

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

Application DR08-28-T for exemption from monthly UFG factor publication deadline

1 Introduction

This paper seeks allocation participants' feedback on an additional transitional exemption that is proposed by Gas Industry Co under the Gas (Downstream Reconciliation) Rules 2008 ("the Rules").

An exemption is proposed for the allocation agent in respect of the requirement under rule 46.4.1 for the publication of the monthly UFG factor for initial allocations. It is proposed that the requirement be extended from 0800 hours to 1200 hours on the 5th business day of each month.

Feedback must be received by Gas Industry Co no later than by 5pm on Friday 21 November 2008. It is requested that submitters use the submission template attached as Appendix A. Submissions should be forwarded by email to submissions@gasindustry.co.nz.

A detailed description of the exemption framework can be found in the initial exemptions consultation paper of 21 August 2008 (which can be downloaded from <http://gasindustry.co.nz/Consultation.php>).

2 Description and Analysis of Application DR08-28-T

Summary of application

The full application is attached as Appendix B. A summary of the application follows:

GIC Code: DR08-28-T

Applicant: Gas Industry Co

Exemption Type: Transitional

Exemption Sought: A transitional exemption is proposed in respect of the allocation agent's deadline under rule 46.4.1 to publish the monthly UFG factor for initial allocations. Until 30 April 2009, it is proposed that the requirement be extended from 0800 hours to 1200 hours on the 5th business day of each month.

Summary of Reasons:

- Under the *Exemption (DR08-15 to 18-S: Injection information) Notice 2008*, the allocation agent is already exempted until 30 April 2009 from providing the initial allocation reports under rule 48 until 1200 hours on the 5th business day of each month. The proposed transitional exemption would ensure the timing obligations on the allocation agent are consistent with that exemption.

- Given the monthly UFG factor is derived during the initial allocation process, it is appropriate that the publication deadlines for initial allocation and the monthly UFG factor be consistent. This is particularly so given the GAR070 report includes both the monthly UFG factor and the summary initial allocation information. The publication of such summary initial allocation information should not precede the publication of actual individual retailers' initial allocation information under GAR010 to GAR030.
- The proposed transitional exemption only applies to publication of the monthly UFG factor for initial allocations (not interim and final) and will only apply for an interim period of 5 months.

Additional information

- The proposed transitional exemption sought is essentially an extension of an existing exemption granted to the allocation agent in respect of initial allocation deadlines. A copy of this exemption [*Gas (Downstream Reconciliation) Rules 2008 Exemption (DR08-15 to 18-S: Injection information) Notice 2008*] is attached as Appendix C. That exemption was granted to the allocation agent (and retailers) because transmission system owners indicated an inability to provide gas gate injection information within the 0800 hours deadline on the 4th business day of each month.
- Given the next initial allocation occurs on Friday 5 December 2008, it is desirable that the proposed exemption be considered prior to that date.

Issues

- Are there any detrimental effects to allocation participants in delaying the publication of the monthly UFG factor until 1200 hours when the other initial allocation reports are published?
- Given initial allocation injection and consumption information is not provided until 1200 hours on the 4th business day of each month, Gas Industry Co considers it equitable that the allocation agent also be provided an equivalent extension in respect of the publication of the monthly UFG factor. Do allocation participants agree or disagree?

Appendix A Recommended Format for Submissions

To assist Gas Industry Co in the orderly and efficient consideration of submitters' responses, a suggested format for submissions has been prepared. Submitters are also free to include other material on the proposed exemption in their responses.

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

| Question | Comment |
|--|---------|
| <i>Q1: Do submitters have any comments on the proposed transitional exemption DR08-28-T?</i> | |

Appendix B DR08-28-T

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: Gas Industry Co | Phone: 04 472 1800 |
| Contact Name: Bas Walker | Fax: 04 472 1801 |
| Email: bas.walker@gasindustry.co.nz | Mailing Address: PO Box 10-646, Wellington |

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

Transitional exemption under rule 81

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

A transitional exemption is proposed in respect of the allocation agent's deadline under rule 46.4.1 to publish the monthly UFG factor for initial allocations.

Until 30 April 2009, it is proposed that the requirement be extended from 0800 hours to 1200 hours on the 5th business day of each month.

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

The allocation agent is already exempted until 30 April 2009 from providing the initial allocation

reports under rule 48 until 1200 hours on the 5th business day of each month. The proposed transitional exemption would ensure the timing obligations on the allocation agent are consistent with that exemption.

Given the monthly UFG factor is derived during the initial allocation process, it is appropriate that the publication deadlines for initial allocation and the monthly UFG factor be consistent. This is particularly so given the GAR070 report includes both the monthly UFG factor and the summary initial allocation information. The publication of such summary initial allocation information should not precede the publication of actual individual retailers' initial allocation information under GAR010 to GAR030.

The proposed transitional exemption only applies to publication of the monthly UFG factor for initial allocations (not interim and final) and will only apply for an interim period of 5 months.

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

The transitional exemption is proposed to apply until 30 April 2009 – consistent with the exemption timeframe for the publication of other initial allocation reports in *Exemption (DR08-15 to 18-S: Injection information) Notice 2008*

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

The exemption requires the allocation agent to publish the monthly UFG factor under rule 46.4.1 by 1200 hours (rather than 0800 hours).

5. Additional information for an urgent exemption:

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

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

6. Additional information for a transitional exemption

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

The proposed exemption is transitional in nature, applying on an interim basis and has been initiated by Gas Industry Co.

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

Appendix C Existing initial allocation exemption

Gas (Downstream Reconciliation) Rules 2008 (Exemption DR08-15 to 18-S: Injection information) Notice 2008

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 DR08-15 to 18-S: Injection information) Notice 2008.
- (b) This notice comes into force on the day after the date this notice is published on Gas Industry Co's website.

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. Standard Exemption

Transmission system owners are granted an exemption under rule 19 from the requirements of rule 41 subject to the following terms and conditions:

- (a) The rule 41 deadline for the provision of actual daily energy injection quantities by transmission system operators is amended to 1200 hours on the 4th business day of every month that follows a consumption period.
- (b) The rule 31 deadline for the provision of consumption information by retailers is amended to 1200 hours on the 4th business day of every month that follows a consumption period.
- (c) The rule 48.2 deadline for the allocation agent to perform initial allocations and provide reports on those allocations to retailers is amended to 1200 hours on the 5th business day of every month.
- (d) No later than 31 March 2009, Gas Industry Co will provide a report, prepared in consultation with allocation participants, which reviews the record of rule 41 compliance over the first 5 months of allocations, provides investment and other relevant information on the implications of terminating the exemptions and transmission system owners

achieving compliance with rule 41, and sets out a recommended course of action for the period beginning on termination of the exemption.

- (e) This exemption will apply from 1 October 2008 to 30 April 2009.

Transmission system owners are granted an exemption under rule 19 from the requirements of rule 42 subject to the following terms and conditions:

- (a) The exemption applies from 1 October 2008 to 31 October 2008 for gas gates with telemetry metering.
- (b) The exemption applies from 1 October 2008 to 30 April 2009 for gas gates without telemetry metering.
- (c) No later than 31 March 2009, Gas Industry Co will provide a report, prepared in consultation with allocation participants, which provides investment and other relevant information on the implications of terminating the exemptions and transmission system owners achieving compliance with rule 42, and sets out a recommended course of action for the period beginning after the expiry of the exemption.

4. Reasons for granting the standard exemptions

The reasons for the exemptions are:

- (a) For practical reasons, transmission system owners will be unable to immediately meet the full rule 41 and 42 requirements for providing gas injection information, both for timing and cost reasons; and
- (b) The exemption will provide time for the costs, benefits and other implications of remedying this situation to be investigated and reported..

DATED at Wellington this 17th day of September 2008.

For and on behalf of Gas Industry Company Limited:

RT HON JAMES BOLGER, O.N.Z, Chair.