

Consultation on two special allocation decisions

Introduction

This paper considers two instances of errors that have been uncovered which impact allocation results at two different gas gates. This consultation will inform Gas Industry Co's determination of whether or not to direct the Allocation Agent to perform special allocations under the Gas (Downstream Reconciliation) Rules 2008. The first issue is a correction that has been applied to the injection volumes for three months at the Westfield gas gate (part of the Greater Auckland notional gas gate). The second issue is the discovery of an incorrect pressure factor for an ICP at the Hunua gas gate, affecting the period from October 2011 to August 2012.

Submissions are sought on these issues and may be made through the Gas Industry Co website. The deadline for submissions is close of business on Monday 4 February 2013. All submissions will be published on the Gas Industry Co website.

Westfield injection error

Injection quantities at Westfield were under reported from mid-May to June 2012 due to a metering error. Vector has published corrections which are summarised in the table below. Initial and interim allocations have already been performed for each of the consumption periods so the issue to resolve is whether to direct a special allocation for each month or wait until the final allocations for the corrections to flow through into allocation results.

Consumption Period	Injection reported for initial/interim allocation (GJ)		Corrected injection published on OATIS (GJ)	Date of next allocation (final)
May 2012	1,124,415	1,124,487	1,142,599	25 June 2013
June 2012	1,126,510	1,126,510	1,184,414	22 July 2013
July 2012	1,199,831	1,199,808	1,258,593	22 August 2013

The corrections are significantly above the normal threshold for consideration of a special allocation¹ with injection volumes increasing by 18TJ, 58TJ and 59TJ in May, June and July 2012 respectively. However due to the size of the Greater Auckland gas gate, these changes represent an increase of 5% or less on injection volumes for each individual month.

Analysis of the gas gate residual profile (GGRP) for the three month period indicates that all GGRP values are greater than zero, so the TOU allocation groups must have received the standard (fixed) allocation of UFG via the application of the annual UFG factor, without any scaling. From this, we can conclude that the impact of the extra injection volumes will appear as increased allocations to the non TOU allocation groups (allocation group 4 and 6).

¹ The [guideline](#) published on the Gas Industry Co website suggests that a special allocation should be considered if there is a change in a retailer's allocated quantity at a gas gate of more than 500GJ or of 1000GJ across several gates.

The scale of the correction is perhaps best represented by comparing the monthly UFG factors used for the interim allocations at Greater Auckland over the three month period with an estimate of the monthly UFG factors post-correction (assuming no other changes to consumption or injection data). This is presented in the table below.

Consumption Period	Monthly UFG factor at interim allocation	Recalculated monthly UFG factor¹
May 2012	0.987694	1.024221
June 2012	0.951385	1.053919
July 2012	0.950452	1.046985

¹ Assumes no other change to consumption or injection data

It is possible that due to the time of year in which the error occurred, some retailers may have benefitted from the low monthly UFG factor at the initial and interim allocation stages. Non TOU submissions would have been scaled down at Greater Auckland at a time when UFG across the system is generally at its peak, therefore offsetting any over-allocations at other gas gates. For a shipper with a negative running mismatch position this would be potentially beneficial in reducing that mismatch position.

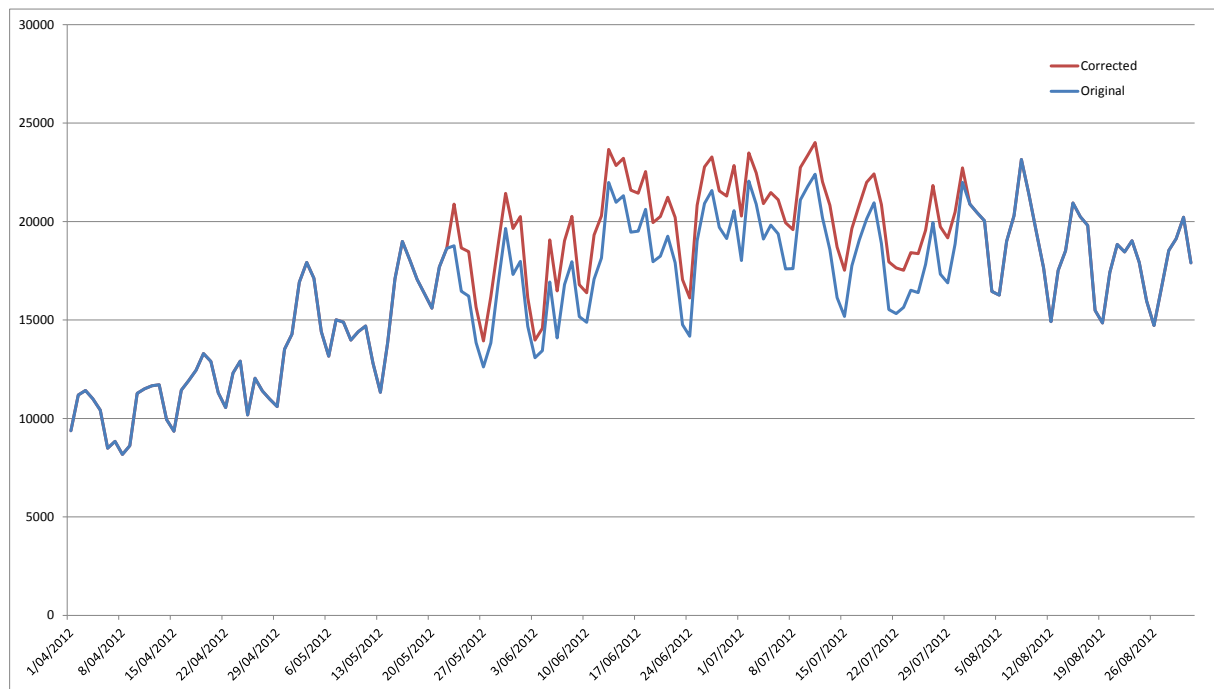
Other considerations for the special allocation decision are whether there is potential for an impact on the current or future annual UFG (AUGF) factor at Greater Auckland and whether the error has affected the GGRP to the extent that its use in producing historical estimates would create distortions in intra-month apportionment of gas consumption.

The consumption periods affected by the metering error contribute to the calculation of the AUGF factor for the gas year beginning 1 October 2013. These factors are published by 1 July 2013, at which point only May 2012 will have had a final allocation. However, since the injection information in OATIS has already been corrected, the Allocation Agent can use this information when calculating the AUGF for Greater Auckland and, hence, special allocations are not necessary to ensure the accuracy of the AUGF factor.

The chart below illustrates an estimation of the impact of the metering error on the GGRP for Greater Auckland. Assuming that the increases in daily injection quantities resulting from the correction directly translate to increases in GGRP values (which should be the case if TOU allocated volumes remain constant) then there is a step change in the GGRP from mid-May to the end of July.

The daily increases caused by the correction are relatively uniformly spread across the affected period, and the overall profile is preserved, so Gas Industry Co considers it unlikely that there would be significant distortions created by using the currently published GGRP over the corrected GGRP. The daily swing of the GGRP throughout each week is of a much greater magnitude than the scale of the corrections.

Greater Auckland GGRP (gigajoules), April 2012 to August 2012



Special allocations are generally directed where the unfairness of the current allocation results is sufficient that it is not appropriate to wait until the next scheduled allocation. For reconciliation purposes (calculating AUFG, publishing the GGRP etc), Gas Industry Co is satisfied that a special allocation is not warranted. We also note that, whilst BPP charges are not generally revisited after the initial allocation, other transmission and distribution charges can be washed up once the final allocations have been published later this year.

Before we reach a final decision, it is important that retailers give an indication of whether there are financial or other commercial drivers that tip the balance in favour of directing special allocations.

Q1: *Do you consider that the current allocation results for May to July 2012 at Greater Auckland are sufficiently unfair that Gas Industry Co should direct special allocations?*

Q2: *Are there any commercial reasons for retaining the current allocation results for May to July 2012 at Greater Auckland?*

Over submission at Hunua

A retailer has discovered an error in the application of a pressure factor for a non TOU ICP at the Hunua gas gate (HUN15301). This has resulted in over submissions at that gas gate between October 2011 and August 2012. The volumes associated with the over submission are given in the table below:

Consumption Period	Over Submission (GJ)	Consumption Period	Over Submission (GJ)
Oct-11	465	Apr-12	434
Nov-11	350	May-12	1344
Dec-11	449	Jun-12	1198
Jan-12	268	Jul-12	1043
Feb-12	46	Aug-12	547
Mar-12	329		

The rows highlighted in green have already been corrected by interim and final allocations. The remaining consumption periods will be corrected as final allocations occur over the next six months.

Like the Greater Auckland issue, the impact of this error on allocation results is limited to volumes allocated to non TOU allocation groups. In this case the total allocated volume will not change but the share allocated to each retailer will be affected by the over-submission. At the Hunua gas gate there are only two non TOU retailers, so one retailer's allocation (the party reporting the error) will decrease and the other retailer's allocation will show a corresponding increase. Again, because the initial and interim allocations have already been published for the affected months, and associated invoicing has been completed, the only benefit of directing special allocations would be to enable the wash up of transmission charges ahead of the next scheduled allocation stage.

The other consideration for this error is the impact on the AUFG factor. Due to the length of time involved (11 months), the correction affects both the current AUFG factor for Hunua and the AUFG factor effective from 1 October 2013. In the latter case there is sufficient time before the AUFG factors are calculated and published for the corrections to flow through without the need for special allocations. In the former case (the current year), a direction to perform special allocations will not, of itself, fix the AUFG factor, but it would be possible to consider an exemption which will allow the allocation agent to correct the AUFG factor, if it is deemed to be of sufficient magnitude to require correction.

Analysis of consumption information suggests that if the AUFG factor for Hunua was recalculated using corrected data (assuming no other changes apart from the over submission) then it would increase from 0.981946 to 1.002192. Whilst this appears to be a significant change compared to the scale of other AUFG corrections in the past, it would only result in between 90GJ and 150GJ shifting between TOU and non TOU allocation groups each month. It

is therefore unlikely that Gas Industry Co would instruct the Allocation Agent to correct the AUFG factor.

Overall, there does not appear to be a strong case for directing special allocations for Hunua. Therefore, we again request that any retailer who feels strongly that special allocations are warranted, please indicate this view via a submission.

Q3: Do you consider that the current allocation results for January to May 2012 at Hunua are sufficiently unfair that Gas Industry Co should direct special allocations?

Q4: Are there any commercial reasons for retaining the current allocation results for January to May 2012 at Hunua?