
- (f) That the profile can be incorporated into the allocation process.

³ A comparison of two variances or standard deviations

6. Processes for the review and challenge of registered profiles

6.1 Allocation agent review of registered profile (rule 58)

- (a) **Step 1:** Should the allocation agent decide, at its discretion, to review a registered deemed profile in accordance with rule 58, the allocation agent shall advise the retailer with the profile in writing. The retailer shall provide the information set out in paragraph 3.2(a) or 4.2(a) above (as applicable) within 10 business days of receiving notice of the allocation agent's review. If the allocation agent considers it necessary, it may also request other information from other allocation participants at the [allocated](#) gas gate relevant to the review of the profile in question.

Note for population changes to a dynamic deemed profile, the percentage of sampled ICPs (ie those ICPs with TOU meters) must remain equal to or greater than that determined at profile acceptance and registration. The retailer is responsible for ensuring that this occurs on an ongoing basis – specifically, the profile sample is to be updated when the profile population changes by more than 20% since the sample date. To monitor compliance with this requirement, the allocation agent will review each dynamic deemed profile annually against the acceptance criteria for those profiles. The allocation agent will undertake this review under the auspices of rule 58. At the time of commencing this review the allocation agent shall advise the retailer with the profile in writing, which could be in email form.

- (b) **Step 2:** As required by rule 58.4, the allocation agent will consider whether the profile continues to be a reasonable representation of the consumer installation or class of installations to which it applies. The criteria and approach to applying the 'reasonableness' test for static deemed profiles and dynamic deemed profiles are discussed in section 5 above.
- (c) **Step 3:** The allocation agent will make its determination in respect of the profile as soon as practicable, and no later than 30 business days after giving notice under rule 58.2. The allocation agent shall advise the retailer of the allocation agent's determination in writing together with reasons. A suggested format for advising applicants is set out in section 7 below.
- (d) **Step 4:** If the static deemed profile or dynamic deemed profile is considered to no longer be a reasonable representation of the actual consumption profile, the allocation agent must remove that profile from the register established for this purpose under rule 54.

6.2 Retailer requested review of registered profile (rule 59)

- (a) Should a retailer with a static deemed profile or a dynamic deemed profile (as registered) request the allocation agent to review that profile in accordance with rule 59 and either:
- (i) amend that profile; or

- (ii) amend the characteristics of the consumer installation or class of consumer installations to which it applies;

then the process described immediately in paragraph 6.1 above for rule 58 shall apply (except that the allocation agent will make its determination no later than 20 business days after receiving the request under rule 59.3).

6.3 Allocation participant challenge of registered profile (rule 60)

- (a) **Step 1:** Should an allocation participant wish to challenge the use by a retailer of a static deemed profile or dynamic deemed profile (as registered) in accordance with rule 60, the allocation participant must advise the allocation agent in writing of the challenge. The allocation participant shall provide full reasons for the challenge and the information set out in paragraph 3.2(a) above relating to the challenge.
- (b) **Step 2:** The allocation agent will advise, in writing, the retailer whose profile is being challenged of the challenge, providing it with an opportunity to respond. If the retailer wishes to respond, it must provide the relevant information set out in paragraph 3.2(a) or 4.2(a) above on why the profile continues to be a reasonable representation of the actual consumption profile of the consumer installation or class of consumer installations. If the allocation agent considers it necessary, it may also request other information from other allocation participants at the [allocated](#) gas gate relevant to the review of the profile in question
- (c) **Step 2:** As required by rule 60.4, the allocation agent will consider whether the profile continues to be a reasonable representation of the consumer installation or class of installations to which it applies. The criteria and approach to applying the 'reasonableness' test for static deemed profiles and dynamic deemed profiles are discussed in section 5 above.
- (d) **Step 3:** The allocation agent will make its determination in respect of the profile as soon as practicable, and no later than 30 business days after receiving the challenge notice under rule 60.1. The allocation agent shall advise the retailer of the allocation agent's determination in writing together with reasons. A suggested format for advising applicants is set out in section 7 below.
- (e) **Step 4:** If the static deemed profile or dynamic deemed profile is considered to no longer be a reasonable representation of the actual consumption profile, the allocation agent must remove that profile from the register established for this purpose under rule 54.

7. Determination report by allocation agent

7.1 The general format suggested for the determination report of the allocation agent is as follows:

Allocation agent profile determination report	
Name of retailer:	Date of application: Date of decision:
Type of profile:	
Brief characterisation of situation to which the profile applied for refers:	
Profile registration approved/declined or continued/discontinued: (If approved the profile is attached)	
Summary of reasons for decision:	
Extent to which the rule 61 guidelines were taken in account and if they were not followed the reasons why:	
Results of assessment against each of the points listed above for determining whether or not the profile is reasonable:	
Allocation Agent signature:	

Subject **Gas (Downstream Reconciliation) Rules 2008**

Guideline note rule 64 – referral to industry body of disputed profile determinations

Version **1.10**

Date **1 June 2013~~17 March 2009~~**

1. Introduction

- 1.1 Rule 64 of the Gas (Downstream Reconciliation) Rules 2008 ('the Rules') allows a retailer to dispute a determination by the allocation agent in respect of an applied for or registered deemed profile by referring it to Gas Industry Co as the industry body for review.
- 1.2 There is no requirement in the rules for Gas Industry Co to determine or publish the processes and criteria it intends to use for reviewing a disputed determination. However, this guideline note has been issued to assist the allocation participants and the allocation agent in understanding the processes that will be adopted by Gas Industry Co in considering a disputed determination. This guideline note addresses the following matters:
 - (a) The form in which a notice of a disputed determination should be given to Gas Industry Co for it to review; and
 - (b) The processes and criteria that will be used by Gas Industry Co in carrying out and notifying the review decision.
- 1.3 This note is explanatory in nature and is not legally binding. It needs to be read in conjunction with the Rules and the general approach set out for allocation participants in no way reduces the requirement upon participants to know and comply with their obligations under the Rules. [This note may be amended from time to time.](#)

2. Background

- 2.1 Part 3 of the Rules provides for the allocation agent to make the following determinations:
 - (a) Whether to accept or reject the registration of a static deemed profile or a dynamic deemed profile requested by a retailer (rules 55 and 56);
 - (b) Following a review of a registered deemed profile by the allocation agent, whether to continue or remove the registration of that deemed profile (rule 58);

- (c) Following a request from a retailer to amend its registered deemed profile, whether to accept or reject the amendment to that registered deemed profile (rule 59); and
 - (d) Following a challenge by an allocation participant regarding the use of a registered deemed profile, whether to continue or remove the registration of that deemed profile (rule 60).
- 2.2 Under rule 64, a retailer who disputes a determination made by the allocation agent may refer the matter to Gas Industry Co for review. Gas Industry Co must review the determination having regard to the requirements of rules 55 to 62 and either:
- (a) Confirm the determination by the allocation agent; or
 - (b) Refer the matter back to the allocation agent for reconsideration.
- 2.3 Gas Industry Co's decision on its review must be made as soon as practicable and no longer than 20 business days after the referral of the matter to it.
- 2.4 The review power exercised by Gas Industry Co is one of referral only. If Gas Industry Co disagrees with the determination made by the allocation agent, it is not able to replace the allocation agent's determination with one of its own but rather may only refer the determination back for reconsideration by allocation agent. While Gas Industry Co may provide reasons and directions in its decision, it is still up to the allocation agent to make the determinations.
- 2.5 The decision on the review by Gas Industry Co is final. Under rule 64.3, a retailer may only refer a dispute in regard to an allocation agent's determination once. This is to prevent profile disputes being continually re-litigated and to limit the costs and time spent by the allocation agent on profile disputes.

3. Providing notice of a disputed determination

- 3.1 Rule 64.1 requires that, where a determination in respect of a profile by the allocation agent is disputed, the retailer may by notice in writing refer the matter to Gas Industry Co for review. It is acceptable for a notice to be in the form of an email¹. Emails should be directed to info@gasindustry.co.nz or downstreamreconciliation@gasindustry.co.nz.
- 3.2 The notice of referral must contain the following information:
- (a) Details of the profile being disputed;
 - (b) The retailer who 'owns' the profile;

¹ See also rules 23 and 24 which set out the general provisions in respect of notices under the Rules.

- (c) If applicable, the date of registration of the profile under rule 54 or 55;
- (d) A copy of the determination issued by the allocation agent that is to be reviewed;
- (e) Detailed reasons for disputing the determination of the allocation agent, having particular regard to the provisions of rules 55 to 62 as applicable; and
- (f) Any information or documentation previously provided to the allocation agent in respect of the determination being disputed.

3.3 The allocation agent is also to provide any information or documentation it holds in relation to the disputed determination to Gas Industry Co for the purposes of Gas Industry Co's review.

4. Review process and criteria

4.1 Gas Industry Co intends to apply the following process in respect of a disputed profile determination referred to it for review:

- (a) **Step 1:** The receipt of the notice by Gas Industry Co will be acknowledged by return email to the disputing retailer, normally within one business day of receipt;
- (b) **Step 2:** The notice will be provided to the allocation agent for comment. Where appropriate, Gas Industry Co may also provide the notice to other affected allocation participants for their comment, All comments will be sought within five business days;
- (c) **Step 3:** The review will be carried out and a decision made and notified to the disputing retailer and the allocation agent within 20 business days as required by rule 64.2; and
- (d) **Step 4:** As soon as practicable, a brief report on the review decision, with reasons, will be produced (see below) and will be emailed to the disputing retailer, the allocation agent and any affected allocation participants.

4.2 Gas Industry Co intends to apply the following criteria in respect of a disputed profile determination referred to it for review:

- (a) In reviewing the disputed determination, Gas Industry Co is required to have regard to the requirements of rules 55 to 62 as applicable. Gas Industry Co will have particular regard to the extent to which the information provided to it for the purpose of the review indicates that the deemed profile will be a reasonable representation of the actual consumption profile of the consumer installation or class of consumer installations to which that profile will apply; and
- (b) Gas Industry Co will also have regard to the extent to which the allocation agent has followed the guidelines issued by Gas Industry Co under rule 61, and where the guidelines have not been followed the validity of the justification for doing so.

4.3 The report provided by Gas Industry Co on its review will:

- (a) Either confirm the allocation agent's determination or refer the matter back to the allocation agent for reconsideration; and
- (b) Provide reasons for the decision, with reference to the criteria set out above.

Appendix D. Exemption Application

Gas Industry Company Limited

Application for an Exemption from the Gas (Downstream Reconciliation) Rules 2008

1. Please complete a separate form for each type of exemption sought.
2. Complete sections 1 to 4 of the form for all exemption types. Complete section 5 only in addition for urgent exemptions, and section 6 only in addition for transitional exemptions.
3. Please provide all relevant information. Expand the sections of the form as necessary to provide reasonably full information, but detailed supporting information should be set out in attachments to the form.
4. Gas Industry Co may request additional information after receiving and reviewing the application

1. Name and contact details for the participant(s) seeking exemption:

Company name: NZX Limited

Phone: 04 498 2184

Contact Name: Kate Turner

Fax:

Email: kate.turner@nzx.com

Mailing Address: PO Box 2959, Wellington
6011

2. Type of exemption sought (delete all but one):

Standard (under rule 19)

3. Provisions of the Rules from which the exemption is sought:

Rule 53.1 – calculation of SADSV

The allocation agent is seeking an exemption from the implementation of the new formula for calculation of SADSVs until the global 1-month methodology provisions in the amended Rules go live (October 2013 consumption period onwards).

4. State the reasons on why you are seeking the exemption and why the exemption sought should be granted

The amendments to the Rules, which take effect on 1 June 2013, change the way that the

SADSV are calculated. Before the rule change, SADSV were identical to GGRP values (i.e. for a day d, the value was $El_d - AQ_{1,2,3 \& 5}$). After the rule change, the SADSV calculation will be exclusive of quantities allocated to allocation groups 3 and 5 (i.e. for a day d, the value is $El_d - AQ_{1\&2}$).

The current [Exemption \(DR10-04-S: Global 1-Month UFG Methodology\) Notice 2010](#) requires that retailers submit TOU quantities as allocation group 3 for three gas gates: Pahiatua, Reporoa and Kiwitahi 2. This exemption will be superseded by the implementation of the global 1-month methodology under the amended Rules, however this does not take effect until the start of the next gas year, 1 October 2013.

For the consumption periods of June 2013 to September 2013, the new formula for SADSV will create a distortion at the three gas gates mentioned above due to the use of allocation group 3 for TOU volumes. This will impact retailers due to the mandatory requirement to use SADSV when creating historical estimates under rule 35.

Specify how long the exemption sought is to be in effect for. Give reasons for the period that you specify:

For consumption periods up to and including September 2013, in order to align the calculation of SADSV under the new formula with the allocation of global 1-month gas gates under the new provisions in the Rules (which do not require submission of volumes under allocation group 3).

5. Additional information for an urgent exemption:

N/A

6. Additional information for a transitional exemption

N/A

Please email this form to exemptions@gasindustry.co.nz