

Consultation paper on Guideline Notes for the Gas (Downstream Reconciliation) Rules 2008

- rule 47: force majeure event and annual UFG factor
- rules 44 and 51: correction of allocations by allocation agent and special allocations
- rule 61: guidelines for determinations on profiles
- rule 64: referral to industry body of disputed profile determinations
- rules 65 to 75 and 80: the commissioning and carrying out of performance audits and event audits
- the management of change requests for the allocation system or the provision of services by the allocation agent

1 Introduction

The Gas (Downstream Reconciliation) Rules 2008 ("the Rules") set out a range of functions that Gas Industry Co, as the industry body, and the allocation agent are required to carry out. There are also functions that Gas Industry Co has to carry out for the effective management of associated downstream allocation and reconciliation processes.

It is in the interests of all parties that sound processes and policies are in place governing these functions and activities. This ensures that issues are examined thoroughly and that there are clear expectations on the part of all those involved.

To assist allocation participants and the allocation agent in interpreting and applying the Rules and understanding Gas Industry Co's expectations, Gas Industry Co has developed guideline notes in relation to certain provisions of the Rules and other matters related to the downstream allocation and reconciliation process.

Please note that any issued guideline notes are explanatory in nature and do not have any regulatory status under the Rules (with the exception of the rule 61 guidelines for determinations on profiles).

Gas Industry Co has already formally issued four guideline notes following consultation with allocation participants. These four guideline notes can be viewed at http://www.gasindustry.co.nz/Downstream_Reconciliation.php and consist of:

- Guideline note rule 5 – definition of gas gate
- Guideline note rules 34-37 – historic and forward estimates, and seasonal adjustment

- Guideline note rule 52 – annual reconciliation
- Guideline note – the submission of revisions to the allocation agent

This consultation paper discusses and seeks submissions on six additional guideline notes proposed by Gas Industry Co:

- Draft guideline note rule 47 – force majeure event and annual UFG factor (Appendix B)
- Draft guideline note rules 44 and 51 – correction of allocations by allocation agent and special allocations (Appendix C)
- Draft guideline note rule 61 – guidelines for determinations on profiles (Appendix D)
- Draft guideline note rule 64 – referral to industry body of disputed profile determinations (Appendix E)
- Draft guideline note rules 65 to 75 and 80 – the commissioning and carrying out of performance audits and event audits (Appendix F)
- Draft guideline note re the management of change requests for the allocation system or the provision of services by the allocation agent (Appendix G)

This consultation paper provides an outline in section 2 of the consultation requirements; a description in section 3 of each proposed guideline note, any identified issues relevant to each guideline note and a request for comments from submitters; section 4 seeks submitters' views on whether there are any other issues that may require guidance material; and appends the proposed guideline notes.

2 Consultation requirements

Parties who wish to make a submission on the guideline notes are invited to respond by 5pm on Monday, 26 January 2009. Because the consultation package contains a substantial amount of material, a four week consultation period (excluding the holiday break) is being provided.

Please note that submissions received after Monday, 26 January 2009 may not be able to be considered, as it is anticipated that the guidelines notes will be finalised and formally issued in early February 2009.

Gas Industry Co's preference is to receive submissions in the format shown in Appendix A and in electronic form with "*Submission on guideline notes for the Gas (Downstream Reconciliation) Rules 2008*" in the subject header to submissions@gasindustry.co.nz. Marked-up amendments to the proposed guideline notes are also welcomed, and a Microsoft Word version of each proposed guideline note is available for download on Gas Industry Co's website.

Gas Industry Co will acknowledge receipt of all submissions electronically. Please contact Bas Walker if you do not receive electronic acknowledgement of your submission within two business days.

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.

3 Summary of proposed guideline notes

3.1 Rule 47: force majeure event and annual UFG factor

Under the Rules, a force majeure event is an event or circumstance beyond the reasonable control of an allocation participant and that was not reasonably foreseeable; and which substantially affects the information needed to calculate the annual UFG factor for a gas gate.

Rule 47 of 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 gas gate to be applied during the relevant gas year.

The proposed guideline note addresses the circumstances under which the allocation agent may notify Gas Industry Co that a force majeure event has occurred, and the additional information to be provided with the notification; and the approach Gas Industry Co intends to adopt in determining a fair and representative annual UFG factor.

Gas Industry Co would be particularly interested in submitters' views on what types of events might constitute a force majeure event for the purposes of rule 47 and the proposed approaches for determining:

- whether an event has substantially affected the injection/consumption information that would be used to calculate the annual UFG factor; and
- a fair and representative annual UFG factor.

The proposed guideline note is attached as Appendix B.

Q1: Do you have any comments on, or suggested amendments to, the proposed "guideline note re rule 47 – force majeure event and annual UFG factor"?

3.2 Rules 44 and 51: correction of allocations by allocation agent and special allocations

Rule 51 of 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 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.

The purpose of the guideline note is to provide guidance on how rules 44 and 51 are to be given effect by allocation participants and by Gas Industry Co. Under rule 51, Gas Industry Co may also determine any specific procedures that will apply to a special allocation – which are also set out in this note.

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 error would have resulted in a materially different allocation; and
- in terms of a special allocation, what factors should influence Gas Industry Co's assessment of whether the existing allocation results (based on the error) are sufficiently unfair so that it is not appropriate to wait for the next allocation wash-up (ie interim or final).

The proposed guideline note is attached as Appendix C.

Q2: Do you have any comments on, or suggested amendments to, the proposed "guideline note rules 44 and 51 – correction of allocations by allocation agent and special allocations"?

3.3 Rule 61: guidelines for determinations on profiles

Rule 61 of 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.

The proposed guideline note sets out those guidelines – which, under rule 61, the allocation agent must take into account in making a determination on the approval, review, challenge of static deemed profiles and dynamic deemed profiles under Part 3 of the Rules. It also sets out the information to be provided by allocation participants as part of the determination process.

Specific factors are identified for the allocation agent to consider whether a static or dynamic deemed profile is a reasonable representation of the actual consumption profile for a consumer installation. Comments and/or suggested amendments from submitters on these factors and their application would be welcomed.

The proposed guideline note is attached as Appendix D.

Q3: Do you have any comments on, or suggested amendments to, the proposed "guideline note rule 61 – guidelines for determinations on profiles"?

3.4 Rule 64: referral to industry body of disputed profile determinations

As noted above, Part 3 of the Rules provides for the allocation agent to make various determinations in respect of static or dynamic deemed profiles.

In addition, rule 64 of the Rules allows a retailer to dispute a determination by the allocation agent in respect of a deemed profile by referring it to Gas Industry Co, as the industry body, for review. Gas Industry Co must review the determination, having regard to the requirements of rules 55 to 62, and either confirm the determination by the allocation agent or refer the matter back to the allocation agent for reconsideration.

The proposed 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.

Gas Industry Co is also interested in whether submitters' consider there are additional criteria to that proposed in the guideline note that should be taken into account in the review of the disputed determination.

The proposed guideline note is attached as Appendix E.

Q4: Do you have any comments on or suggested amendments to the proposed "guideline note rule 64 – referral to industry body of disputed profile determinations"?

3.5 Rules 65 to 75 and 80: the commissioning and carrying out of performance audits and event audits

Rule 65 of the Rules requires Gas Industry Co to commission performance audits of the allocation agent and allocation participants at regular intervals. 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.

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.

The proposed guideline note addresses the following matters:

- General provisions, such as the appointment of auditors, setting up of audits, and costs and payment;

- Specific issues applying to performance audits including a regular programme for such audits; and
- Specific issues applying to event audits including what may constitute an event, the triggering of event audits, and the carrying out of event audits for gas gates for which the cap of 1.085 or the floor of 0.985 apply, under rule 80.

The frequency of performance audits is one issue that is being carefully considered by Gas Industry Co. A rolling period of between two and four years is currently being considered, with the proposed guideline note tentatively suggesting a similar initial period for the first round of performance audits for allocation participants. Gas Industry Co notes that, by comparison, under the Electricity Governance Rules reconciliation participants are subject to annual audits and would be interested in submitters' views on whether a similar frequency should be applied for performance audits here.

Other relevant issues that allocation participants may wish to comment on include:

- the expected content of audit reports;
- the apportionment of audit costs to allocation participants; and
- the identified issues or events that may give rise to an event audit being commissioned.

The proposed guideline note is attached as Appendix F

Q5: Do you have any comments on, or suggested amendments to, the proposed "guideline note rules 65 to 75 and 80 – the commissioning and carrying out of performance audits and event audits"?

3.6 Managing change requests for the allocation system and services

Over the course of time, change may be needed or desired to either the allocation system operated by the allocation agent and/or the services provided by the allocation agent under the Rules. The purpose of this guideline note is to set out who can request or initiate changes, the process to be followed and the associated documentation, and the allocation and payment of costs.

The different ways of initiating a change request are set out, processes for handing the requests described and provisions governing the allocations of costs set out. The processes described are separate to the contractual arrangements between Gas Industry Co and the allocation agent for authorising system changes. A proposed "change request form" is also included.

The guideline note seeks to incorporate arrangements which have already been extensively discussed at GRREC meetings and are effectively already in operation.

Q6: Do you have any comments on, or suggested amendments to, the proposed "guideline note re the management of change requests for the allocation system or the provision of services by the allocation agent"?

4 Other issues

Gas Industry Co is currently considering whether further guidance material to assist the effective operation of the Rules should be developed.

At this stage, Gas Industry Co does not plan to develop any further guideline notes for the Rules in the immediate future. However, it is aware of some retailer interest in an issue surrounding the use of "estimate indicator" field in GAS050 to flag any estimated allocation group 1 or 2 consumption data (including permanent estimates) for initial, interim and final submissions. If allocation participants consider there is value in developing a guideline note on this issue or there are other issues that allocation participants would like additional guidance on, Gas Industry Co is willing to consider issuing further guidance material in due course.

Accordingly, allocation participants are invited to indicate other topics or issues for which they consider a guideline note would be desirable.

Q7: Do you have any topics or issues related to the Rules that you would like Gas Industry Co to consider issuing further guidance material on?

Appendix A Recommended Format for Submissions

It would assist the consideration of submissions if comments were provided in accordance with the template below. However, additional comments can also be provided.

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

Question	Comment
Q1: <i>Do you have any comments on, or suggested amendments to, the proposed “guideline note re rule 47 – force majeure event and annual UFG factor”?</i>	
Q2: <i>Do you have any comments on, or suggested amendments to, the proposed “guideline note rules 44 and 51 – correction of allocations by allocation agent and special allocations”?</i>	
Q3: <i>Do you have any comments on, or suggested amendments to, the proposed “guideline note rule 61 – guidelines for determinations on profiles”?</i>	

Question	Comment
<p>Q4: Do you have any comments on, or suggested amendments to, the proposed "guideline note rule 64 – referral to industry body of disputed profile determinations"?</p>	
<p>Q5: Do you have any comments on, or suggested amendments to, the proposed "guideline note rules 65 to 75 and 80 – the commissioning and carrying out of performance audits and event audits"?</p>	
<p>Q6: Do you have any comments on, or suggested amendments to, the proposed "guideline note re the management of change requests for the allocation system or the provision of services by the allocation agent"?</p>	
<p>Q7: Do you have any topics or issues related to the Rules that you would like Gas Industry Co to consider issuing further guidance material on?</p>	

Appendix B Rule 47: force majeure event and annual UFG factor

Appendix C Rules 44 and 51: correction of allocations by allocation agent and special allocations

Appendix D Rule 61: guidelines for determinations on profiles

Appendix E Rule 64: referral to industry body of disputed profile determinations

Appendix F Rules 65 to 75 and 80: the commissioning and carrying out of performance audits and event audits

Appendix G Managing change requests for the allocation system and services

