

## 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: Vector Gas Limited                      Phone:

Contact Name: Katherine Shufflebotham                      Fax:

Email: Katherine.Shufflebotham@vector.co.nz                      Mailing Address:

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

~~Standard (under rule 19)~~

Urgent (under rule 20)

~~Transitional (under rule 21)~~

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

Rule 41 in respect of situations where:

- metering data fails Vector's validation process and enquiry reveals no demand-side reason for the failure (and is therefore not actual data); and
- a correction is required to the metering data in order to accurately reflect actual flow; and
- Vector is able to create corrected or estimated data to submit to the allocation agent, by the required deadline, that is likely to be closer to actual injection quantities than an estimation performed by the allocation agent in accordance with the estimation process set out in the allocation agent's functional specification document.

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

(see notes attached which set out the requirements for different types of exemptions):

Although highly reliable, gas measurement systems do fail for a number of reasons and, therefore, there is a need to estimate missing data and/or correct data that is known to be in error. Rule 41 requires that transmission system owners provide "*actual daily energy quantities injected at each gas gate*" and this is not possible where data is missing or in error. In addition, the term "*actual daily energy quantities*" is not defined in the rules and Vector has been interpreting that term as if it encompassed data sourced directly from a GMS and data that has been subject to correction by Vector's metering team. Of late the allocation agent has been alleging breaches in situations where data is subject to correction as in the allocation agent's view corrected data is not "actual" data for the purposes of the Rules..

The rules do not provide for transmission system owners to estimate data, unlike the ability for retailers to estimate consumption information for ToU sites (see rule 30.3). As a result, if estimates or corrections cannot be made due to a narrow interpretation of the term "*actual daily energy quantities*" a transmission system owner appears to be required to not submit data at all rather than to provide estimates/corrections. That will result in the allocation agent needing to estimate the missing data. Given that Vector's processes will provide higher quality data than estimates made by the allocation agent (in most circumstances), the current arrangements will produce sub-optimal outcomes in such cases.

In addition, there are instances where, during a month, Vector becomes aware of data quality issues and posts notices of corrections. Shippers use those corrected values as input to their self-balancing strategies. Provided the same values are used in the allocation process (by way of Vector submitting those values to the allocation agent) then the data are consistent from a shipper perspective. By contrast, if the allocation agent is required to estimate the missing data then shippers may be balancing to the wrong target as the allocation agent's estimation will not be the same as the data on OATIS.

Taking all of these factors together,

- exempting Vector from the requirement to provide actual daily energy quantities under r41 in circumstances where actual daily energy quantities are not available; and
- in those circumstances, allowing Vector to provide estimates/corrections,

will better meet the purpose of the rules than the status quo.

#### **Describe how the exemption sought may affect other participants (including service providers) and any costs and benefits to them:**

There should be no impact on the allocation agent other than relieving it of the obligation to

allege breaches whenever Vector provides estimated/corrected data. Vector suggests this is made clear by also exemption the allocation agent from having to estimate data if Vector does not provide actual and instead estimates in accordance with this exemption application. As far as retailers are concerned, the exemption will simply facilitate a set of processes that produce more accurate injection data than the next best alternative.

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

It is proposed that the exemption be in effect until the Rules are changed to improve the process set out in the Rules for estimation of injection quantities, for example, by enabling transmission system owners to estimate data under rule 41.

**Specify what conditions and/or alternative arrangements relating to the exemption sought are appropriate:**

The applicant seeks to be able to use the processes described in Part 3 of the Metering Requirements for Receipt and Delivery Points document dated 27 November 2007 published on OATIS to estimate or correct gas gate injection quantities in situations where data retrieved from a gas measurement system does not pass initial validation checks and is deemed to require revision. Any changes to Vector's correction or estimation process should be notified to the industry body before those changes take effect.

Vector will also ensure that it notifies the allocation agent of the gas gates and days for which estimated and/or corrected data is submitted. The allocation agent is then to treat the estimated/corrected data as if it were "*actual daily energy quantities*" for the purposes of the rules.

In addition, Vector undertakes to use its best endeavours to meet the requirements of rule 26 subject to Vector not being in breach of rule 26 solely because of providing estimated/corrected data.

**5. Additional information for an urgent exemption:**

If your application is urgent, specify the date(s) by when a decision is needed:

As soon as possible.

**State the reasons for seeking an urgent exemption rather than a standard exemption:**

The recent change in allocation agent processes means that the allocation agent has become aware of more information regarding Vector's provision of injection quantities and has formed a view that the data provided by Vector is sometimes not actual. This means that breaches are now being alleged for circumstances that were not attracting breach allegations in the past. The allocation agent must notify the Market Administrator if it believes, on reasonable grounds, that any other participant has breached the Rules.

The exemption is required urgently so as to ensure that the best possible estimations for injection quantities (where estimations are necessary) are able to be provided without contravening the Rules.

**6. Additional information for a transitional exemption**

State the reasons for seeking a transitional exemption rather than a standard exemption:

N/A

**Please email this form to [exemptions@gasindustry.co.nz](mailto:exemptions@gasindustry.co.nz)**