



# Consultation on Exemption Applications under the Gas (Downstream Reconciliation) Rules 2008

**Date issued: 30 August 2010**  
**Submissions close: 17 September 2010**







## **About Gas Industry Co.**

Gas Industry Co was formed to be the co-regulator under the Gas Act.

As such, its role is to:

- recommend arrangements, including rules and regulations where appropriate, which improve:
  - the operation of gas markets;
  - access to infrastructure; and
  - consumer outcomes;
- administer, oversee compliance with, and review such arrangements; and
- report regularly to the Minister of Energy and Resources on the performance and present state of the New Zealand gas industry, and the achievement of Government's policy objectives for the gas sector.

## **Authorship**

This paper was prepared by Andrew Walker, Gas Industry Company Limited



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# 1

## Introduction

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### 1.1 Existing exemptions

The Gas (Downstream Reconciliation) Rules 2008 (the Rules) provide for exemptions to be granted from the Rules. Exemptions provide a means for assisting the effective implementation and operation of the Rules.

This consultation paper deals with variations to nine existing exemptions, all of which expire on 30 September 2010. The exemptions variously relate to: an alternative allocation methodology for certain gas gates; an exemption from the allocation process for certain (direct connect) gas gates; and various alternative arrangements for the provision of injection information by transmission system owners for certain gas gates. Specifically the variations relate to the following exemption notices, which can be viewed by following the hyperlinks to the Gas Industry Co website:

- [Exemption \(DR08-02-S/DR08-04-S: Global 1-Month UFG Methodology\) Notice 2009](#)
- [Exemption \(Direct Connect Gas Gates\) Notice 2008](#)
- [Exemption \(DR08-24-U: Global 1-Month UFG Methodology\) Notice 2008](#)
- [Exemption \(DR09-01-U: Direct Connect Gas Gate\) Notice 2009](#)
- [Exemption \(DR-09-09-S: Injection Information\) Notice 2009](#)
- [Transitional Exemption \(DR09-10-T: Oversized Metered Gas Gates\) Notice 2009](#)
- [Exemption \(DR09-13-U: Direct Connect Gas Gate\) Notice 2010](#)
- [Exemption \(DR09-11-S: Unmetered Gas Gates\) Notice \(No 3\) 2009](#)
- [Exemption \(DR10-01-U: Direct Connect Gas Gate\) Notice 2010](#)

In essence the variations proposed in this paper seek to extend the above exemptions for two more years (that is, until 30 September 2012), to allow sufficient time for the policy decisions underpinning the exemptions to be re-examined and, if necessary, for the Rules to be amended.

### 1.2 Consultation

Gas Industry Co invites submissions on the variations to the exemptions addressed in this paper. Additionally, in accordance with rule 21.1, Gas Industry Co invites any notifications from exemption

holders advising if there has been any change in circumstances material to the granting or continuing of the current exemptions.

Three weeks are being allowed for consultation. Submissions are sought no later than Friday, 17 September 2010. Please note that submissions received after this time will not be considered.

Submissions can be made by registering on Gas Industry Co's website and uploading your submission, preferably in the form of the submissions template attached to the consultation document as Appendix B.

Gas Industry Co values openness and transparency and, therefore, submissions will generally be made available to the public on Gas Industry Co's website. Submitters should discuss any intended provision of confidential information with Gas Industry Co prior to submitting the information.

A general information paper on the exemptions process and criteria has been issued by Gas Industry Co and can be viewed by downloading from Gas Industry Co's website at the following link:

<http://www.gasindustry.co.nz/work-programme/market-administration/exemptions>

# 2

## Exemption framework

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### 2.1 Regulatory background

The Rules provide for an exemption to be granted by Gas Industry Co if it 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.

Before granting an exemption, Gas Industry Co must publish the exemption application and consult with those persons likely to be affected by the granting of the exemption (rule 19.3). There is also a provision for urgent exemptions, whereby Gas Industry Co can grant an exemption before consulting, provided that the urgent exemption decision is reassessed when full consultation has been carried out (rule 20).

Gas Industry Co may also vary or revoke an exemption, under rule 21, at the request of an allocation participant or on its own initiative. Applications to vary or revoke an exemption are subject to the same consultation obligations as a standard exemption application.

It is this latter power that is being exercised here. All current exemptions are set to expire on 30 September 2010 and Gas Industry Co is proposing to vary the exemptions to extend their expiration until 30 September 2012. It is not proposed to change any other aspect of the terms and conditions of the exemptions aside from minor formatting and consolidation of like exemption notices.

### 2.2 Previous decisions

Several months before go-live of the allocation system (1 October 2008), it was recognised that full compliance with the Rules would not be possible for certain gas gates and allocation participants. This was due in part to some participants not realising the full scope of the Rules in relation to their gas installations, not having fully rules-compliant systems or being physically unable to comply due to time or resource constraints, or due to circumstances that were unforeseen when the Rules were being drafted.

24 exemption applications had been processed by the end of October 2008 to address the above issues, 15 of which were granted (or granted in part); the remaining nine were declined. Some of these exemptions have since expired or been revoked or varied. 19 further applications have been assessed since go-live, with 13 exemptions granted and 6 declined. There are currently 10 exemptions in effect.



The approach taken so far to exemptions is to make them applicable for a limited time only; i.e., not to grant any indefinite exemptions. The reasons for this are two-fold:

First, the key policy decisions in weighing up many of the applications were deemed likely to be better informed given some experience of the operation of the Rules and the allocation system. Accordingly it was expected that the policy behind the exemption decisions would be revisited within the first two years of the operation of the Rules.

The second reason for granting time-limited exemptions was to ensure that the exemptions process does not become a means for making de facto rule changes. It was always presumed that a policy review of the Rules would take place within the transitional period and, if required, rule changes would be progressed which would address the issues raised by exemptions. This review is underway currently but it is not possible for rule changes to be effected before the expiry of the existing exemptions.

# 3 Variations sought

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## 3.1 Global 1-month UFG methodology exemptions

### Background

On application from Genesis Energy and Contact Energy respectively, an exemption was granted on 17 September 2008 to apply a global 1-month unaccounted-for-gas (UFG) methodology at six nominated gas gates:

Edgumbe DF (EGC30701)	Kairanga (KRG24101)	Ngaruawahia (NGW14501)
Oroua Downs (ORD24701)	Pahiatua (PHT04901)	Reporoa (RPR30801)

On 14 October 2008 a seventh gas gate, Kiwitahi 2 (KIW34202), was given the same exemption. In April 2009 consultation was undertaken on a proposal to include 21 further gas gates, but the application was declined. At the same time the existing exemption was varied, removing the first four gas gates—which no longer fitted the required consumption profile—to leave only Pahiatua, Reporoa and Kiwitahi 2 under exemption.

The exemption modifies the allocation methodology at the named gas gates so that time-of-use (TOU) consumption (allocation groups 1 and 2) is allocated UFG on the same basis as non TOU consumption (allocation groups 4 and 6), that is, by application of the monthly UFG factor rather than the annual UFG factor.

### Reasons for granting exemption

The reason for the exemption is that the predominance of TOU load at the named gas gates—typically over 90% of gas gate volumes—would suggest that any UFG is most likely caused by the TOU sites rather than the non TOU sites. It is therefore appropriate to apply a monthly UFG factor to all consumption at the gas gate in order to ensure the fairest allocation of UFG. This was the method previously used for such gas gates under the Reconciliation Code.

### Proposed variation

The proposed decision notice is set out in Appendix A. The variation is limited to amending the expiry date from 30 September 2010 to 30 September 2012 and the consolidation of the three exempted gas gates into one notice.

A previous application seeking to extend the exemption to more gas gates was declined, but Gas Industry Co intends to re-evaluate the merit in these proposals, particularly given the extra data that is

now available. Such analysis will not be conducted as part of this variation process, but will form part of the policy review of the Rules currently underway. The scope of this variation process is limited to maintaining the status quo whilst the review is in progress.

It should be noted that if the variation is not approved and the exemption is allowed to lapse then allocation participants and the allocation agent will face costs in having to adjust systems to a state of compliance for the affected gas gates, with no net benefit in terms of fairness of allocations.

*Q1: Do submitters have any comments on the proposed variation to the global 1-month UFG methodology exemption?*

## 3.2 Direct connect gas gate exemptions

### Background

The initial package of exemptions considered before go-live included applications from Contact, Genesis, Mighty River Power and OnGas regarding direct connect gas gates. 36 gas gates were identified as interconnection points between the transmission system and single consumer sites, and were granted an exemption from various rules, including the requirement to submit consumption information and for the allocation agent to perform allocations. In considering the exemption applications, Gas Industry Co drew a distinction between single consumer gas gates and single retailer gas gates. The former were granted an exemption but not the latter. The 36 gas gates originally exempted are given below.

ALF15501 Alfriston	KUR33601 Kauri DF	NPS00530 New Plymouth Power Station
BAL08201 Ballance Ammonia-Urea	LCF20010 Lichfield DF	OKW23401 Okaiawa (Taranaki Byproducts)
BAL09626 Ballance Ammonia-Urea	MGK05401 Mangatainoka	OTB00301 Otahuhu B Power Station
BER00653 Bertrand Road	KAP09612 Kapuni	RAG33401 Rangiuuru
BRO36301 Broadlands	MNG34001 Mangaroa	RBM03101 Rainbow Mountain
GLB03401 Glenbrook	MCS01143 Mokau Compressor Station	SDN00101 Southdown Power Station
HPS02993 Huntly Powerstation	MOK35801 Mokoia	TAC31001 Te Awamutu Cogeneration Plant
KAW04410 Kawerau (ex-Caxton)	MRV16301 Morrinsville DF	TAT16401 Tatanui DF
KAW04411 Kawerau (ex-Tasman)	MSD01801 Marsden 1 (NZRC)	TCC00201 Taranaki Combined Cycle (TCC)
KIN04310 Kinleith (CHH mill)	MSD01802 Marsden	TIR33501 Tirau DF
KIW34201 Kiwitahi 1 (Peroxide)	MUT19001 Maungaturoto DF	TRC02003 Te Rapa Cogeneration Plant
KTK23901 Kaitoke	NGA00669 Ngatimaru Road (Delivery)	WKE19201 Waikeria

In the period since go-live, three newly commissioned gas gates have been granted a direct connect gas gate exemption: Stratford 3 (STR00501), Kupe (KUP37503) and Hunua 3 (HUN15303). The exemptions were granted on the same terms as the earlier exemptions, including an expiry date of 30 September 2010.

### Reasons for granting exemptions

The applicants noted that for the gas gates in question there would be a significant cost in complying with the Rules (in terms of allocating resources to collecting, preparing, validating and submitting data

to the allocation agent), but there would be little to no benefit of performing allocations, since either the gas gate meter is used for billing and hence no UFG exists by definition, or, if there is separate consumer metering, then the single retailer or consumer has direct responsibility for UFG.

In granting the exemptions, Gas Industry Co accepted that the benefits of the allocation process were reduced for direct connect gas gates, but noted that the Rules impose other obligations, such as meter reading and accuracy requirements and consumption information versus billed information reports. These obligations seek to provide participants and consumers with a higher quality of information than was previously available, and would still benefit the end-user at direct connect gas gates. It was therefore noted in the exemptions that the decision should be reassessed following some experience with the operation of the Rules.

### **Proposed variation**

The proposed variation would extend the expiry of the direct connect gas gate exemptions from 30 September 2010 to 30 September 2012. The decision notice including the variations is set out in Appendix A. In Gas Industry Co's view, there are unlikely to be any detrimental effects on competition or other interests in extending the exemption for a further limited period. The reassessment of the policy decision behind the exemption will still take place as planned and the extension allows this process to be carried out comprehensively, whilst maintaining the status quo position so that participants are not unduly disadvantaged in the interim.

As with the global 1-month UFG methodology exemptions, if the direct connect gas gate exemptions are allowed to expire it is expected that there would be a period of either non-compliance or of significant costs for participants in implementing the requisite systems for compliance at the direct connect gas gates.

The original direct connect gas gate exemption is further varied by removing from the list: Rainbow Mountain, as this gas gate has been decommissioned; and Te Rapa Cogeneration, which is now the subject of a separate exemption. All direct connect gas gates have been consolidated into one exemption notice for ease of reference.

*Q2: Do submitters have any comments on the proposed variation to the direct connect gas gates exemption?*

## **3.3 Injection information exemption**

### **Background**

An exemption was granted to transmissions system owners in September 2008 from the full requirements of rules 41 and 42, which relate, respectively, to the provision of daily injection information for allocations and estimated day-end volumes each day. This exemption expired on 30 April 2009 by which time Gas Industry Co was required to produce a report on the implications of transmissions system owners achieving full compliance with rules 41 and 42. The recommendation in the report was to continue the exemptions until the end of the transitional period (albeit with slightly amended terms and conditions for the rule 42 exemption).

In October 2008, minor amendments were made to the Rules, one of which was to incorporate the later deadline for provision of daily injection information which was the subject of the rule 41 exemption. The injection information exemption was subsequently varied to cover only the rule 42 arrangements; it is this exemption that Gas Industry Co is proposing to extend.

### **Reasons for granting exemption**

The requirement to provide estimated daily injection information on the day after gas has flowed is not a necessity for the allocation process but is provided for the benefit of retailers to assess their upstream positions. This information is required every day to manage positions effectively, but Vector is unable to supply daily injection data on a D+1 basis for gas gates without telemetry, and for those with telemetry Vector does not have the required resources to upload this information on non-business days. Vector has stated that the cost of providing this functionality would be significant and that it has not been made aware of any detrimental effect to allocation participants of the rule 42 exemption. Conversely, if full compliance with rule 42 was required it would likely lead to increased upstream costs for allocation participants.

The previous Gas Industry Co view was that full compliance with rule 42 is desirable in the long-term, but given the practical inability to comply in the short-term, an exemption is appropriate. The variation proposed below is consistent with this view.

### **Proposed variation**

The proposed variation is to extend the expiry date from 30 September 2010 to 30 September 2012. It is expected that before the expiry of this extension the conclusions drawn above will be revisited and either the Rules will be amended to vary the requirements of rule 42, or transmission system owners will be expected to comply. The proposed decision notice is given in Appendix A.

*Q3: Do submitters have any comments on the proposed variation to the injection information exemption?*

## **3.4 Oversized metered gas gates exemption**

### **Background**

In May 2009 Vector applied for an exemption from rules 41 and 42 in respect of three gas gates for which the gas gate meter is oversized for the current flow (that is, flows are outside of the accurate (global) measurable range). The gas gates are Flockhouse FLH21901, Te Teko TTK30601 and Rainbow Mountain RBM03101; all of which, for various reasons, used to have significantly higher levels of consumption than those currently observed. The exemption applied for was transitional under rule 81, but Vector noted that it would be appropriate to examine a long-term solution to the issue of oversized meters, along with other issues concerning rules 41 and 42, in the rules review to be carried out in the transitional period.

The proposed approach to deal with the inaccuracy of injection information at the oversized metered gates was to use the same process adopted at unmetered gas gates, that is, for the allocation agent to use the sum of consumption information as a proxy for injection quantities.

The exemption was granted for Flockhouse and Te Teko, but was not considered necessary for Rainbow Mountain given that gas flows had ceased and, further, that it is already the subject of a direct connect gas gate exemption so the proposed alternative arrangement would not be viable. In April 2010 Vector notified Gas Industry Co that the Rainbow Mountain gas gate would be decommissioned with effect from May 2010, removing the issue altogether.

### Reasons for granting exemption

Although Gas Industry Co highlighted the necessity of accurate metering in the identification of UFG—particularly as the gas gate meter is the starting point for the allocation process—it was noted that for Flockhouse and Te Teko the gas flows were so low that any distortions due to ‘unidentified’ UFG would be immaterial. Also, the rule-compliant solution—to replace the current meters with new meters fit for the level of flow—is not viable in these circumstances, since there is an expectation that gas flows could rise again in the future so recalibrating or replacing the meter would be counter-productive.

### Proposed variation

Transitional exemptions can only be given for the transitional period so it is necessary (if a further exemption is to be granted) to replace the current oversized metered gas gate exemption with a standard exemption under the same terms and conditions but with an expiry date of 30 September 2012. This extension not only gives time to address the policy issues surrounding rules 41 and 42, but also provides an extended period for Vector to monitor flows at the exempted gas gates to evaluate whether the increased demand has eventuated. The proposed decision notice is given in Appendix A.

*Q4: Do submitters have any comments on the proposed variation to the oversized metered gas gates exemption?*

## 3.5 Unmetered gas gates exemption

### Background

As part of the initial package of exemptions considered in September 2008, arrangements were approved for nine gas gates that did not have a gas gate meter and at which the transmission system owner (Vector) was therefore unable to comply with rules 41 and 42. The unmetered gas gates exempted were:

Kuku KUK22401	Matapu MTP20601	Oakleigh OAK18601
Okoroire Springs OKS32801	Papakura No.3 PAP06603	Pungarehu 1 PGU13101
Te Horo THO22701	Waverley WVY23601	Wellsford WEL18301

In order for allocations to be carried out at these gas gates the allocation agent was instructed to use consumption information submitted by retailers to estimate gas gate injection quantities. This effectively means that UFG is always zero at unmetered gas gates, but it was deemed to be the most practicable solution.

The exemption was granted for a limited period, originally expiring on 30 June 2009, and was conditional on Vector producing a report setting out the estimated costs and benefits of, and any other relevant information on, the provision of meters at the gas gates. After receiving and considering this report, Gas Industry Co determined that the exemption should be continued until the end of the transitional period for all gas gates with the exception of Papakura No. 3 and Waverley. The two named gas gates were identified as having materially higher gas flows than the other unmetered gas gates, and Vector was therefore required to produce a further, more detailed, report on the installation of meters at these sites. Accordingly, the exemption at Papakura No. 3 and Waverley was limited to 30 November 2009.

The detailed report supplied by Vector indicated that the installation of a meter at Waverley would be considerably cheaper than at Papakura No. 3 due to existing infrastructure. In response, Gas Industry Co recommended that Vector install the meter at Waverley (this was completed in February 2010) and varied the exemption so that Papakura No. 3 continued to be exempted until 30 September 2010, in line with the other unmetered gas gates.

### **Reasons for granting exemption**

The method used to estimate injection quantities at unmetered gates is a continuation of that applied by the previous allocation agent under the Reconciliation Code. It was considered appropriate to use this approach given that Vector was not in a position to comply for the specified gas gates. Given the significant costs in installing meters it was considered reasonable that the alternative arrangements should be continued in the medium term.

### **Proposed variation**

The proposed variation is to extend the expiry date from 30 September 2010 to 30 September 2012 for the eight gas gates currently exempted. The decision notice is set out in Appendix A.

*Q5: Do submitters have any comments on the proposed variation to the unmetered gas gates exemption?*

# Appendix A Proposed decision notices

Decision notices containing the proposed variations are set out on the following pages

1. Gas (Downstream Reconciliation) Rules 2008 (Exemption DR10-03: Direct Connect Gas Gates) Notice 2010
2. Gas (Downstream Reconciliation) Rules 2008 (Exemption DR10-04: Global 1-Month UFG Methodology) Notice 2010
3. Gas (Downstream Reconciliation) Rules 2008 (Exemption DR10-05: Injection Information) Notice 2010
4. Gas (Downstream Reconciliation) Rules 2008 (Exemption DR10-06: Oversized Metered Gas Gates) Notice 2010
5. Gas (Downstream Reconciliation) Rules 2008 (Exemption DR10-07: Unmetered Gas Gates) Notice 2010



## Gas (Downstream Reconciliation) Rules 2008 (Exemption DR10-03: Direct Connect Gas Gates) Notice 2010

Pursuant to rule 19 of the Gas (Downstream Reconciliation) Rules 2008, Gas Industry Company Limited ('Gas Industry Co'), as the industry body appointed pursuant to s43ZL of the Gas Act 1992, gives the following notice.

### Notice

#### 1. Title and commencement

- (a) This notice is the Gas (Downstream Reconciliation) Rules 2008 (Exemption DR10-03: Direct Connect Gas Gates) Notice 2010.
- (b) This notice comes into force on 1 October 2010.

#### 2. Interpretation

- (a) In this notice, Rules means the Gas (Downstream Reconciliation) Rules 2008 made by the Minister of Energy under section 43F, 43Q and 43S of the Gas Act 1992 by notice published in the New Zealand Gazette, as may be amended from time to time.
- (b) Any term that is defined in the Rules and used, but not defined, in this notice has the same meaning as in the Rules.
- (c) Direct connect gas gates means the gas gates that supply one or more consumers directly from the transmission system and are either set out below or otherwise determined and published by Gas Industry Co to be direct connect gas gates for the purposes of this notice.

ALF15501	Alfriston
BAL08201	Ballance Ammonia-Urea
BAL09626	Ballance Ammonia-Urea
BER00653	Bertrand Road
BRO36301	Broadlands
GLB03401	Glenbrook
HPS02993	Huntly Powerstation
HUN15303	Hunua 3
KAW04410	Kawerau (ex-Caxton)
KAW04411	Kawerau (ex-Tasman)
KIN04310	Kinleith (CHH mill)
KIW34201	Kiwitahi 1 (Peroxide)
KTK23901	Kaitoke

KUR33601	Kauri DF
KUP37503	Kupe
LCF20010	Lichfield DF
MGK05401	Mangatainoka
KAP09612	Kapuni
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
STR00501	Stratford 3
TAC31001	Te Awamutu Cogeneration Plant
TAT16401	Tatuanui DF
TCC00201	Taranaki Combined Cycle (TCC)
TIR33501	Tirau DF
WKE19201	Waikeria

### 3. Exemption

An exemption from the application of rules 29, 31, 32, 33, 39, 40, 48, 49, 50, 51, 52, 53, 78 and 79 is granted in respect of direct connect gas gates subject to the following terms and conditions:

- (a) To avoid doubt, as no quantities of gas will be allocated to a retailer by the allocation agent in an initial allocation under rule 48 in respect of direct connect gas gates, ongoing fees payable under rule 16 of the Rules do not apply to direct connect gas gates.
- (b) This exemption expires on 30 September 2012.
- (c) This exemption replaces the following exemptions which expire on 30 September 2010:

- (i) *Gas (Downstream Reconciliation) Rules 2008 (Exemption: Direct Connect Gas Gates) Notice 2008*
- (ii) *Gas (Downstream Reconciliation) Rules 2008 (Exemption DR09-01-U: Direct Connect Gas Gate) Notice 2009*
- (iii) *Gas (Downstream Reconciliation) Rules 2008 (Exemption DR09-13-U: Direct Connect Gas Gate) Notice 2010*
- (iv) *Gas (Downstream Reconciliation) Rules 2008 (Exemption DR10-01-U: Direct Connect Gas Gate) Notice 2010*

#### **4. Reasons for granting the exemption**

The reasons for granting the exemption are:

- (a) In light of the potential implementation and compliance costs, the initial benefits in applying the consumption information obligations and global allocation methodology set out in the Rules are reduced in respect of direct connect gas gates.
- (b) For consistency and operational reasons, all types of direct connect gas gates (including those with more than one retailer or consumer) have been exempted for the purposes of this exemption.
- (c) There are unlikely to be any detrimental effects on competition for retailers or transmission system owners at direct connect gas gates, and granting the exemption is likely to ensure consumers at these direct connect gas gates are not subject to increased gas costs or prices due to retailer compliance costs with the Rules.
- (d) The exemption allows a continuation of the status quo whilst Gas Industry Co reviews the Rules. This review will include consideration of how direct connect gas gates shall be treated under the Rules.

# **Gas (Downstream Reconciliation) Rules 2008 (Exemption DR10-04: Global 1-Month UFG Methodology) Notice 2010**

Pursuant to rule 19 of the Gas (Downstream Reconciliation) Rules 2008, Gas Industry Company Limited ('Gas Industry Co'), as the industry body appointed pursuant to s43ZL of the Gas Act 1992, gives the following notice.

## **Notice**

### **1. Title and commencement**

- (a) This notice is the Gas (Downstream Reconciliation) Rules 2008 (Exemption DR10-04: Global 1-Month UFG Methodology) Notice 2010.
- (b) This notice comes into force on 1 October 2010.

### **2. Interpretation**

- (a) In this notice, Rules means the Gas (Downstream Reconciliation) Rules 2008 made by the Minister of Energy under sections 43F, 43Q and 43S of the Gas Act 1992 by notice published in the New Zealand Gazette, as may be amended from time to time.
- (b) Any term that is defined in the Rules and used, but not defined, in this notice has the same meaning as in the Rules.

### **3. Exemption**

The Kiwitahi 2 KIW34202, Pahiatua PHT04901 and Reporoa RPR30801 gas gates are exempted from the application of rules 45.2.3, 46.2.1 and 46.3.2, subject to the following terms and conditions:

- (a) Retailers at these gas gates shall submit their allocation group 1 and 2 consumption data under rules 31, 32 and 33 as allocation group 3 data and this shall be done by submitting the information in accordance with the GAS050 file format determined by Gas Industry Co except that 'Allocation Group' shall refer to '3' (rather than 1 or 2) and 'Profile code' shall refer to STOU rather than XTOU.
- (b) The allocation agent shall be exempted from applying the process in rule 55 to these gas gates for the establishment of an STOU static deemed profile and instead the allocation agent shall, upon request from Gas Industry Co, create an STOU profile code to apply to these gas gates. The profile code shall be owned by Gas Industry Co and shall be registered by the allocation agent, under rule 56, against the large TOU ICPs at the gas gates in question. All retailers trading at these gas gates shall have permission to use the profile code. The profile code will deem that 'static deemed profile' to be the profile on the 'monthly UFG factor' calculated in accordance with rule 46.3.2.

- (c) TOU consumer installations at these gas gates will continue to comply with all other allocation group 1 or 2 installation requirements.
- (d) This exemption shall expire on 30 September 2012.
- (e) This exemption replaces the following exemptions which expire on 30 September 2010:
  - (i) *Gas (Downstream Reconciliation) Rules 2008 (Exemption DR08-02-S/DR08-04-S: Global 1-Month UFG Methodology) Notice 2009*
  - (ii) *Gas (Downstream Reconciliation) Rules 2008 (Exemption DR08-24-U: Global 1-Month UFG Methodology) Notice 2008*

#### **4. Reasons for granting the exemption**

The reasons for granting the exemption are:

- (a) Given their load, the TOU consumer installations at these gas gates are very likely to play a role in any significant variability in UFG and the previous commercial arrangements already accommodated a variable allocation of monthly UFG. Accordingly, it is considered that the proposed global 1-month UFG methodology would be a fairer and more appropriate allocation methodology at these gas gates than the methodology set out in the Rules.
- (b) The exemption granted achieves the desired outcome of the global 1-month UFG methodology without incurring the significant system implementation costs.
- (c) The exemption allows a continuation of the status quo whilst Gas Industry Co reviews the Rules. This review will include consideration of how the global 1-month UFG methodology should be treated under the Rules.

# Gas (Downstream Reconciliation) Rules 2008 (Exemption DR10-05: Injection Information) Notice 2010

Pursuant to rule 19 of the Gas (Downstream Reconciliation) Rules 2008, Gas Industry Company Limited ('Gas Industry Co'), as the industry body appointed pursuant to s43ZL of the Gas Act 1992, gives the following notice.

## Notice

### 1. Title and commencement

- (a) This notice is the Gas (Downstream Reconciliation) Rules 2008 (Exemption DR10-05: Injection Information) Notice 2010.
- (b) This notice comes into force on 1 October 2010.

### 2. Interpretation

- (a) In this notice, Rules means the Gas (Downstream Reconciliation) Rules 2008 made by the Minister of Energy under sections 43F, 43Q and 43S of the Gas Act 1992 by notice published in the New Zealand Gazette, as may be amended from time to time.
- (b) Any term that is defined in the Rules and used, but not defined, in this notice has the same meaning as in the Rules.
- (c) SCADA means the 'System Control and Data Acquisition' system used by Vector Gas Limited to monitor gas gate metering and other equipment, retrieve data and control equipment such as compressors.

### 3. Exemption

An exemption is granted in respect of rule 42 relating to the daily publication of estimated day-end volume injection quantities subject to the following terms and conditions:

- (a) For gas gates without telemetry metering, transmission system owners are exempt from the requirement to comply with rule 42 on all calendar days.
- (b) For gas gates with telemetry metering but without live SCADA data, transmission system owners are exempt from the requirement to comply with rule 42 on days that are not business days.
- (c) To avoid doubt, for gas gates with telemetry metering and live SCADA data, transmission system owners must comply with rule 42 on all calendar days.
- (d) The exemption will expire on 30 September 2012.
- (e) The exemption replaces the *Gas (Downstream Reconciliation) Rules 2008 (Exemption DR09-09-S: Injection Information) Notice 2009* which expires on 30 September 2010.

#### **4. Reasons for granting the exemption**

The reasons for granting the exemption are:

- (a) An exemption is appropriate given transmission system owners are unable to comply, without incurring significant costs, with the requirements of the rule:
  - (i) for gas gates without telemetry; and
  - (ii) on non-business days for gas gates with telemetry but without live SCADA data.
- (b) While the aim to establish more transparency of the full costs of balancing and reconciling gas remains, this information is not required for the month-end allocation and reconciliation processes set out in the Rules and requiring full compliance with rule 42 is likely to lead to increased upstream costs for allocation participants.
- (c) The exemption allows a continuation of the status quo whilst Gas Industry Co reviews the Rules. This review will include consideration of the requirement to provide injection information under rule 42.

## **Gas (Downstream Reconciliation) Rules 2008 (Exemption DR10-06: Oversized Metered Gas Gates) Notice 2010**

Pursuant to rule 19 of the Gas (Downstream Reconciliation) Rules 2008 (the Rules), Gas Industry Company Limited ('Gas Industry Co'), as the industry body appointed pursuant to s43ZL of the Gas Act 1992, gives the following notice.

### **Notice**

#### **1. Title and commencement**

- (a) This notice is the Gas (Downstream Reconciliation) Rules 2008 (Exemption DR10-06: Oversized Metered Gas Gates) Notice 2010.
- (b) This notice comes into force on 1 October 2010.

#### **2. Interpretation**

- (a) In this notice, Rules means the Gas (Downstream Reconciliation) Rules 2008 made by the Minister of Energy under sections 43F, 43Q and 43S of the Gas Act 1992 by notice published in the New Zealand Gazette, as may be amended from time to time.
- (b) Any term that is defined in the Rules and used, but not defined, in this notice has the same meaning as in the Rules.

#### **3. Exemption**

An exemption is granted to transmission system owners in respect of their obligations under rules 41 and 42 to provide daily energy quantities for the Flockhouse FLH21901 and Te Teko TTK30601 gas gates which have oversized meters. The exemption is subject to the following terms and conditions:

- (a) The requirement to provide actual daily energy quantities under rule 41 will be met by the allocation agent using the consumption information provided by retailers under rules 31, 32, and 33 to estimate the injection quantities for those gas gates.
- (b) The exemption shall expire on 30 September 2012.
- (c) The exemption will replace the *Gas (Downstream Reconciliation) Rules 2008 (Exemption DR09-10-T: Oversized Metered Gas Gates) Notice 2009*, which expires on 30 September 2010

#### **4. Reasons for granting the exemption**

The reasons for granting the exemption are that:

- (a) Gas quantities at these gas gates are unable to be measured accurately, due to the meters being oversized for the small amounts of gas now flowing at the gas gates.



- (b) Given the costs to replace the meters at these gas gates and the variability of the gas flows, it is considered reasonable that an exemption be granted to enable more accurate injection quantities to be used in allocations at these gas gates.
- (c) An alternative arrangement has been provided for the allocation agent to use consumption information provided by retailers under the Rules to estimate the injection quantities at the affected gas gates.
- (d) The exemption allows a continuation of the status quo whilst Gas Industry Co reviews the Rules. This review will include consideration of how oversized metered gas gates should be treated under the Rules.

# Gas (Downstream Reconciliation) Rules 2008 (Exemption DR10-07: Unmetered Gas Gates) Notice 2010

Pursuant to rule 19 of the Gas (Downstream Reconciliation) Rules 2008 (the Rules), Gas Industry Company Limited ('Gas Industry Co'), as the industry body appointed pursuant to s43ZL of the Gas Act 1992, gives the following notice.

## Notice

### 1. Title and commencement

- (a) This notice is the Gas (Downstream Reconciliation) Rules 2008 (Exemption DR10-07: Unmetered Gas Gates) Notice 2010.
- (b) This notice comes into force on 1 October 2010.

### 2. Interpretation

- (a) In this notice, Rules means the Gas (Downstream Reconciliation) Rules 2008 made by the Minister of Energy under sections 43F, 43Q and 43S of the Gas Act 1992 by notice published in the New Zealand Gazette, as may be amended from time to time.
- (b) Any term that is defined in the Rules and used, but not defined, in this notice has the same meaning as in the Rules.

### 3. Exemption

An exemption is granted to transmission system owners in respect of their obligations under rules 41 and 42 to provide daily energy quantities for the unmetered gas gates identified in this notice, subject to the following terms and conditions:

- (a) The exemption applies to the following gas gates on the transmission system that do not have a meter as at the date of this notice:

Kuku KUK22401	Papakura No.3 PAP06603
Matapu MTP20601	Pungarehu 1 PGU13101
Oakleigh OAK18601	Te Horo THO22701
Okoroire Springs OKS32801	Wellsford WEL18301

- (b) The requirement to provide actual daily energy quantities under rule 41 will be met by the allocation agent using the consumption information provided by retailers under rules 31, 32, and 33 to estimate the injection quantities for those gas gates.
- (c) The exemption shall expire on 30 September 2012.

- (d) The exemption replaces the *Gas (Downstream Reconciliation) Rules 2008 (Exemption DR09-11-S: Unmetered Gas Gates) Notice (No 3) 2009*, which expires on 30 September 2010

#### **4. Reasons for granting the exemption**

The reasons for granting the exemption are that:

- (a) Gas injection quantities at unmetered gas gates are unable to be measured. For these gas gates, Vector Gas Limited has applied to Gas Industry Co for an exemption in respect of the obligations to provide injection quantities as set out in rules 41 and 42.
- (b) Given the significant costs to install meters at these gas gates, it is considered reasonable that an exemption be granted to enable more accurate injection quantities to be used in allocations at these gas gates. The alternative arrangement provides for the allocation agent to use consumption information provided by retailers under the Rules to estimate the injection quantities at the affected gas gates.
- (c) The exemption allows a continuation of the status quo whilst Gas Industry Co reviews the Rules. This review will include consideration of how unmetered gas gates should be treated under the Rules.

# Appendix B Recommended format for submissions

To assist Gas Industry Co in the orderly and efficient consideration of stakeholders’ responses, a suggested format for submissions has been prepared. This is drawn from the questions posed in the body of this Consultation Paper. Submitters are also free to include other material on the exemption applications in their responses.

Submission from:..... (company name and contact)

Question	Comment
Q1: Do submitters have any comments on the proposed variation to the global 1-month UFG methodology exemptions?	
Q2: Do submitters have any comments on the proposed variation to the direct connect gas gates exemptions?	
Q3: Do submitters have any comments on the proposed variation to the injection information exemption?	
Q4: Do submitters have any comments on the proposed variation to the oversized metered gas gates exemption?	
Q5: Do submitters have any comments on the proposed variation to the unmetered gas gates exemption?	