



# Initial exemptions under the Gas (Downstream Reconciliation) Rules 2008

**Date issued: 21 August 2008**  
**Submissions close: 4 September 2008**







## **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 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 Bas Walker and Tristan Meo of Gas Industry Co.

**Submissions close:** 4 September 2008

**Send to:** [submissions@gasindustry.co.nz](mailto:submissions@gasindustry.co.nz)

**Enquiries:** Bas Walker  
[bas.walker@gasindustry.co.nz](mailto:bas.walker@gasindustry.co.nz)  
04 472 1800



# Contents

---

<b>1</b>	<b>Introduction</b>	<b>1</b>
1.1	Background	1
1.2	Purpose of consultation	1
1.3	Outline of document	2
1.4	Making a submission	4
<b>2</b>	<b>Exemption framework</b>	<b>5</b>
2.1	Exemptions under the Reconciliation Rules	5
2.2	Standard exemptions	5
2.3	Urgent exemptions	7
2.4	Transitional exemptions	8
<b>3</b>	<b>Exemptions sought</b>	<b>10</b>
3.1	Transitional exemptions proposed by Gas Industry Co	10
	DR08-13-T: Gas gates with only allocation group 1, 2, 3 and 5 consumers	10
	DR08-14-T: Unmetered gas gates	13
3.2	Exemptions regarding for the application of the Global 1 month methodology	15
	DR08-02-S Genesis Energy	15
	DR08-04-S Contact Energy	16
3.3	Exemptions concerning the application of the Reconciliation Rules to direct consumers and non-shared gas gates	17
	DR08-06-S Genesis Energy	18
	DR08-10-S On Gas	19

	DR08-11-S Mighty River Power	20
	DR08-05-S Contact Energy	23
3.4	Exemptions concerning the calculation of ongoing fees in respect of direct consumers and non-shared gas gates volumes	26
	DR08-08-U Contact Energy	26
	DR08-07-U Genesis Energy	27
	DR08-09-U On Gas	28
	DR08-12-U Mighty River Power	29
3.5	Exemptions sought by transmission system owners	31
	DR08-16-S Vector	31
	DR08-17-S MDL	32
	DR08-15-S Vector	34
	DR08-18-S MDL	35
3.6	Miscellaneous exemptions sought	36
	DR08-01-S Greymouth Gas	37
	DR08-03-T Nova Gas	38
<hr/>		
<b>Appendix A</b>	<b>Recommended Format for Submissions</b>	<b>40</b>
<b>Appendix B</b>	<b>Copies of exemption applications</b>	<b>42</b>

# 1

## Introduction

---

### 1.1 Background

The Gas (Downstream Reconciliation) Rules 2008 (the “Reconciliation Rules”) provide for the establishment of efficient and effective downstream allocation and reconciliation arrangements.

Initial provisions in the Reconciliation Rules came into effect on 27 June 2008. Rules 1 to 26 provide for the appointment of the allocation agent, the development of the allocation agent website, and general provisions regarding funding, notices and exemptions. Rules 76 to 84 set out transitional provisions relating to the calculation of initial annual UFG factors and the treatment of information prior to the gas registry becoming fully operational under the Gas (Switching Arrangements) Rules 2008.

However, the operational provisions relating to allocation and reconciliation in the Reconciliation Rules come into effect on 1 October 2008 – the go-live date. These rules 27 to 75 set out the allocation and reconciliation framework, including the provision of gas injection and consumption information, and the allocation and reconciliation processes to be carried out by the allocation agent.

The Reconciliation Rules provide for Gas Industry Co, as the industry body approved under the Gas Act 1992, to exempt any allocation participant (or class of), gas gate or the allocation agent from complying with all or any of the rules. There are three classes of exemptions which may be granted under the Reconciliation Rules – “standard”, “urgent” and “transitional” exemptions. Each class of exemption is subject to different processes and criteria under the Reconciliation Rules.

### 1.2 Purpose of consultation

Given the tight implementation timeframes for the Reconciliation Rules and the transition from an industry arrangement for downstream allocation and reconciliation, Gas Industry Co indicated in July to allocation participants that it would like to receive any exemption applications by early August.

Gas Industry Co has received several applications for exemptions from industry participants, including standard, urgent and transitional exemption applications.

Under rule 19, prior to granting a standard exemption, Gas Industry Co must consult with persons it considers are representative of those classes of person likely to be substantially affected. In respect of the urgent exemption applications in this consultation paper, Gas Industry Co considers it has sufficient time to carry out consultation and applications will at this point be processed as standard exemptions. Should it later become evident that there is insufficient time, Gas Industry Co is still able grant an urgent exemption if it considers it necessary or desirable that the exemption be made urgently – see section 2.3. While consultation is not formally required under the Reconciliation Rules in respect of transitional exemptions (rule 81), given that a transitional exemption may have a material effect on others, Gas Industry Co wishes to provide an opportunity for allocation participants and other persons to provide feedback on all exemptions included in this consultation paper.

Accordingly, Gas Industry Co proposes to consult on the applications for exemptions received prior to 20 August 2008 as a package. This consultation paper presents for consultation each exemption application sought by allocation participants, as well as two transitional exemptions proposed by Gas Industry Co.

The purpose of this consultation paper is to ascertain stakeholder views and information on the exemptions sought. Participants who have applied for the exemption concerned are also welcome to provide a submission on that exemption. Submissions received will help inform Gas Industry Co's consideration of the exemptions sought and ensure that all relevant factors are appropriately taken into account. Following consideration of the submissions received, Gas Industry Co will determine whether or not to issue the exemptions sought in accordance with the Reconciliation Rules.

Gas Industry Co notes that this consultation only addresses applications for exemptions received prior to 20 August 2008 (and transitional exemptions proposed by Gas Industry Co). Any applications for exemptions received after that date will be consulted on (where necessary) separately by Gas Industry Co. Note that, given the limited time until the go-live date, such applications may not be able to be processed and considered prior to the go-live date. Exemption applications are available from the downstream reconciliation webpage on Gas Industry Co's website – see [http://www.gasindustry.co.nz/Downstream\\_Reconciliation.php](http://www.gasindustry.co.nz/Downstream_Reconciliation.php).

### **1.3 Outline of document**

This consultation paper provides for the following:

- an outline in section 2 of the framework that applies to the processing and consideration of exemptions under the Reconciliation Rules;



- a description in section 3 of each exemption sought (including those proposed by Gas Industry Co), a discussion concerning matters relevant to each exemption and a request for comments from submitters in respect of each exemption. Note the discussion identifies issues for consideration, but other issues may also be relevant and submitters should raise those where appropriate. While each application is dealt with on a individual basis, applications raising the same issues have been grouped together for discussion purposes; and
- in Appendix B, full copies are provided of all exemption applications that are the subject of this consultation paper. Gas Industry Co has received the following exemption applications from allocation participants:
  - DR08-01-S Greymouth Gas – Appendix B page 43
  - DR08-02-S Genesis Energy – Appendix B page 45
  - DR08-03-T Nova Gas – Appendix B page 48
  - DR08-04 S Contact Energy – Appendix B page 51
  - DR08-05-S Contact Energy – Appendix B page 55
  - DR08-06-S Genesis Energy – Appendix B page 58
  - DR08-07-U Genesis Energy – Appendix B page 62
  - DR08-08-U Contact Energy – Appendix B page 65
  - DR08-09-U On Gas – Appendix B page 69
  - DR08-10-S On Gas – Appendix B page 73
  - DR08-11-S Mighty River Power – Appendix B page 78
  - DR08-12-U Mighty River Power – Appendix B page 81
  - DR08-15-S Vector – Appendix B page 85
  - DR08-16-S Vector – Appendix B page 89
  - DR08-17-S MDL – Appendix B page 84
  - DR08-18-S MDL – Appendix B page 84

This consultation paper represents the first time exemptions have been considered under the Reconciliation Rules – hence it seeks to be as comprehensive as possible in the time available and includes some general context regarding the framework for exemptions. A general information paper on exemptions is also intended to be issued shortly by Gas Industry Co. In future it is anticipated that consultation in respect of exemption applications will be generally done on an individual application basis.

## 1.4 Making a submission

Parties who wish to make a submission on the exemptions sought are invited to respond by 5:00 pm on Thursday 4 September 2008. Please note that submissions received after this date are unlikely to be able to be considered.

Gas Industry Co's preference is to receive submissions in electronic form (Microsoft Word format or pdf) with "Submission on Initial exemptions under the Gas (Downstream Reconciliation) Rules 2008" in the subject header to [submissions@gasindustry.co.nz](mailto:submissions@gasindustry.co.nz). A hard copy would also be appreciated and should be posted to:

Bas Walker Gas Industry Co Level 9, State Insurance Tower 1 Willis Street	PO Box 10-646 Wellington Tel: +64 4 472 1800 Fax: +64 4 472 1801
--	---

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.

Submissions should be provided in the format shown in Appendix A. 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.

# 2

## Exemption framework

---

### 2.1 Exemptions under the Reconciliation Rules

As outlined above, the Reconciliation Rules provide for Gas Industry Co, as the industry body approved under the Gas Act 1992, to exempt any allocation participant, class of participants, gas gate or the allocation agent from complying with all or any of the rules.

There are three classes of exemptions which may be granted under the Reconciliation Rules – “standard”, “urgent” and “transitional” exemptions. Each class of exemption is subject to different processes and criteria under the Reconciliation Rules and these are discussed below.

In addition to the processes outlined in the Reconciliation Rules, Gas Industry Co has adopted a policy for the consideration and assessment of exemptions. That policy seeks to ensure consistency and conformity with the Rules by providing a more detailed process for the consideration of an exemption. As indicated above, the full policy/information on processes document will be separately issued. However, aspects of the policy and process relevant to the classes of the exemptions discussed below are referred to where appropriate.

### 2.2 Standard exemptions

Rule 19 of the Reconciliation Rules provides the following:

*19. Industry body may exempt allocation participant*

19.1 Subject to rule 19.2, on the application of an allocation participant or the allocation agent, the industry body may, in its discretion and upon the terms and conditions (if any) that it thinks fit, exempt any allocation participant, class of allocation participants, gas gate or the allocation agent from complying with all or any of these rules.

19.2 The industry body may only grant an exemption under rule 19.1 if it is satisfied that the exemption is desirable to better achieve:

19.2.1 The objectives set out in section 43ZN of the Act; and

19.2.2 The purpose of the rules.

19.3 Prior to granting an exemption, the industry body must –

19.3.1 Publish the application for the exemption, excluding any information it considers to be confidential or commercially sensitive; and

19.3.2 consult with those persons it considers are representative of those classes of persons likely to be substantially affected by the granting of the exemption.

19.4 The industry body must publish an exemption, and the reasons for granting the exemption, as soon as practicable after the exemption is granted.

19.5 An exemption takes effect from the date specified in the exemption which may not be earlier than the date that it is published

An exemption under rule 19 may only be granted if Gas Industry Co is satisfied that the exemption is desirable to better achieve the purpose of the Reconciliation Rules *and* the objectives set out in section 43ZN of the Gas Act 1992. The purpose of the Reconciliation Rules is to “establish a set of uniform processes that will enable the fair, efficient and reliable downstream allocation and reconciliation of downstream gas quantities” (rule 2). The objectives in section 43ZN are expressed in a more generic manner and most apply only at a high level to downstream allocation and reconciliation.

To provide a more structured framework for the assessment of exemptions sought under rule 19, Gas Industry Co’s adopted policy provides the criteria set out below.

Criterion	Act/Rule reference	Evaluation
1. Allocations are fairer	Rule 2	Extent to which exemption enables all participants to have access to the process and to obtain fair outcomes.
2. Allocations are more efficient	Rule 2/s43ZN (a) of the Act	Extent to which the process operates more efficiently, ie with less cost and time, to achieve required outcomes.
3. Reliability of allocation and supply is enhanced	Rule 2/s43ZN (a) of the Act	Extent to which allocations are more reliable, ie produce consistent and expected results.
4. Other s43ZN objectives	s43ZN of the Act	Extent to which all of the other remaining objectives in s43ZN would be better achieved.
5. Departure from uniform processes	Rule 2	Extent to which proposed exemption is a departure from the uniform processes set out in the Rules, and whether such departure is desirable in light of the consideration of the criteria above. Implicit in this criterion is a consideration of the extent to which the granting of an exemption would assist the effective implementation of the allocation process.
6. Any other relevant considerations		Consideration of other matters which may be relevant to the decision on an exemption, subject to the requirements of rule 19.

These criteria will also be relevant in considering any conditions attached to an exemption and/or any alternative arrangements required under an exemption.

Gas Industry Co notes it may only grant standard exemptions (and urgent exemptions) where the exemption has been applied for by a participant or the allocation agent – though it is able to exempt any allocation participant, class of allocation participants, gas gate or allocation agent in respect of the matters covered by the exemption application.

Prior to granting an exemption under rule 19, Gas Industry Co must have received an application for the exemption, published the application and consulted with those persons it considers are representative of the persons likely to be substantially affected. Once granted, the exemption must also be published on Gas Industry Co's website.

## **2.3 Urgent exemptions**

Urgent exemptions are provided for under rule 20 of the Reconciliation Rules – as set out in full below. Urgent exemptions may be issued initially without consultation occurring, provided the exemption expires after a period which reasonably enables Gas Industry Co to consult with affected persons.

While applicants may apply for an urgent exemption, whether an exemption is issued as an urgent exemption or a standard exemption is a matter for the discretion of Gas Industry Co. An urgent exemption may be granted if Gas Industry Co considers it necessary or desirable that the exemption be made urgently (rule 21.1).

This is particularly relevant to the urgent exemptions applied for and considered in this consultation paper. Where Gas Industry Co considers it has sufficient time to consult on an exemption application, the exemption application will generally be treated as a standard exemption. In the event that it becomes clear that time will not permit adequate consultation or consideration to occur, at that point Gas Industry Co is able to grant an urgent exemption if it considers it necessary or desirable that the exemption be made urgently.

If it is necessary or desirable for an application to be treated urgently, the exemption applied for will be considered against the same criteria as standard exemptions albeit with a lesser standard to be met. Where Gas Industry Co considers it is arguable that the exemption is desirable to better achieve the criteria for a standard exemption, then the urgent exemption may be granted.

### *20. Urgent exemptions*

20.1 The industry body may grant an exemption under rule 19.1 without complying with rule 19.3.2 if the industry body considers that it is necessary or desirable that the exemption applied for be made urgently.

20.2 In that case –

20.2.1 The exemption must state that it is made in reliance on this rule; and

20.2.2 The exemption must state an expiry date, which must be a date that, in the opinion of the industry body, reasonably enables the industry body to consult with the persons specified in rule 20.2.3 about the exemption; and

20.2.3 The industry body must publish the exemption and consult with persons it considers are representative of those classes of persons likely to be substantially affected by the exemption; and

20.2.4 As soon as practicable after consulting in accordance with rule 20.2.3, the industry body must:

(a) determine whether or not to revoke, replace, or amend the exemption; and

(b) publish its determination and the reasons for the determination.

## 2.4 Transitional exemptions

In addition to standard or urgent exemptions, rule 81 of the Reconciliation Rules provides for the granting of transitional exemptions during the transitional period (from 1 October 2008 to 30 September 2010 – see rule 77):

### *81. Transitional exemption*

81.1 Despite anything in rules 19 and 20 the industry body may, in its discretion and upon the terms and conditions (if any) that it thinks fit, exempt any allocation participant, class of allocation participants, gas gate or the allocation agent from complying with one or more of these rules during the transitional period.

81.2 A transitional exemption applies for the period set out in the exemption and must set out alternative arrangements for complying with one or more of the rules.

81.3 The industry body may by notice require an allocation participant or the allocation agent to set out in detail any reasons why an exemption is needed, the period for which the exemption should be in effect, and what alternative arrangements should apply.

81.4 If the industry body is satisfied that a transitional exemption should be granted, the industry body may by notice grant the transitional exemption to the allocation participant, class of allocation participants, gas gate or the allocation agent which, in addition to stating the alternative arrangements that will apply, may be subject to such other conditions as the industry body thinks fit.

81.5 If the industry body grants a transitional exemption under rule 81.4. it must give notice of the transitional exemption to the allocation participants affected by the exemption and the allocation agent.

A transitional exemption must apply for a specified period and must also set out alternative arrangements for complying with the rules concerned.

The Reconciliation Rules do not provide any express criteria for consideration prior to the granting of a transitional exemption. This approach was adopted in the formulation of rule 81 so as to give Gas Industry Co a broader discretion to deal appropriately with any teething issues during the transition from the existing industry arrangements and the regulatory arrangements set out in the Reconciliation Rules.

Nevertheless, criteria need to be established to enable transitional exemptions to be considered in a consistent manner. The criteria Gas Industry Co has adopted for the consideration of a transitional exemption are as follows:

- a demonstrated inability to comply with a rule for reasons which are temporary (for example, any causes of non-compliance will be corrected or overcome by a defined time, which exist despite genuine and reasonable efforts to comply);
- alternative arrangements are set out for meeting the intended objective of the rule for which the transitional exemption is sought, which are practicable (i.e. fit for purpose), and consistent with effectively achieving the purpose of the Rules as a whole, and which are considered to be fair to other allocation participants;
- granting the transitional exemption would not be materially inconsistent with the purpose of the Rules; and
- any other considerations that may be relevant to a decision on an exemption application, subject to the requirements of rule 81.

If a transitional exemption is granted, notice must be given to affected allocation participants and the allocation agent. Gas Industry Co will also publish all transitional exemptions on its website.

# 3

## Exemptions sought

---

### 3.1 Transitional exemptions proposed by Gas Industry Co

In the process of implementing the Reconciliation Rules for the go-live date, Gas Industry Co has become aware of some unforeseen issues in the arrangements set out for downstream allocation and reconciliation.

In the medium-term Gas Industry Co proposes to address these issues via the consideration of amendments to the Reconciliation Rules. However, in the immediate term, Gas Industry Co is proposing that two transitional exemptions be granted to address these issues so that the arrangements for downstream allocation and reconciliation can operate effectively. The proposed transitional exemptions sought by Gas Industry Co and their associated rationale are set out below.

#### **DR08-13-T: Gas gates with only allocation group 1, 2, 3 and 5 consumers**

In respect of gas gates where there are only allocation group 1 and 2 (TOU) and allocation group 3 and 5 consumers, the application of the allocation processes set out in rules 45 and 46 will result in a residual amount of gas that has not been allocated for each day. This is because rule 45 only provides for the allocation of consumption information on a daily basis to:

- consumers in allocation groups 1 and 2 on the basis of the annual UFG factor (derived from annual UFG information 2 gas years previously); and
- consumers in allocation groups 3 and 5 on the basis of the monthly UFG factor (derived from the sum of monthly UFG information for that consumption period).

For the majority of gas gates, any residual UFG is left to be allocated to consumers in groups 4 and 6 via the monthly UFG factor. However, in respect of gas gates where there are no consumers in groups 4 and 6, the Reconciliation Rules do not provide for these daily amounts of residual UFG to be allocated to any consumers. Despite the application of the monthly UFG factor in the allocation processes for allocation groups 3 and 5, the allocation process will not remedy the issue and remove any residual UFG because the monthly UFG factor is an average



across the month which in turn means that, on a daily basis, allocated quantities will not match daily injection quantities.

### **Additional information**

Gas Industry Co notes that a key policy assumption in respect of the Reconciliation Rules is that all gas will be allocated – i.e. the consumption information balances with the injection quantities at a gas gate. This outcome will not be achieved at such gas gates under the arrangements currently provided for in the Reconciliation Rules.

As to who this residual UFG should be allocated to, Gas Industry Co's preliminary view is that it should be allocated to the allocation group 1, 2, 3 and 5 consumers present at the gas gate. Given those consumers are the only consumers at the gas gate, then the supply of gas to these consumers is causing the UFG (whether due to meter accuracy issues, failures to obtain meter reads or network failures).

While the Reconciliation Rules, intentionally provide a stable annual UFG factor for allocation groups 1 and 2 (TOU), that approach was adopted on the basis that both TOU and non-TOU/mass market consumption installations were contributors to the UFG at a gas gate. However, for gas gates where there are only allocation group 1 and 2 (TOU) consumers and/or allocation group 3 and 5 consumers, this rationale is less persuasive.

Accordingly, in respect of gas gates where there are only allocation group 1, 2, 3 and 5 consumer installations, Gas Industry Co proposes that a transitional exemption be issued on the following terms and conditions:

- those gas gates are exempted from the application of rule 45.2.6.
- the gas gate residual profile quantities calculated under rule 45.2.5 are to be allocated to allocation groups 1, 2, 3 and 5 respectively – such allocation to be made proportionally based on each retailer's allocated quantities over all retailers' allocation quantities for each allocation and in accordance with the following formula:

$$AAQ_{1,2,3 \text{ or } 5} = GRP_{d(1,2...final)} \times (AQ_{1,2,3 \text{ or } 5} / \sum AQ_{1,2,3 \text{ or } 5})$$

Where:

$AAQ_{1,2,3 \text{ or } 5}$  is the additional quantity of gas in GJ to be allocated to allocation group 1, 2, 3 or 5 for the day

$GRP_{d(1,2...final)}$  is the gas gate residual profile quantity for a day in the consumption period in GJ as per rule 45.2.5

$AQ_{1,2,3 \text{ or } 5}$  is daily allocated quantities for allocation group 1, 2, 3 or 5 for the day in GJ as calculated in accordance with rules 45.2.3 and 45.2.4

$\sum AQ_{1, 2, 3 \text{ or } 5}$  is the sum of the daily allocated quantities for allocation group 1, 2, 3 or 5 for the day in GJ as calculated in accordance with rules 45.2.3 and 45.2.4

- all of the injection quantities submitted under rule 41 and any UFG occurring during the relevant consumption period are therefore to be allocated to the consumer installations in allocation groups 1, 2, 3 or 5 at that gas gate.

### Issues for consideration

- Gas Industry Co acknowledges that this proposed transitional exemption has the potential to allow variance and fluctuations in UFG to occur for allocation groups 1 and 2 at the gas gates concerned. This was one of the reasons for adopting a stable annual UFG factor and the transitional cap and collar arrangements for those allocation groups. However, Gas Industry Co's preliminary view is that the potential for such fluctuations should not override the following fundamental principles:
  - UFG be allocated to the consumer installations whose supply of gas is causing that UFG; and
  - all downstream gas is allocated and that the allocation process results in the allocated consumption information balancing with the injection quantities at a gas gate.

Do submitters agree with these principles and the priority given to them in this context?

- in respect of the matters to be considered in granting a transitional exemption as set out in section 2.4 , Gas Industry Co's preliminary views are:
  - the Reconciliation Rules currently do not adequately provide allocation and reconciliation in respect of gas gates where there are no consumer installations in allocation groups 4 and 6;
  - the alternative arrangement set out above is a "fit for purpose arrangement" and should meet the intended objective of rule 45; and
  - granting the exemption is consistent with the purpose of the Rules and should, in fact, assist the fair, efficient and reliable allocation of downstream gas quantities.

Do submitters agree with this initial assessment of these matters?

*Q1: Do submitters have any comments on the transitional exemption DR08-13-T proposed by Gas Industry Co regarding allocation processes for gas gates without allocation 4 or 6 consumption?*

### **DR08-14-T: Unmetered gas gates**

Under rule 41 and 42 of the Reconciliation Rules, transmission system owners are required to:

- provide the allocation agent with the actual daily energy quantities injected at each gas gate on the 4th business day following a consumption period; and
- give notice to retailers each day of the estimated daily injection quantities at each gas gate for the previous day.

During the implementation of the Reconciliation Rules, Gas Industry Co has become aware of several gas gates that are not currently metered – these are understood to include the following gas gates which are all on the Vector part of the transmission system:

- |                          |                             |
|--------------------------|-----------------------------|
| • Papakura No.3 PAP06603 | • Kuku KUK22401             |
| • Wellsford WEL18301     | • Te Horo THO22701          |
| • Oakleigh OAK18601      | • Waverley WAVY23601        |
| • Matapu MTP20601        | • Okoroire Springs OKS32801 |
| • Pungarehu PGU13101     |                             |

As such, in the absence of an alternative process to obtain these daily injection quantities, transmission system owners will have difficulty complying with their obligations under rules 41 and 42 at these unmetered gas gates.

#### **Additional information**

Gas Industry Co understands that, under the current industry allocation arrangements, the incumbent allocation agent provides Vector with the daily allocated quantities<sup>1</sup> by email for each unmetered gate, which Vector uploads into OATIS as the daily injection quantities.

In its initial consideration of this issue, Gas Industry Co anticipated that retailers at the gas gate would be able to either provide gas consumption quantities to Vector or directly upload gas consumption quantities onto OATIS – which would have formed the injection quantities for unmetered gas gates to be submitted by transmission system owners under rules 41 and 42. However, Vector indicated it did not support either of those approaches as:

- Vector is not in a position to spot any difficulties with this data;
- any required manipulation by Vector of the gas quantity files/formats increases the chances of an error being introduced and the data (and any subsequent upload) being compromised; and

---

<sup>1</sup> Calculated by dividing the total monthly quantity by the number of days in the month.

- Vector is not resourced to receive, and consult on, this data.
- subsequent to receiving these comments, Gas Industry Co examined whether the proposed allocation system could be designed so that transmission system owners did not have to provide daily injection quantities for unmetered gas gates. Gas Industry Co believes that the allocation system is able to achieve this by using the total consumption information quantities submitted by retailers at unmetered gas gates to estimate the injection quantities – provided such consumption information quantities are submitted by the timeframes required by rules 31, 32 and 33.

### **Issues for consideration**

- while this functionality from the allocation system is available, a higher policy issue arises: is it appropriate for the fair, efficient and reliable allocation and reconciliation of downstream gas quantities that gas gates are permitted to be unmetered? Adopting the process outlined above where no metered injection quantities exist will mean that UFG at the unmetered gas gate is deemed to be zero, and consumption at the gas gate is deemed to be identical each day. While acknowledging that arrangements are required to deal with the current situation, Gas Industry Co queries whether this situation is satisfactory in the long term and seeks allocation participants' views on whether a transitional exemption is a necessary or appropriate response in the short-term.
- in respect of the unmetered gas gates listed above, Gas Industry Co's preliminary view is that a transitional exemption would need to contain the following terms and conditions:
  - transmission system owners are exempted from complying with rule 41 and 42; and
  - the total consumption information quantities submitted by retailers in accordance with rules 31, 32 and 33 at the gas gate, and divided by the number of days in the consumption period to which the quantities pertain, be deemed to be the actual daily injection energy quantities for the purposes of rules 43, 45, 46, 53.3.1, 78 and 79.
- do submitters agree with these suggested terms and conditions? If not, are there any other terms and conditions and/or alternative arrangements that should be included?
- in respect of the matters to be considered in granting a transitional exemption as set out in section 2.4, Gas Industry Co's seeks submitters' views on whether they agree:
  - the Reconciliation Rules currently may not adequately address the provision of injection quantities at unmetered gas gates;

- the alternative arrangement set out above is a “fit for purpose” arrangement and should meet the intended objective of rules 41 and 42 until such time as a proper review can be undertaken; and
- granting the exemption is consistent with the purpose of the Rules.

*Q2: Do submitters have any comments on the transitional exemption DR08-14-T proposed by Gas Industry Co regarding injection quantities for unmetered gas gates?*

### 3.2 Exemptions regarding the application of the Global 1 month methodology

Applications for exemptions to allow the continuation of the Global 1 month methodology at six gas gates were received from Contact Energy and Genesis Energy. The exemptions seek to apply, at these gas gates, the existing industry practice of the Global 1 month methodology, using the monthly UFG factor for consumer installations in groups 1 and 2 rather than the annual UFG factor as prescribed by the Reconciliation Rules. These two applications for exemptions are considered together here and, if appropriate, a single exemption could be issued to address the common issues raised. These applications are both discussed below.

#### DR08-02-S Genesis Energy

<b>GIC Code:</b> DR08-02-S – Appendix B page 43	<b>Applicant:</b> Genesis Energy
<b>Exemption type sought:</b> Standard	
<p><b>Exemption sought and summary of reasons:</b></p> <p>An exemption is sought from the application of rules 45.2.3, 46.2.1 and 46.3.2 for the following 6 gas gates: Oroua Downs ORD24701, Kairanga KRG24101, Pahiatua PHT04901, Edgumbe DF EGC3070, Reporoa RPR30801 and Ngaruawahia NGW14501. The exemption is requested to be in effect from 1 October 2008 until an equivalent rule change has been made.</p> <p>Genesis Energy states:</p> <ul style="list-style-type: none"> <li>• There is an industry agreement for these gates to be reconciled using the Global -1 Method and request this allocation method be retained from 1 October 2008;</li> <li>• Global-1 allocation methodology means all ICPs on the gas gates are allocated UFG on the same basis. There is no differentiation of allocation for groups 1 &amp; 2 and the remaining groups 3, 4, 5 &amp; 6.</li> <li>• Global-1 allocation is used because they have either one or a small number of very large customer loads on the gates which distort the gate shapes for the remaining small customers. The impact of this is if these gates are allocated not using the Global-1 method there would be instances where the group 3, 4, 5 &amp; 6 allocated UFG is greater than the customer submitted volumes.</li> <li>• There will be impacts on the Allocation Agent’s systems.</li> </ul>	

## DR08-04-S Contact Energy

<b>GIC Code:</b> DR08-04-S – Appendix B page 49	<b>Applicant:</b> Contact Energy
<b>Exemption type sought:</b> Standard	
<b>Exemption sought and summary of reasons:</b> <p>An exemption is sought from the application of rules 45.2.3, 46.2.1 and 46.3.2 for the following 6 gas gates: Oroua Downs ORD24701, Kairanga KRG24101, Pahiatua PHT04901, Edgecumbe DF EGC3070, Reporoa RPR30801 and Ngaruawahia NGW14501. The exemption is requested to be in effect from 1 October 2008 until an equivalent rule change has been made. Contact Energy states:</p> <ul style="list-style-type: none"><li>• UFG at these gas gates is currently allocated on the same basis for all allocation groups due to unfair allocation of UFG and gross distortions in the residual profile which was occurring when they were originally reconciled using the differencing methodology, or would have occurred had they been reconciled using the global methodology example outlined in the Reconciliation Code.</li><li>• The agreement of parties to use the Global 1 Month UFG allocation methodology was based on clear evidence that the major part of the UFG had to be due to differences between the gas gate TOU metering and dominant load TOU metering, and not the relatively small amount of non-TOU load.</li><li>• The common element at these gas gates is one (or a small number of) very large TOU load(s).</li><li>• To achieve this the exemption requires that all allocation groups are allocated UFG using the monthly UFG factor, that there be no annual UFG factor calculated or used, and that the residual profile and seasonal adjustment daily shape values are effectively the gas gate daily values.</li><li>• There will be an impact on the Allocation Agent's system and process. There is no impact compared to the status quo for retailers at these gas gates. There will be an impact when compared to the arrangements set out in the Reconciliation Rules for retailers at these gate gates, as their allocation group 1 and 2 UFG will be not be capped in the transitional period given the application of the monthly UFG factor.</li></ul>	

### Additional information

In its preliminary consideration of these exemption applications, Gas Industry Co has identified that granting the exemption would have an effect on the development of the allocation system being developed by the allocation agent to facilitate the operation of the Reconciliation Rules – as is acknowledged by Contact and Genesis Energy in their applications. To avoid potentially costly amendments to the allocation system, Gas Industry Co's preliminary view is that, if the exemption sought should be granted, the following alternative arrangements might form part of the terms and conditions of the exemption:

- retailers at the gas gate submit their allocation group 1 and 2 consumption data under rules 31, 32 and 33 as allocation group 3 data; and
- the allocation agent apply the allocation processes set out under rules 45.2.4 to the allocation group 1 and 2 consumption data submitted as allocation group 3 data;
- all other requirements in the Reconciliation Rules (e.g. meter interrogation, reading frequency etc) still apply to the allocation 1 and 2 consumer installations.

### Issues for consideration

- is it correct to say that, in the circumstances present at the gas gates concerned, the proposed Global 1 Month methodology would appear to provide a “fairer” allocation and reconciliation of downstream gas than that provided for under the Reconciliation Rules? While there may be instances where mass market consumers are allocated UFG greater than their consumption information, is it appropriate that the relevant gas gates are treated differently from other gas gates? Why would the same rationale not apply at other gas gates if TOU consumers can contribute so significantly to UFG?
- are there any implications for the allocation and reconciliation processes set out in the Reconciliation Rules in granting such an exemption? Would it have any adverse effects on other allocation participants – particularly at the gas gates concerned?
- if an exemption is granted, should the rules relating to calculating the annual UFG factor (rules 46.3.1 and 46.4.2) also be exempt? There may be some value for transparency and best information reasons in the calculation of the annual UFG factor occurring and being published for the relevant gas gates, while acknowledging that the annual UFG factor will not apply for allocation purposes at these gas gates.
- other more general issues in terms of the exemption framework include:
  - whether the exemption sought is desirable to better achieve the objectives set out in section 43ZN of the Act and the purpose of the Reconciliation Rules – and the additional matters outlined in section 2.2; and
  - if the exemption sought were granted, do you agree with Gas Industry Co’s preliminary view on the appropriate alternative arrangements? If not, are there any other terms and conditions or alternative arrangements that should form part of the exemption?

*Q3: Do submitters have any comments on the global 1 month methodology exemption applications DR08-02-S from Genesis Energy and DR08-04-S from Contact Energy?*

### 3.3 Exemptions concerning the application of the Reconciliation Rules to direct consumers and non-shared gas gates

One of the concerns raised by some allocation participants during implementation has been the application of the Reconciliation Rules to non-shared (i.e. single retailer) gas gates – and in particular to gas gates where there is a single consumer connected to the transmission system.

It is noted that single retailer gas gates may still have several customers. There are important differences between this situation and single customers situations, and this is discussed further below.

Exemption applications have been received from Genesis Energy, On Gas and Mighty River Power in respect of this issue – and from Contact Energy on a related matter. These applications are discussed below.

## DR08-06-S Genesis Energy

GIC Code: DR08-06-S – Appendix B page 56	Applicant: Genesis Energy
<b>Exemption type sought:</b> Standard	
<p><b>Exemption sought and summary of reasons:</b></p> <p>In respect of the gas gates at KIW34201 Kiwitahi 1 (Peroxide), MOK35801 Mokoia, PKD02402 Pokuru No 2, TAC31001 Te Awamutu Cogeneration Plant and Huntly Powerstation, an exemption is sought from the application of rules 31, 32, 33, 39, 48, 49, 50, 51, 52, 53, 78 and 79. The exemption requested is a permanent exemption to apply from 1 October 2008 and is sought for all retailers. Genesis Energy states:</p> <ul style="list-style-type: none"> <li>• Each of the gas gates for which exemption is sought is either a direct connect consumer gas gate or a gas injection gate, and therefore there is no reconciliation to perform and no purpose for such gates to be included in the processes for reconciliation and allocation of costs set out in the Rules. <ul style="list-style-type: none"> <li>◦ Kiwitahi 1 and Te Awamutu Cogeneration Plant are gas gates which each feed only one large industrial direct connect consumer - who are billed by Vector Transmission for the total gas volumes recorded by the meters at each gate.</li> <li>◦ Mokoia is a gas injection gate rather than an off-take gate i.e. there is no consuming gas customers fed from this gate.</li> <li>◦ Pokuru No 1 and No 2 are each a Vector Transmission Receipt Point and in the same way as Mokoia have no retailers at these gates. There are gas gates further down the transmission system which will be included in the downstream reconciliation and allocation process.</li> <li>◦ Huntly Powerstation operates in the same way as the direct consumers with only one customer being supplied from this gas gate and transmission volumes equalling the allocated volumes.</li> </ul> </li> <li>• These gas gates are currently not part of the downstream allocation process and there is no value to be obtained by including these gates in the downstream reconciliation process and. It would also introduce increased processing and handling of the volume data which would be inefficient with little value.</li> <li>• It is only appropriate that downstream allocation and reconciliation should only be undertaken on delivery points on the Vector transmission system that are used, or available to be used, by more than one shipper under the Vector Transmission Code.</li> <li>• It is supportive of the need to improve the transparency of gas flow information within the industry but believe that there is a better mechanism for achieving transparency of gas gate injection volumes than forcing all gas transmission volumes to go through the downstream allocation and reconciliation process.</li> <li>• This exemption should remain current for as long as the gas gates remain a direct connect consumer with only one customer managed by one retailer trading on them, or have no gas</li> </ul>	



consumers being fed from the gate. If this changes in anyway, this exemption should no longer be effective.

## DR08-10-S On Gas

GIC Code: DR08-10-S – Appendix B page 66	Applicant: On Gas
Exemption type sought: Standard	
<p><b>Exemption sought and summary of reasons:</b></p> <p>In respect of the gas gates set out below, an exemption is sought from the application of rules 31, 32, 33, 39, 48, 49, 50, 51, 52, 53, 78 and 79.</p> <ul style="list-style-type: none"> <li>• BRO36301 Broadlands;</li> <li>• GLB03401 Glenbrook;</li> <li>• KIN04310 Kinleith (CHH mill);</li> <li>• KTK23901 Kaitoke;</li> <li>• KUR33601 Kauri;</li> <li>• MNG34001 Mangaroa;</li> <li>• MUT19001 Maungaturoto DF;</li> <li>• RAG33401 Rangiora;</li> <li>• ALF15501 Alfriston;</li> <li>• KAW04410 Kawerau (ex-Caxton);</li> <li>• KAW04411 Kawerau (ex-Tasman);</li> <li>• MGK05401 Mangatainoka;</li> <li>• MSD01802 Marsden 2;</li> <li>• RBM03101 Rainbow Mountain;</li> <li>• WKE19201 Waikeria;</li> <li>• KAP09612 Kapuni</li> <li>• HAR11801 Harrisville.</li> <li>• BRO36301 Broadlands;</li> <li>• GLB03401 Glenbrook;</li> <li>• KIN04310 Kinleith (CHH mill);</li> </ul> <p>The exemption requested is a permanent exemption to apply from 1 October 2008 until a rule change to redefine a gas gate requiring reconciliation for UFG purposes and is sought for all retailers. On Gas states:</p> <ul style="list-style-type: none"> <li>• Each of the gas gates for which exemption is sought is a direct connect consumer gas gate, gas injection gate, or where On Gas is the only retailer. Therefore there is no reconciliation to perform and no purpose or benefit for such gates to be included in the processes for reconciliation and allocation.</li> <li>• Including these gates into the reconciliation process will increase the workload of the retailers, allocation agents and transmission system owners with no benefit. In addition to further constraints on resources, the true costs of the allocation agent's services will not be signalled to the industry resulting in increased costs where there could be a reduction. These costs could potentially be passed onto the consumer, which is obviously an inappropriate solution.</li> <li>• It supports greater transparency of gas gate data within the industry but believes that a change under the Vector Transmission Code is a more appropriate forum for this to take place.</li> <li>• The exemption will decrease the workload of retailers, transmission system owners and the allocation agent. As this was part of M-Co original scope, allocation agent costs should be reduced by this exemption.</li> <li>• This exemption should remain current for as long as the gas gates remain either a direct connect consumer gas gate, a gas injection gate, or where there is only one retailer on the network. If this changes in any way this exemption should no longer be effective.</li> </ul>	

## DR08-11-S Mighty River Power

<b>GIC Code:</b> DR08-11-S – Appendix B page 76	<b>Applicant:</b> Mighty River Power
<b>Exemption type sought:</b> Standard	
<b>Exemption sought and summary of reasons:</b> <p>In respect of the SDN00101 Southdown Power Station gas gate, an exemption is sought from the application of rules 31, 32, 33, 39, 48, 49, 50, 51, 52, 53, 78 and 79. The exemption requested is a permanent exemption to apply from 1 October 2008 and is sought for all retailers. Mighty River Power states:</p> <ul style="list-style-type: none"><li>• This is a direct connect gas gate which is billed by Vector Transmission for the total gas volumes recorded by the Vector Transmission meters at the gate. There is no UFG to allocate as transmission equals metered volumes and no purpose for such gates to be included in the processes for reconciliation and allocation of costs set out in the Rules as there is only one shipper on the gate</li><li>• These gas gates are currently not part of the downstream allocation process and there is no value to be obtained by including these gates in the downstream reconciliation process and. It would also introduce increased processing and handling of the volume data which would be inefficient with little value.</li><li>• It is only appropriate that downstream allocation and reconciliation should only be undertaken on delivery points on the Vector transmission system that are used, or available to be used, by more than one shipper under the Vector Transmission Code.</li><li>• It is supportive of the need to improve the transparency of gas flow information within the industry but believe that there is a better mechanism for achieving transparency of gas gate injection volumes than forcing all gas transmission volumes to go through the downstream allocation and reconciliation process.</li><li>• This exemption should remain current for as long as the gas gates remain a direct connect consumer with only one customer managed by one retailer trading on them, or have no gas consumers being fed from the gate. If this changes in anyway, this exemption should no longer be effective.</li></ul>	

### Additional information

The definition of gas gate as set out in rule 5 of the Reconciliation Rules provides:

- gas gate means the point of connection between –
- (a) a transmission system and a distribution system; or
  - (b) a transmission system and a consumer installation; or
  - (c) two gas distribution systems; or
  - (d) a group of gas gates, as determined and published by the industry body, treated as a single gas gate for the purposes of these rules;

Hence where the Reconciliation Rules outline obligations or processes in respect of a gas gate, this definition applies. Whether a gas gate is shared or otherwise does not determine whether allocations will occur under the Rules at a gas gate –the determinant is simply whether it is a point of connection of the nature outlined in the definition. Note that the same definition of gas gate is used in the Gas (Switching Arrangements) Rules 2008.

In the absence of any exemptions, the allocation processes provided for apply to all gas gates (including the submission of injection and consumption data, application of global methodology, the generation of allocation quantities and the publication of allocation reports and information).

Subclause (b) in that definition includes a point of connection between a transmission system and a consumer installation – this includes gas gates with direct consumers to the transmission system. Similarly, for non-shared (i.e. single retailer) gas gates, these are treated the same as shared gas gates for the purpose of the Reconciliation Rules.

Gas Industry Co notes that both Genesis Energy and On Gas also seek an exemption for gas injection gates. The definition of gas gate would only include gas injection gates if the injection of gas occurred at a point of connection between the transmission system and a distribution system (a gas injection gate does not have an associated consumer installation as defined in the Reconciliation Rules nor will it be a point of connection between distribution systems). Gas Industry Co's initial understanding is that none of the gas injection gates mentioned would fall within the definition of gas gate under the Reconciliation Rules – and hence no exemption is needed for these gas injection gates.

The inclusion of direct consumers and non-shared gas gates in the downstream allocation and reconciliation process was signalled as early as the January 2007 discussion paper, where the concept of “downstream reconciliation” was defined in this context:

“downstream” reconciliation refers to allocation and reconciliation of gas transferred at “gas gate stations” where the high pressure transmission pipelines interconnect with low pressure distribution pipelines or major end users – see para 2.23

In this respect, the Reconciliation Rules provide an intentional departure from the limited application of the Reconciliation Code to shared gas gates only under the current industry arrangements. The policy intention behind this approach was based on the desire for transparent and objective quality information being available on all gas gates, including at single user or direct consumer gas gates, particularly given the absence and poor quality of information available under the current industry reconciliation arrangements.

In the various phases of consultation on the Reconciliation Rules and determinations under those rules, this approach has been taken. Since the first draft of the Reconciliation Rules in the Statement of Proposal of September 2007, the definition of gas gate – and the application of the allocation processes to all gas gates – has remained unchanged.<sup>2</sup> Some allocation participants have questioned the value of the Reconciliation Rules applying to direct consumer and non-shared gas gates. However, other allocation participants have submitted that the application of the Reconciliation Rules to all gas stations is desirable to ensure all retailers are

---

<sup>2</sup> Apart from the addition of groups of gas gates (i.e notional delivery points) in the definition of gas gate.

treated in the same way and to minimise the possibility of barriers to accessing a gas gate. One of the associated benefits considered by Gas Industry Co, is the assistance for the calculation of critical contingency imbalances under the proposed Gas Correspondence (Critical Contingency Management) Regulations 2008. Transparent, allocated quantities at gas gates is needed for that process, at the conclusion of a critical contingency. Gas Industry Co to date has taken the view that non-shared/direct consumer gas gates should not be excluded from the general application of the provisions in the Reconciliation Rules.

However, Gas Industry Co acknowledges that there has been some confusion amongst allocation participants during implementation as to what constitutes a gas gate (in terms of the application of the Reconciliation Rules) and what gas gates are actually covered by the Reconciliation Rules.

Gas Industry Co also notes there are important differences between the applications from Genesis Energy/Mighty River Power and On Gas. Those differences include:

- Genesis Energy and Mighty River Power are not seeking an exemption from non-shared gas gates generally, while On Gas is.
- in addition to the exemption from the consumption information, allocation, reconciliation and UFG factor provisions in the Reconciliation Rules sought by Genesis Energy and Mighty River Power, On Gas also seeks an exemption in respect of the provisions in the rules that provide for general allocation participant/retailer obligations, metering accuracy/requirements and audits.
- the exemption sought by Genesis Energy and Mighty River Power is permanent, while On Gas seeks the exemption to apply until a rule change is made to redefine a gas gate.

#### **Issues for consideration**

- what are the benefits and costs in applying the allocation processes set out in the Reconciliation Rules to direct consumer gas gates and/or non-shared gas gates? Do allocation participants agree with views expressed by the applicants here?
- there are important differences between single customer gas gates, and single retailer gas gates with several customers? Should this be reflecting the consideration of these applications?
- if direct consumer/non-shared gas gates are included in the allocation process, should all of the reports pertaining to these, continue to be published on the allocation agent website, (e.g summary allocation results in GAR070 and as-billed comparison in GAR080)?

- the exemptions requested by Genesis Energy, Mighty River Power and On Gas are generic in nature, albeit in respect of gas gates where they are currently the only retailer. Should an industry wide approach be adopted – particularly in light of the potential interrelationship with the application from Contact Energy discussed below in this section 3.3?
- in respect of On Gas' application, should the requirements relating to general allocation participant/retailer obligations, metering accuracy/requirements and audits also be exempted for the proposed gas gates?
- the exemptions sought by Genesis Energy and Mighty River Power are requested to be permanent and the exemption sought by On Gas is requested to be in place until the possibility of a change to the definition of gas gate is fully considered. Should the exemptions be made on either basis or should they be time limited?
- if the exemptions sought were granted, what terms and conditions and/or alternative arrangements should apply?
- would the exemptions sought have any adverse effects on other allocation participants or the operation of the allocation and reconciliation processes set out in the Reconciliation Rules?
- are the exemptions sought desirable to better achieve the objectives set out in section 43ZN of the Act and the purpose of the Reconciliation Rules – and the additional matters outlined in section 2.2?

*Q4: Do submitters have any comments on the direct consumer and non-shared gas gate exemption applications DR08-06-S from Genesis Energy, DR08-10-S from On Gas and DR08-11-S from Mighty River Power?*

Contact Energy has also sought an exemption for a related issue in respect of direct consumers – in particular direct consumers that rely on gas gate metering and do not have any consumer installation metering. This application is discussed below.

#### **DR08-05-S Contact Energy**

<b>GIC Code:</b> DR08-05-S – Appendix B page 53	<b>Applicant:</b> Contact Energy
<b>Exemption type sought:</b> Standard	
<b>Exemption sought and summary of reasons:</b> In respect of direct supply consumer sites where the only metering is the gas gate metering, an exemption is sought from the requirement to submit consumption data in accordance with rules 31, 32, 33. The exemption requested is a permanent exemption to apply from 1 October 2008. Contact	

Energy states:

- As the transmission system owner owns and interrogates the metering at all gas gates, and is obligated under rule 41 to provide the daily energy quantities for all gas gates, there is no point in Contact providing exactly the same data to the allocation agent.
- It is also noted that a number of rules are irrelevant to direct supply consumers where there is no UFG and therefore no annual UFG factor or UFG to be allocated.
- The exemption should be granted to avoid inefficient practices that add nothing to the accurate allocation of downstream gas quantities.
- The exemption will have no impact on other participants or the allocation agent, as the allocation agent will receive all the information it requires direct from the transmission system owner.
- The conditions that are applicable to the exemption being sought are a single consumer at a gas gate on the transmission system, where there is no separate consumer metering and the metering used for billing is the gas gate metering.

**Additional information**

Gas Industry Co notes that the allocation system being developed by the allocation agent to facilitate the operation of the Reconciliation Rules can accommodate the non-provision of consumption information from retailers in respect of direct consumers. (The rules provide for the allocation agent to estimate the consumption information by using the injection quantities provided by the transmission system owner.)

Gas Industry Co notes that under rule 29.1, retailers are required to ensure consumer installations using more than 10TJ per annum have a TOU meter. Accordingly, where such direct consumers rely solely on the gas gate metering, there is a question as to whether the responsible retailer has complied with its obligations here. From a policy perspective, there is also a question over the information benefits in retailers ensuring that all direct consumers have consumer installation metering present against the costs incurred to do so. In any event, Gas Industry Co acknowledges there are currently many examples of such direct consumers without consumer installation metering.

Gas Industry Co's preliminary view is that, if the exemption sought should be granted, it might need to contain terms and conditions such as the following:

- the exemption is only applicable to a consumer installation where:
  - it is the only consumer installation at a gas gate on the transmission system;
  - there is no consumer installation metering but there is metering at the gas gate;
  - the gas gate metering data is used for billing purposes to the consumer at the consumer installation; and

- the specific consumer installations and gas gates concerned are formally notified to Gas Industry Co and the allocation agent –
  - prior to the exemption being considered (as allocation participants have done in other applications) ; or
  - an annual equivalent process (i.e. the responsible retailer for that consumer installation gives written notice to Gas Industry Co and the allocation agent of the consumer installations concerned 1 month prior to the commencement of each gas year and Gas Industry Co approves and publishes on its website the consumer installations concerned for the purposes of this exemption prior to the commencement of each gas year).
- allocation participants are exempted from complying with rules 31, 32, 33 in respect of such consumer installations.
- the allocation agent must apply rule 43.1.1 to such consumer installations and such estimation shall be the injection quantity submitted for the gas gate by the transmission system owner under rule 41 for the consumption period. If no injection quantity has been submitted, then the allocation agent may estimate the consumption information for the consumer installation in accordance with its usual estimation methodology.

#### **Issues for consideration**

- the exemption requested by Contact Energy is generic in nature and would apply to all qualifying gas gates, including those at which other retailers trade. Would the gas gates proposed by Contact Energy cover many of those proposed by Genesis Energy and On Gas in their applications as discussed above in this section 3.3 – and to what extent does it encompass those listed by Contact Energy in its application DR08-08-U in section 3.4? Should an industry wide approach be adopted – particularly in light of the potential interrelationship with the applications from Genesis Energy and On Gas?
- the exemption sought is permanent – is this appropriate or should it be time limited? If a permanent exemption or other lengthy exemption was granted, would this create an incentive for participant to remove consumer installation metering where it is present?
- if the exemption sought were granted, do you agree with Gas Industry Co's preliminary view on the appropriate alternative arrangements? If not, are there any other terms and conditions or alternative arrangements that should form part of the exemption?
- are any additional arrangements required in respect of the requirements of rule 29.1? Do submitters have any views on the information benefits in retailers ensuring that all direct consumers have consumer installation metering present and the potential costs that would be incurred in doing so?

- is the exemption sought desirable to better achieve the objectives set out in section 43ZN of the Act and the purpose of the Reconciliation Rules – and the additional matters outlined in section 2.2?
- would the exemption sought have any adverse effects on other allocation participants or the operation of the allocation and reconciliation processes set out in the Reconciliation Rules?

*Q5: Do submitters have any comments on the exemption application DR08-05-S from Contact Energy regarding unmetered direct consumers?*

### 3.4 Exemptions concerning the calculation of ongoing fees in respect of direct consumers and non-shared gas gates volumes

In addition to the generic concerns of Genesis Energy, On Gas, Mighty River Power and, to a lesser extent, Contact Energy over the application of the Reconciliation Rules to direct consumers and non-shared gas gates, these participants have all expressed specific concerns over the calculation of ongoing fees in relation to the volumes allocated at these direct consumer gas gates. These participants all submit that the inclusion of such gas gates in the allocation process serves no useful purpose, as there is no UFG at the grid direct gas gates for which the exemption is sought, and results in an inequitable and unintended allocation of ongoing allocation costs. On Gas has also expressed an additional concern over the inclusion of volumes allocated at non-shared gas gates where there are consumers directly off a network.

Exemption applications have been received from Contact Energy, Genesis Energy and On Gas seeking to exempt these types of gas gate allocated volumes from the calculation of their ongoing fees under rule 16.3. Rule 16.3 requires that ongoing fees will be payable by a retailer in proportion to the total quantity of gas allocated to that retailer against the total quantity of gas allocated to all retailers (in the initial allocation across all gas gates in respect of the consumption period that is 2 months prior). The applications are discussed below.

#### DR08-08-U Contact Energy

<b>GIC Code:</b> DR08-08-U – Appendix B page 63	<b>Applicant:</b> Contact Energy
<b>Exemption type sought:</b> Urgent	
<b>Exemption sought and summary of reasons:</b>  For the direct consumer gas gates set out below, an exemption is sought from the application of rule 16.3 in respect of the allocation of the ongoing allocation costs.	



- BAL08201 Ballance Ammonia-Urea
- BAL09626 Ballance Ammonia-Urea
- GLB03401 Glenbrook
- LCF20010 Lichfield DF
- MSD01801 Marsden 1 (NZRC)
- OTB00301 Otahuhu B Power Station
- TCC00201 Taranaki Combined Cycle (TCC)
- TAT16401 Tatuani DF
- TRC02003 Te Rapa Cogeneration Plant
- TIR33501 Tirau DF
- Any other gas gate where the gas is supplied to a single consumer, including gates off the Maui Pipeline (Welded Points).

It is sought in terms of the gas gates concerned and will accordingly apply to all retailers. Contact Energy states:

- The intention of the gas industry in drafting the rules for the methodology for the distribution of ongoing allocation costs was to reflect how the current ongoing allocation fees are apportioned. Currently the allocation fees are only apportioned to the gas gates where there is a requirement for downstream reconciliation. There is no allocation performed for consumers who are directly connected to the Vector Transmission system (direct connect customers) or for consumers which feed directly off the Maui Transmission system. Consumers at these gas gates are billed the transmission metered volumes and therefore there is no UFG to allocate and no need for downstream reconciliation.
- If the Gas Industry Co considers that the ongoing fees are to be allocated to volumes associated with all gas gates, then the fees would also have to be allocated to volumes associated with delivery points off the Maui transmission system supplying generation plant and dedicated to a single user. The inclusion of the gas gates for which the exemption is sought in the calculation of the ongoing fees allocation results in a large and disproportionate amount of ongoing costs being allocated to these gas gates based on their gas volumes in circumstances where there is no benefit from or need for the downstream reconciliation process. It is also understood within the gas industry that these consumers are not the causers of downstream allocation and reconciliation costs.
- A clearer description of the purpose including a more precise definition of Downstream Reconciliation would clarify the intention of the rules and the allocation of costs.
- To include volumes associated with this gas gate category in the allocation of ongoing fees would contravene the principles for recovery of costs outlined in the Government Policy Statement, Gas Act and Gas Industry Co Downstream Reconciliation Proposal documents.
- Appendix 3 of the Statement of Proposal dated 4 September 2007 specifically excluded generation and petrochemical plant volumes from the assessment of ICP numbers versus allocation volumes for cost allocation.
- If the exemption is granted the new allocation of ongoing fees will not be materially different from the current fee allocation, and therefore will not adversely affect any participant when compared to the current basis for allocation of ongoing costs of downstream allocation and reconciliation.

## DR08-07-U Genesis Energy

<b>GIC Code:</b> DR08-07-U – Appendix B page 60	<b>Applicant:</b> Genesis Energy
<b>Exemption type sought:</b> Urgent	
<b>Exemption sought and summary of reasons:</b>  For the direct consumer gas gates at KIW34201 Kiwitahi 1 (Peroxide), MOK35801 Mokoia, PKD02402 Pokuru No 2, TAC31001 Te Awamutu Cogeneration Plant and Huntly Powerstation, an exemption is sought from the application of rule 16.3 in respect of the allocation of the ongoing allocation costs. It	

is sought in terms of the gas gates concerned and will accordingly apply to all retailers. Genesis Energy states:

- The intention of the gas industry in drafting the rules for the methodology for the distribution of ongoing allocation costs was to reflect how the current ongoing allocation fees are apportioned. Currently the allocation fees are only apportioned to the gas gates where there is a requirement for downstream reconciliation. This is where on shared gas gates differences between the metered volume at the gate and the estimated volumes submitted by the connected retailers trading on that gate generate a variance to the gate total requiring a calculation and apportionment of a UFG amount to that gate for each month. There is no allocation performed for consumers who are directly connected to the Vector Transmission system (direct connect customers) or for consumers which feed directly off the Maui Transmission system. Consumers at these gas gates are billed the transmission metered volumes and therefore there is no UFG to allocate and no need for Reconciliation.
- The inclusion of the gas gates for which the exemption is sought in the calculation of the ongoing fees allocation results in a large and disproportionate amount of ongoing costs being allocated to these gas gates based on their gas volumes in circumstances where there is no benefit from or need for the downstream reconciliation process. It is also understood within the gas industry that these consumers are not the causers of the majority of downstream allocation and reconciliation costs.
- It agrees with the concept of causer pays for the allocation of ongoing reconciliation costs and therefore requests that only shared gas gates are included in the fee allocation.
- If the exemption is granted the new allocation of ongoing fees will not be materially different from the current fee allocation, and therefore will not adversely affect any participant when compared to the current basis for allocation of ongoing costs of downstream allocation and reconciliation.

## DR08-09-U On Gas

GIC Code: DR08-09-U– Appendix B page 67	Applicant: On Gas
<b>Exemption type sought:</b> Urgent	
<p><b>Exemption sought and summary of reasons:</b></p> <p>For the direct consumer and non-shared gas gates set out below, an exemption is sought from the application of rule 16.3 in respect of the allocation of the ongoing allocation costs. .</p> <ul style="list-style-type: none"> <li>• BRO36301 Broadlands;</li> <li>• GLB03401 Glenbrook;</li> <li>• KIN04310 Kinleith (CHH mill);</li> <li>• KTK23901 Kaitoke;</li> <li>• KUR33601 Kauri;</li> <li>• MNG34001 Mangaroa;</li> <li>• MUT19001 Maungaturoto DF;</li> <li>• RAG33401 Rangiora;</li> <li>• ALF15501 Alfriston;</li> <li>• KAW04410 Kawerau (ex-Caxton);</li> <li>• KAW04411 Kawerau (ex-Tasman);</li> <li>• MGK05401 Mangatainoka;</li> <li>• MSD01802 Marsden 2;</li> <li>• RBM03101 Rainbow Mountain;</li> <li>• WKE19201 Waikeria;</li> <li>• KAP09612 Kapuni and</li> <li>• HAR11801 Harrisville.</li> </ul> <p>It is sought in terms of the gas gates concerned and will accordingly apply to all retailers. On Gas states:</p> <ul style="list-style-type: none"> <li>• The intention of the gas industry in drafting the rules for the methodology for the distribution of</li> </ul>	

ongoing allocation costs was to reflect how the current ongoing allocation fees are apportioned. Currently the allocation fees are only apportioned to the gas gates where there is a requirement for downstream reconciliation. There is no allocation performed for consumers who are directly connected to the Vector Transmission system (direct connect customers) or who are directly off a network where the gas gate is allocated in total to a single retailer. Consumers at these gas gates are billed the transmission metered volumes and therefore there is no UFG to allocate and no need for Reconciliation.

- The inclusion of the gas gates for which the exemption is sought in the calculation of the ongoing fees allocation results in a large and disproportionate amount of ongoing costs being allocated to these gas gates based on their gas volumes in circumstances where there is no benefit from or need for the downstream reconciliation process. It is also understood within the gas industry that these consumers are not the causers of downstream allocation and reconciliation costs.
- It agrees with the concept of causer pays for the allocation of ongoing reconciliation costs and therefore requests that only shared gas gates are included in the fee allocation.
- If the exemption is granted the new allocation of ongoing fees will not be materially different from the current fee allocation, and therefore will not adversely affect any participant when compared to the current basis for allocation of ongoing costs of downstream allocation and reconciliation.

#### DR08-12-U Mighty River Power

<b>GIC Code:</b> DR08-12-U – Appendix B page 79	<b>Applicant:</b> Mighty River Power
<b>Exemption type sought:</b> Urgent	
<p><b>Exemption sought and summary of reasons:</b></p> <p>For the SDN00101 Southdown Power Station gas gate, an exemption is sought from the application of rule 16.3 in respect of the allocation of the ongoing allocation costs. It is sought in terms of the gas gate concerned and will accordingly apply to all retailers. Mighty River Power states:</p> <ul style="list-style-type: none"> <li>• The intention of the gas industry in drafting the rules for the methodology for the distribution of ongoing allocation costs was to reflect how the current ongoing allocation fees are apportioned. Currently the allocation fees are only apportioned to the gas gates where there is a requirement for downstream reconciliation. This is where on shared gas gates differences between the metered volume at the gate and the estimated volumes submitted by the connected retailers trading on that gate generate a variance to the gate total requiring a calculation and apportionment of a UFG amount to that gate for each month. There is no allocation performed for consumers who are directly connected to the Vector Transmission system (direct connect customers) or for consumers which feed directly off the Maui Transmission system. Consumers at these gas gates are billed the transmission metered volumes and therefore there is no UFG to allocate and no need for Reconciliation.</li> <li>• The inclusion of the gas gate for which the exemption is sought in the calculation of the ongoing fees allocation results in a large and disproportionate amount of ongoing costs being allocated to gas gates of this type based on their gas volumes in circumstances where there is no benefit from or need for the downstream reconciliation process. It is also understood within the gas industry that these consumers are not the causers of the majority of downstream allocation and reconciliation costs.</li> <li>• It agrees with the concept of causer pays for the allocation of ongoing reconciliation costs and therefore requests that only shared gas gates are included in the fee allocation.</li> <li>• If the exemption is granted the new allocation of ongoing fees will not be materially different from the current fee allocation, and therefore will not adversely affect any participant when compared to</li> </ul>	

the current basis for allocation of ongoing costs of downstream allocation and reconciliation.
--

### **Additional information**

As mentioned above, the application from On Gas differs to that from Genesis Energy, Contact Energy and Mighty River Power in a key respect. On Gas seeks to exempt the allocated volumes from non-shared gas gates as well as direct consumer gas gates – the applications from Genesis Energy, Contact Energy and Mighty River Power only extend to direct consumer gas gates

All of the exemptions sought here are requested to apply prior to Gas Industry Co notifying the estimated ongoing allocation costs for the 2008/09 gas year and are requested to remain in effect until a rule change which has the effect of excluding the gas gates sought in this exemption (and all other grid direct gas gates) from the allocation of ongoing allocation costs. Gas Industry Co considers there should be sufficient time for adequate consultation and consideration of the applications prior to Gas Industry Co notifying the estimated ongoing allocation costs under rule 16.2. Accordingly, unless unforeseen circumstances arise, the applications will be consulted on and processed as standard exemptions.

The application of the Reconciliation Rules to direct consumers and non-shared gas gates has already been discussed in section 3.3 above and it is not intended to repeat that discussion here. However, it is important to note that, if direct consumer gas gates are excluded from the allocation process, then the exemptions sought here in respect of on-going fees for direct consumer gas gates will no longer be necessary.

In respect of the payment of ongoing fees as set out in rule 16.3, the approach remains as proposed in the Statement of Proposal of September last year. That paper discussed the allocation methodology for ongoing fees under the Rules (in particular on the merits of an ICP versus volume basis on which submissions were received). A volume based approach was preferred as processing time and effort is considered linked by volume and the likely larger contribution to UFG where large volumes are involved. From discussions with some allocation participants, there appears to have been a lack of appreciation until recently that the calculation of fees under rule 16.3 would include volumes at direct connect gates – and, to a lesser extent, non-shared gas gates. While the various consultation drafts of the Reconciliation Rules have remained unchanged in this respect, Gas Industry Co accepts that submitters did not focus on the inclusion of volumes at direct connect gates in ongoing fees in previous consultation papers.

### **Issues for consideration**

- do submitters consider that the volumes allocated to the direct consumer gas gates under the Reconciliation Rules should be excluded from the calculation of ongoing fees? Why?

- do submitters consider that the volumes allocated to non-shared gas gates should also be excluded? Why?
- all ongoing fees need to be allocated so, if retailers at some gas gates are exempted, the impost will be higher on others. This may still be fair but should the shift in incidence of cost be a consideration?
- do you agree with the claim that there is no UFG at those direct consumer gas gates – even where the direct consumers have their own consumer installation metering? Or is it more a case of UFG not being measured?
- are there any implications for the operation of the allocation and reconciliation processes set out in the Reconciliation Rules?
- if the exemptions sought were granted, what terms and conditions and/or alternative arrangements should apply?
- are the exemptions sought desirable to better achieve the objectives set out in section 43ZN of the Act and the purpose of the Reconciliation Rules – and the additional matters outlined in section 2.2?

*Q6: Do submitters have any comments on the ongoing fee exemption applications DR08-08-U from Contact Energy, DR08-07-U from Genesis Energy, DR08-09-U from On Gas and DR08-12-U from Mighty River Power?*

### 3.5 Exemptions sought by transmission system owners

As noted in section 3.1, under rules 41 and 42 of the Reconciliation Rules, transmission system owners are required to provide gas gate injection quantities to the allocation agent and to retailers. Gas Industry Co has received exemption applications from both Vector Gas Limited and Maui Development Limited in respect these rules and their applications are discussed below.

#### DR08-16-S Vector

<b>GIC Code:</b> DR08-16-S – Appendix B page 87	<b>Applicant:</b> Vector Gas Limited
<b>Exemption type sought:</b> Standard	
<b>Exemption sought and summary of reasons:</b> An exemption is requested from the rule 41 requirement to provide information by 0800 hours on the 4th business day of the month. The exemption is sought until such time as the deadline in rule 41 is changed to a reasonable	

endeavours obligation to meet 1200 hours on the 4th business day of the month. If the GIC has no intention of changing the deadline, then the exemption is sought until such time as Vector is able to find additional resources, to restructure its metering team, to enable compliance and is compensated for all costs associated with this by the GIC. Vector states:

- Placing obligations on participants which they cannot meet does not facilitate the purpose of the Gas (Downstream Reconciliation) Rules 2008, it undermines it;
- Under its VTC Transmission Services Agreements (“TSAs”), Vector Transmission is required to supply “validated” energy quantities by 12:00 on the 4th business day of the month following the month the gas flowed to the extent that we, acting reasonably, are able to provide such information. The deadline poses difficulties for Vector Transmission and we often struggle to meet exactly 12:00 and hence the VTC “acting reasonably” language – nonetheless we continue to use reasonable endeavours to meet it or a time as soon as possible thereafter. Rule 41 advances that deadline by half a day, and sets out a timeframe that Vector Transmission cannot meet.
- Participants will be unaffected – current processes will stand and they will have access to the information in accordance with the timeframes set out in the VTC.

#### DR08-17-S MDL

<b>GIC Code:</b> DR08-17-S – Appendix B page 82	<b>Applicant:</b> Maui Development Limited
<b>Exemption type sought:</b> Standard	
<p><b>Exemption sought and summary of reasons:</b></p> <p>An exemption is sought from the rule 41 requirement to provide the allocation agent the actual daily energy quantities injected at each gas gate connected to its transmission system on a monthly basis. MDL states:</p> <ul style="list-style-type: none"> <li>• The exemption request is based on the fact that all the information that MDL, as a Transmission System Owner, is obligated to provide is already made available to the necessary persons via MDL’s Open Access Transmission Information System (OATIS). This information is already available to the allocation agent via the Public Domain Information pages on OATIS, under the heading ‘Daily Metered and Scheduled Quantity Report’ (<a href="https://www.oatis.co.nz/Ngc.Oatis.UI.Web.Internet/Common/Publications.aspx">https://www.oatis.co.nz/Ngc.Oatis.UI.Web.Internet/Common/Publications.aspx</a>).</li> <li>• The publication of this information fulfils its obligations under section 41 of the Rules and it believes that the publication of additional reports is superfluous and unnecessary.</li> </ul>	

#### Additional information

Gas Industry Co has examined whether the proposed allocation system could operate in accordance with the Reconciliation Rules if Vector did not provide the daily injection quantities under rule 41 until 12pm on the 4<sup>th</sup> business day. Gas Industry Co believes it is likely that the allocation system (and the allocation agent) will be able to process this late provision of information so that initial allocations can still occur by 8am on the following business day.

In respect of the exemption sought by MDL, Gas Industry Co notes that while the injection quantities sought by rule 41 are posted on OATIS, those quantities are not in the required file

formats notified under 25, in particular GAS030.<sup>3</sup> As such, the allocation system used by the allocation agent would not be able to process the quantities posted on OATIS in the manner required by the Reconciliation Rules. There would appear two obvious options (amongst others) to address this issue: MDL engaging an agent to provide the injection quantities to the allocation agent in the required file format or an exemption being issued for an amendment to the allocation system. The former would be a cost incurred by MDL and the latter a cost which would be recovered from retailers.

#### **Issues for consideration**

- should transmission system owners be exempted from their obligations under rule 41 because they currently do not have the resources or systems in place to comply? Should an exemption be granted until systems are in place and, if so, what time limit should apply?
- if Vector has to make system changes who should pay for them?
- are there cost effective alternative arrangements that can be implemented by Vector and/or MDL to enable their compliance with rule 41(i.e. such as engaging agents or external resources)?
- if the exemptions were granted, would there be any impacts on the allocation process under the Reconciliation Rules or other allocation participants?
- the alternative arrangements sought by Vector seeks to provide for a “reasonable endeavours, rather than an “absolute”, obligation, in respect of the 12pm deadline. Is this appropriate given the level of certainty required to carry out an effective and efficient allocation process and the nature of the obligations on other allocation participants?
- if the exemptions sought were granted, are there any terms and conditions that should form part of the exemptions?
- are the exemptions sought desirable to better achieve the objectives set out in section 43ZN of the Act and the purpose of the Reconciliation Rules – and in light of the additional matters outlined in section 2.2?

*Q7: Do submitters have any comments on the rule 41 exemption applications DR08-16-S from Vector and DR08-17-S from MDL?*

<sup>3</sup> See “Notice by the Industry Body (Gas Industry Co) under rule 25 of the Gas (Downstream Reconciliation) Rules 2008 specifying information exchange file formats” - dated 31 July 2008. This notice can be viewed at .

## DR08-15-S Vector

<b>GIC Code:</b> DR08-15-S – Appendix B page 83	<b>Applicant:</b> Vector Gas Limited
<b>Exemption type sought:</b> Standard	
<p><b>Exemption sought and summary of reasons:</b></p> <p>An exemption is sought from the application of the rule 42 requirement:</p> <ul style="list-style-type: none"> <li>• to provide estimated daily energy quantities to each retailer at a gas gate for the previous day's gas flow; and</li> <li>• to provide that information by 1000 hours each day (in relation to the previous day) and at any other time on that day as required and notified by the industry body.</li> </ul> <p>The exemption is sought until such time as the rule is amended to: (a) reflect the VTC; (b) not apply to gas gates at which there are only two retailers; (c) account for the distinctions between different types of data collection; (d) use the concept of business days; and (d) provide for the information to only be made available where an allocation is occurring. Vector states:</p> <ul style="list-style-type: none"> <li>• Placing obligations on participants which they cannot meet does not facilitate the purpose of the Gas (Downstream Reconciliation) Rules 2008, it undermines it;</li> <li>• Under its VTC Transmission Services Agreements ("TSAs"), Vector Transmission is required to supply: <ul style="list-style-type: none"> <li>○ "un-validated" energy quantities (in the form of DDRs and HDRs) for small Welded Points (on telemetry) and for Receipt Points and Delivery Points that are not Welded Points (on SCADA or telemetry) by 10:00 on the business day following gas flow;</li> <li>○ "validated" energy quantities (in the form of DDRs and HDRs) for small Welded Points (on telemetry) and for Receipt Points and Delivery Points that are not Welded Points (on SCADA or telemetry) by 14:00 on the business day following gas flow;</li> <li>○ "validated" energy quantities (in the form of DDRs and HDRs) for Large Welded Points (on SCADA) by 14:00 on the business day following gas flow; and</li> <li>○ "validated" energy quantities (in the form of DDRs and HDRs) for small Welded Points (on manual data collection) and Receipt Points and Delivery Points that are not Welded Points (on manual data collection) by 12:00 on the 4th business day of the month following the month of gas flow, to the extent that we, acting reasonably, are able to provide such information.</li> </ul> </li> <li>• These deadlines pose difficulties for Vector Transmission and we often struggle to meet them hence the VTC "acting reasonably" language – nonetheless we continue to use reasonable endeavours to meet them or a time as soon as possible thereafter. Vector Transmission is happy to continue meeting its VTC obligations re the provision of this information.</li> <li>• Rule 42 refers to days rather than business days and fails to distinguish between gas gates with telemetry and those without.</li> <li>• Vector Transmission does not have the staff or resources to provide the requested information every day, as opposed to every business day, nor to provide it more than once a day and as it has previously stated, notes that the costs of doing so would be significant, and in Vector Transmission's experienced view not of sufficient value to warrant doing it.</li> <li>• Vector Transmission is unable to provide estimates for sites where it does not have telemetry. In such a situation the retailer(s) should be better placed than Vector to produce an estimate of energy quantities. It is also not economic to install telemetry at many of the smaller Delivery Points, and in some cases it is actually not technically feasible.</li> <li>• Rule 42 also fails to separate out gas gates at which there are only two retailers. The VTC</li> </ul>	



prohibits Vector Transmission from disclosing aggregate energy quantity information at points where there are only two retailers – this is because if a retailer is armed with the aggregate position and its own position, it can quickly work out the other retailer’s position. Vector Transmission has no particular view on this, but it was a requirement of retailers when the VTC was finalised. We understand that a Shipper is soon to lodge a VTC Change Request (“CR”) to have this prohibition removed – but that CR has not been lodged nor passed as yet; and does not distinguish between gas gates at which an allocation is required and at those where no allocation is required.

## DR08-18-S MDL

<b>GIC Code:</b> DR08-18-S – Appendix B page 82	<b>Applicant:</b> Maui Development Limited
<b>Exemption type sought:</b> Standard	
<p><b>Exemption sought and summary of reasons:</b></p> <p>An exemption is sought from the requirement in rule 42 to provide each retailer receiving gas at a particular gas gate of the estimated daily energy quantities that were injected on the previous day at that gas gate. MDL states:</p> <ul style="list-style-type: none"> <li>• The exemption request is based on the fact that all the information that MDL, as a Transmission System Owner, is obligated to provide is already made available to the necessary persons via MDL’s Open Access Transmission Information System (OATIS). This information has also already been made available, on a next day basis, via the Public Domain Information pages on OATIS, under the heading ‘Daily Metered and Scheduled Quantity Report’ (<a href="https://www.oatis.co.nz/Ngc.Oatis.Ui.Web.Internet/Common/Publications.aspx">https://www.oatis.co.nz/Ngc.Oatis.Ui.Web.Internet/Common/Publications.aspx</a>).</li> <li>• The publication of this information fulfils its obligations under section 42 of the Rules and believes that the publication of additional reports is superfluous and unnecessary.</li> </ul>	

### Additional information

Rule 42 requires transmission system owners to give notice to retailers of the estimated daily energy quantities injected on the previous day. These quantities are not required to be provided to the allocation agent (or in any particular format) and do not form part of the allocation process set out in the Reconciliation Rules.

In respect of MDL’s application, Gas Industry Co considers that the notification of such quantities to retailers via OATIS would likely be sufficient to comply with the requirements of rule 42 – provided that retailers were aware of the arrangement, the relevant retailers had the necessary access to OATIS and quantities were posted in compliance with the 10am timeframe. If those arrangements were able to operate effectively in practice, an exemption is unlikely to be necessary.

In respect of Vector’s application, Gas Industry Co would like to receive information indicating the nature of the method for obtaining injection data in respect of each gas gate i.e. telemetry/SCADA/manual data collection. This would assist Gas Industry Co in assessing the extent of the difficulty in complying with rule 42.

### Issues for consideration

- should transmission system owners be exempted from their obligations under rule 42 because they currently do not currently have the resources or systems in place to comply? Should the exemption apply to all gas gates or just be limited to those gas gates without telemetry or that require manual data collection?
- an option is for systems to be altered to enable compliance. Should an exemption be granted on this basis and, if so, what time limit should apply?
- are there cost effective alternative arrangements (without the need for an exemption) that can be implemented by Vector to assist their compliance with rule 42 (i.e. such as engaging agents or external resources)?
- the alternative arrangements sought by Vector are effectively those currently required by the Vector Transmission Code. Are these alternative arrangements appropriate? If not, should any other alternative arrangements apply if an exemption is granted?
- is the current process used by MDL in posting daily quantities on OATIS sufficient for notifying retailers of the estimated daily energy quantities for MDL gas gates? Is there anything about this current process that would need to be amended to ensure compliance with rule 42?
- if the exemptions sought were granted, would there be any impacts on the allocation process under the Reconciliation Rules or other allocation participants?
- if the exemptions sought were granted, are there any terms and conditions that should form part of the exemptions?
- are the exemptions sought desirable to better achieve the objectives set out in section 43ZN of the Act and the purpose of the Reconciliation Rules – and in light of the additional matters outlined in section 2.2?

*Q8: Do submitters have any comments on the rule 42 exemption applications DR08-15-S from Vector and DR08-18-S from MDL?*

### 3.6 Miscellaneous exemptions sought

In addition to the exemption applications discussed in sections 3.2 to 3.5 above, two other exemption applications addressing separate issues were received. One from Greymouth Gas and one from Nova Gas – these applications are discussed below.

## DR08-01-S Greymouth Gas

<b>GIC Code:</b> DR08-01-S – Appendix B page 41	<b>Applicant:</b> Greymouth Gas New Zealand Ltd
<b>Exemption type sought:</b> Standard	
<b>Exemption sought and summary of reasons:</b> Permanent exemption is sought from the application of the Reconciliation Rules generally. Greymouth Gas states: <ul style="list-style-type: none"><li>• it has less than 10 customers which are all TOUs and easy to accurately monitor – no issues with its reconciliation data in the past and no intention to acquire customers which are not TOU sites;</li><li>• it would place a significant impost and cost on Greymouth to comply with the rules.</li></ul>	

### Additional information

- Greymouth Gas' customers are located at the Greater Auckland and Greater Mount Maunganui notional delivery points/aggregated gas gates.
- Gas Industry Co understands that the gas volumes supplied to these customers form less than 10% of the currently allocated volumes at the Greater Auckland and Greater Mount Maunganui gas gates/notional delivery points.

### Issues for consideration

- an important issue of principle is whether any retailer should be exempted from the Reconciliation Rules because its impact on gas volumes, and thus UFG, is relatively small. The Reconciliation Rules are to apply to all allocation participants unless there is clear and justifiable rationale for exemptions to be made.
- if it can be argued that an exemption is justifiable because currently gas volumes are sufficiently small so that UFG is immaterial, at what volume is that determination made and what happens if circumstances change and volumes increase?
- how significant is the fact that only TOU customers are involved here – i.e. from both a cost and contribution to UFG perspective?
- what is the extent of the cost and impost to Greymouth Gas and could less difficult or less costly alternative arrangements be put in place?
- if the exemption were granted, how would the allocation process under the Reconciliation Rules work at the gas gates affected (i.e. to prevent Greymouth Gas consumption being allocated as UFG to other retailers, its consumption information would still be required to adjust the injection quantities at the gas gates affected)?

- if the exemption sought were granted, are there any terms and conditions or alternative arrangements that should form part of the exemption?
- is the exemption sought desirable to better achieve the objectives set out in section 43ZN of the Act and the purpose of the Reconciliation Rules – and in light of the additional matters outlined in section 2.2?
- would the exemption sought have any adverse effects on other allocation participants or the operation of the allocation and reconciliation processes set out in the Reconciliation Rules?

*Q9: Do submitters have any comments on the generic exemption application DR08-01-S from Greymouth Gas?*

#### DR08-03-T Nova Gas

<b>GIC Code:</b> DR08-03-T – Appendix B page 46	<b>Applicant:</b> Nova Gas Limited
<b>Exemption type sought:</b> Transitional	
<p><b>Exemption sought and summary of reasons:</b></p> <p>Transitional exemption is sought from the application of rule 35. The exemption is requested to be in effect from 1 October 2008 until 31 June 2008 (9 months from go-live). Nova Gas states:</p> <ul style="list-style-type: none"> <li>• Given the short period of time for implementation, Nova Gas will not have completed the necessary systems developments required to facilitate the application of seasonal daily profiles to validated meter readings in the time required by the rules.</li> <li>• Nova Gas must make arrangements for modifications to systems and processes for two separate billing system processes (Auckland Gas/Nova Gas and Bay of Plenty Energy). The 9 month period will allow an additional 3-4 months of development time that will not clash with systems development work required in order to implement new switching registry arrangements scheduled to take effect 1 March 2009</li> <li>• Nova Gas will apply alternative arrangements by, instead of applying seasonal profile shapes, simply calculating consumption on a straight line or daily pro rata basis between two meter reads. This may mean that initial and interim reconciliations will not take into account the seasonal variations that occur. Nova Gas will complete the necessary modifications and submit reconciliation data applying seasonal profiles for Final Reconciliation for all reconciliation periods post 1 October 2008.</li> </ul>	

### **Additional information**

Rule 35 of the Reconciliation Rules provides that historic estimates for consumer installations in groups 3 to 6 are to be derived by applying the seasonal adjustment daily shape values published by the allocation agent (where no applicable registered deemed profiles exist). Such seasonal adjustment daily shape values will be available to allocation participants after the completion of each initial, interim and final allocation.

### **Issues for consideration**

- on the information provided by Nova Gas to date, has Nova Gas demonstrated an inability to comply with a rule for reasons which are temporary?
- if the exemption sought were granted, are Nova Gas' proposed alternative arrangements appropriate? Would the arrangements be "fit for purpose", meet the intended objective of rule 35 and be fair to other allocation participants? If not, are there any other terms and conditions or alternative arrangements that should form part of the exemption?
- would the exemption sought have any adverse effects on other allocation participants or the operation of the allocation and reconciliation processes set out in the Reconciliation Rules?
- Nova Gas is requesting a lengthy 9 month exemption period. Is this reasonable in the circumstances? Is Nova Gas giving too much priority to the implementation of the switching arrangements?
- would granting the exemption be inconsistent with the purpose of the Rules?

*Q10: Do submitters have any comments on the transitional exemption application DR08-03-T from Nova Gas regarding the application of seasonal adjustment daily shape values?*

# 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. This is drawn from the questions posed in the body of this consultation paper. Submitters are also free to include other material on the exemptions in their responses.

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

Question	Comment
Q1: Do submitters have any comments on the transitional exemption DR08-17-T proposed by Gas Industry Co regarding allocation processes for gas gates without allocation 4 or 6 consumption?	
Q2: Do submitters have any comments on the transitional exemption DR08-18-T proposed by Gas Industry Co regarding injection quantities for unmetered gas gates?	
Q3: Do submitters have any comments on the global 1 month methodology exemption applications DR08-02-S from Genesis Energy and DR08-04-S from Contact Energy?	
Q4: Do submitters have any comments on the direct consumer and non-shared gas gate exemption applications DR08-06-S from Genesis Energy, DR08-10-S from On Gas and DR08-11-S from Mighty River Power?	

Question	Comment
Q5: Do submitters have any comments on the exemption application DR08-05-S from Contact Energy regarding unmetered direct consumers?	
Q6: Do submitters have any comments on the ongoing fee exemption applications DR08-08-U from Contact Energy, DR08-07-U from Genesis Energy, DR08-09-U from On Gas and DR08-12-U from Mighty River Power?	
Q7: Do submitters have any comments on the rule 41 exemption applications DR08-16-S from Vector and DR08-14-S from MDL?	
Q8: Do submitters have any comments on the rule 42 exemption applications DR08-15-S from Vector and DR08-13-S from MDL?	
Q9: Do submitters have any comments on the generic exemption application DR08-01-S from Greymouth Gas?	
Q10: Do submitters have any comments on the transitional exemption application DR08-03-T from Nova Gas regarding the application of seasonal adjustment daily shape values?	

## **Appendix B Copies of exemption applications**



**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: Greymouth Gas New Zealand    Phone: 09 373 4222  
Limited

Fax: 09 373 4228

Contact Name: Lara Walker

Email: lara@greymouthpetroleum.co.nz

Mailing Address: PO Box 1394 Shortland St,  
Auckland

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

Standard (under rule 19)

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

**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):

We have very few (less than 10) customers, all of which are TOU sites. These sites are easy to accurately monitor and we have a simple excel spreadsheet billing system in place. It is going to

## DR08-01-S Greymouth Gas

place a significant impost on us in order to comply with the rules, and will result in us incurring a significant cost. We believe the rules are more applicable to large retailers with a number of sites and many domestic customers which are difficult to reconcile. We have never had any issues with our reconciliation data in the past and have no intention of acquiring any customers that are not TOU sites.

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

We do not foresee it affecting any other participants

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

Permanent

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

### **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:

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

**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: Genesis Energy

Phone: 021 549577

Contact Name: Sarah McHardy

Fax: 09 580 4894

Email: sarah.mchardy@genesiseenergy.co.nz

Mailing Address: PO Box 17-188  
Greenlane, Auckland

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

Standard exemption (under rule 19) for an exemption for the Allocation Agent to the rules listed below.

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

Exemption is sought for the 6 Gas Gates in the table below from Rule 45.2.3, 46.2.1 and 46.3.2. Genesis Energy is requesting that these gates are reconciled using the monthly UFG factor and not the Annual UFG factor.

Gate Station ID	NGC Transmission Delivery Point ID	Name	Transmission System	Distribution System
ORD24701	24701	Oroua Downs	South(Receipt Point Kapuni)	Powerco

## DR08-02-S Genesis Energy

KRG24101	24101	Kairanga	South(Receipt Point Kapuni)	Powerco
PHT04901	04901	Pahiatua	South(Receipt Point Kapuni)	Powerco
EGC30701	30701	Edgecumbe DF	Bay of Plenty (Receipt Point Pokuru)	Vector
RPR30801	30801	Reporoa	Bay of Plenty (Receipt Point Pokuru)	Vector
NGW14501	14501	Ngaruawahia	Misc (Receipt Point Dedicated)	Vector

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

These gates are currently being reconciled differently to the other standard gas gates that are being allocated. There was an industry agreement for these gates to be reconciled using the Global -1 Method. We are requesting this same allocation method be retained under the new Allocation process from 1 October 2008.

Global-1 allocation methodology means all ICPs on the gas gates are allocated UFG on the same basis. There is no differentiation of allocation for groups 1 & 2 and the remaining groups 3, 4, 5 & 6. The UFG on each of the 6 Gas gates listed above is allocated across all gas groups in the same manner, i.e. all using monthly UFG and not annual UFG in the reconciliation calculation.

The 6 gates identified are reconciled under Global-1 because they have either one or a small number of very large customer loads on the gates which distort the gate shapes for the remaining small customers. The impact of this is if these gates are allocated not using the Global-1 method there would be instances where the group 3, 4, 5 & 6 allocated UFE is greater than the customers submitted volumes.

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

There will be impacts on the Allocation Agents systems and the ability for them to be able to calculate what we are requesting. This is a change to the standard process.

Other retailers that trade on these gas gates have all ready agreed to this method of allocation. The impact of this exemption as compared to the method in the Downstream Reconciliation rules is that Retailers who trade on these gates who have Group 1 or 2 ICP's will be sharing in

## DR08-02-S Genesis Energy

the monthly UFG rather than the Annual UFG. This will mean that they receive a different UFG factor each month which does not have a cap or collar.

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

This exemption is requested to be in effect from 1 October 2008 until there is a rule change to reflect these unique situations.

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

As detailed above we are requesting that these 6 gates are reconciled with all submission information (including group 1 & 2) being allocated UFG using the monthly UFG factor rather.

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

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

A decision is needed to be made before 1 October 2008 when the new rules are effective.

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

### **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 [bas.walker@gasindustry.co.nz](mailto:bas.walker@gasindustry.co.nz)

**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: Nova Gas Ltd

Phone: 04 917 8851

Contact Name: Charles Teichert

Fax:

Email: [cteichert@tpm.co.nz](mailto:cteichert@tpm.co.nz)

Mailing Address:

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

Transitional (under rule 81)

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

Rule 35.

**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):

Given the short period of time allowable for implementation, Nova Gas will not have completed the necessary systems developments required to facilitate the application of seasonal daily profiles to validated meter readings in the time required by the Rules.

Nova Gas must make arrangements for modifications to systems and processes for two separate

billing system processes (Auckland Gas/Nova Gas and Bay of Plenty Energy).

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

Instead of applying seasonal profile shapes, Nova Gas will simply calculate consumption on a straight line or daily pro rata basis between two meter reads.

This may mean that initial and interim reconciliations will not take into account the seasonal variations that occur.

This will only be a timing difference as Nova Gas will complete the necessary modifications and submit reconciliation data applying seasonal profiles for Final Reconciliation for all reconciliation periods post 1 October 2008.

Service providers will not be affected by the exemption and no additional costs will be incurred.

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

Nova expects that an exemption for 9 months from the Go Live Date should be sufficient.

This will allow an additional 3-4 months of development time that will not clash with systems development work required in order to implement new switching registry arrangements scheduled to take effect 1 March 2009.

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

None.

**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:

A transitional exemptions is most appropriate in this circumstance as the purpose is to provide

## DR08-03-T Nova Gas

time to make modifications to systems required that will enable full compliance in the long term.

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



**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: Contact Energy

Phone: (04) 462 1265

Contact Name: Rod Crone

Fax: (04) 463 9295

Email: rod.crone@contact-energy.co.nz

Mailing Address: P O Box 10742, Wellington

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

Standard exemption (under rule 19) for an exemption for the Allocation Agent to the rules listed below.

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

Exemption is sought for the 6 gas gates in the table below from Rules 45.2.3, 46.2.1 and 46.3.2. It also requires Rules 45.2.4 and 46.2.2 to apply to allocation groups 1-2 in addition to allocation groups 3-6.

Contact Energy is requesting that these gas gates be reconciled using the **monthly UFG factor** for all allocation groups, and not the **annual UFG** factor for allocation groups 1 and 2. This is consistent with the current agreed allocation methodology (aka Global 1 Month UFG) which was originally accepted as the only appropriate allocation methodology to avoid gross distortion

## DR08-04-S Contact Energy

in the allocation of UFG to non-TOU load at the gas gates.

Gate Station ID	NGC Transmission Delivery Point ID	Name	Transmission System	Distribution System
ORD24701	24701	Oroua Downs	South(Receipt Point Kapuni)	Powerco
KRG24101	24101	Kairanga	South(Receipt Point Kapuni)	Powerco
PHT04901	04901	Pahiatua	South(Receipt Point Kapuni)	Powerco
EGC30701	30701	Edgecumbe DF	Bay of Plenty (Receipt Point Pokuru)	Vector
RPR30801	30801	Reporoa	Bay of Plenty (Receipt Point Pokuru)	Vector
NGW14501	14501	Ngaruawahia	Misc (Receipt Point Dedicated)	Vector

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

UFG at these gas gates is currently allocated on the same basis for all allocation groups due to unfair allocation of UFG and gross distortions in the residual profile which was occurring when they were originally reconciled using the differencing methodology, or would have occurred had they been reconciled using the global methodology example outlined in the Reconciliation Code. The methodology is commonly known as the Global 1 Month UFG method, effectively the same as allocating all UFG to all allocation groups using the monthly UFG factor.

The common element at these gas gates is one (or a small number of) very large TOU load(s).

The agreement of parties to use the Global 1 Month UFG allocation methodology was based on clear evidence that the major part of the UFG had to be due to differences between the gas gate TOU metering and dominant load TOU metering, and not the relatively small amount of non-TOU load.

To ensure the UFG allocation and residual profile distortion does not re-occur Contact requests that the current UFG allocation methodology be retained under the new global allocation process from 1 October 2008.

To achieve this the exemption requires that all allocation groups are allocated UFG using the

## DR08-04-S Contact Energy

monthly UFG factor, that there be no annual UFG factor calculated or used, and that the residual profile and seasonal adjustment daily shape values are effectively the gas gate daily values.

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

There will be an impact on the Allocation Agent's system and process, although it is noted that the Global 1 Month UFG methodology is consistent with the default UFE allocation methodology under the electricity reconciliation rules.

All retailers trading at these gas gates originally agreed to this methodology when it was initially applied, so there is no impact compared to the status quo. However there is an impact compared to the global method in the Gas (Downstream Reconciliation) Rules 2006 in that retailers who trade on these gates who have Group 1 or 2 ICP's will be allocated UFG based on the monthly UFG rather than an annual UFG factor. This will mean that they will be allocated UFG using a monthly UFG factor each month which does not have a cap or collar.

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

This exemption is requested to apply from 1 October 2008 until there is a rule change to reflect these unique situations, or there is a rule change to allocate UFG to all TOU load using the same monthly UFG factor as for non-TOU load.

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

We are requesting that for these 6 gas gates, all submission information (including group 1 & 2) being allocated UFG using the monthly UFG factor.

## DR08-04-S Contact Energy

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

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

A decision is needed to be made before 1 October 2008 when the new rules are effective.

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

### 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 [bas.walker@gasindustry.co.nz](mailto:bas.walker@gasindustry.co.nz)

**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: Contact Energy

Phone: (04) 462 1265

Contact Name: Rod Crone

Fax: (04) 463 9295

Email: rod.crone@contact-energy.co.nz

Mailing Address: P O Box 10742, Wellington

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

Standard exemption (under rule 19) for an exemption for the Allocation Agent to the rules listed below.

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

Exemption is sought from the requirement to submit consumption data in accordance with Rules 31, 32 and 33 for direct supply consumer sites where the only metering is the gas gate metering.

It is also noted that a number of rules are irrelevant to direct supply consumers where there is no UFG and therefore no annual UFG factor or UFG to be allocated.

**4. State the reasons on why you are seeking the exemption and why the**

## DR08-05-S Contact Energy

### **exemption sought should be granted**

As the transmission system owner owns and interrogates the metering at all gas gates, and is obligated under Rule 41 to provide the daily energy quantities for all gas gates to the allocation agent, there is no point in Contact providing exactly the same data to the allocation agent.

This exemption should be granted to avoid inefficient practices that add nothing to the accurate allocation of downstream gas quantities.

It would also result in a consistent approach for gas and electricity, where for electricity the transmission system owner is the only party required to submit GXP data to the Reconciliation Manager for direct supply consumers.

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

The exemption will have no impact on other participants or the allocation agent service provider, as the allocation agent will receive all the information it requires direct from the transmission system owner.

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

This exemption is requested to apply from 1 October 2008 with no end date.

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

The conditions that are applicable to the exemption being sought are a single consumer at a gas gate on the transmission system, where there is no separate consumer metering and the metering used for billing is the gas gate metering.

A decision is needed before 1 October 2008 to avoid having to establish processes which are currently not required or anticipated.

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

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

Not applicable.

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

## DR08-05-S Contact Energy

### 6. Additional information for a transitional exemption

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

Not applicable

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

**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: Genesis Energy

Phone: 021 549577

Contact Name: Sarah McHardy

Fax: 09 5804894

Email: sarah.mchardy@genesiseenergy.co.nz

Mailing Address: PO Box 17 188, Greenlane,  
Auckland

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

Standard (under rule 19)

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

Genesis Energy is seeking exemption from the following rules:

- 31 Provision of consumption information for initial allocation,
- 32 Provision of consumption information for interim allocation,
- 33 Provision of consumption information for final allocation,
- 39 Retailer to give gas gate notice to allocation agent,
- 48 Initial Allocation,
- 49 Interim Allocation,
- 50 Final Allocation,
- 51 Special Allocation,
- 52 Annual Reconciliation,



## DR08-06-S Genesis Energy

53 Allocation Agent reports,  
78 Provision of information during transitional period, and  
79 Calculation and application of annual UFG factors during transitional period,

for each of the following gas gates;

- KIW34201 Kiwitahi 1 (Peroxide)
- MOK35801 Mokoia
- PKD02402 Pokuru No 2
- TAC31001 Te Awamutu Cogeneration Plant
- Huntly Powerstation (off Maui Transmission system).

The exemption is sought for the gas gate pursuant to rule 19.1 regardless of the retailer which is at that gas gate from time to time, and is therefore sought for all retailers.

#### **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):

Each of the gas gates for which exemption is sought is either a direct connect consumer gas gate or a gas injection gate, and therefore there is no reconciliation to perform and no purpose for such gates to be included in the processes for reconciliation and allocation of costs set out in the Rules.

KIW34201 Kiwitahi 1 and TAC31001 Te Awamutu Cogeneration Plant are gas gates which each feed only one large industrial consumer. These are direct connect consumers who are billed by Vector Transmission for the total gas volumes recorded by the Vector Transmission meters at each gate. The direct connect consumers use Vector Transmission metering and do not have their own metering. There is no UFG to allocate as transmission equals metered volumes and there is no requirement to complete a reconciliation between retailers as there is only one retailer on the gate.

MOK35801 Mokoia is a gas injection gate rather than an off-take gate. There is no need to complete a downstream reconciliation between retailers when there is no consuming gas customers fed from this gate. There is also no need to determine UFG and allocate this to Retailers as there is no UFG calculation required.

PKD02402 Pokuru No 1 and No 2 are each a Vector Transmission Receipt Points and in the same way as Mokoia have no retailers at these gates. There are gas gates further down the transmission system which will be included in the downstream reconciliation and allocation

## DR08-06-S Genesis Energy

process. There is no requirement to determine UFG or allocate between Retailers.

Huntly Powerstation – Maui transmission system. This connection point has not been requested in any lists provided by the GIC but to ensure completeness we request that an exemption be granted for this gas gate. Huntly Powerstation operates in the same way as the direct consumers with only one customer being supplied from this gas gate and transmission volumes equalling the allocated volumes. There is no UFG to allocate and no reconciliation needed between retailers as there is only one consumer.

There is no value to be obtained by including these gates in the downstream reconciliation process and they are currently not part of the downstream allocation process. If these gates are included in the downstream allocation and reconciliation of downstream gas quantities it would introduce increased processing and handling of the volume data from the current process which would be inefficient with little value.

In Genesis Energy's view it is only appropriate that downstream allocation and reconciliation should only be undertaken on delivery points on the Vector transmission system that are used, or available to be used, by more than one shipper under the Vector Transmission Code.

In addition Genesis Energy is supportive of the need to improve the transparency of gas flow information within the industry. If it is the GIC's intention to use the downstream reconciliation and allocation information to enable transparency of gas gate injection volumes we believe that there is a better mechanism for achieving this than forcing all gas transmission volumes to go through the downstream allocation and reconciliation process.

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

This exemption will have no impact on other participants.

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

This exemption is requested to apply from 1 October 2008 with no end date.

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

This exemption should remain current for as long as the gas gates remain a direct connect consumer with only one customer managed by one Retailer trading on them, or have no gas consumers being fed from the gate. If this changes in anyway this exemption should no longer be effective.

## DR08-06-S Genesis Energy

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

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

N/A

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

N/A

### 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 [bas.walker@gasindustry.co.nz](mailto:bas.walker@gasindustry.co.nz)

**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: Genesis Energy

Phone: 021 549577

Contact Name: Sarah McHardy

Fax: 09 5804894

Email: [sarah.mchardy@genesiseenergy.co.nz](mailto:sarah.mchardy@genesiseenergy.co.nz)

Mailing Address: PO Box 17 188, Greenlane, Auckland

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

Urgent (under rule 20)

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

Exemption is sought from rule 16.3 (How and when estimated ongoing fees payable) to exclude the following gas gates from the allocation of ongoing allocation costs:

- KIW34201 Kiwitahi 1 (Peroxide)
- MOK35801 Mokoia
- PKD02402 Pokuru No 2
- TAC31001 Te Awamutu Cogeneration Plant
- Huntly Powerstation (off Maui Pipeline)

The exemption is sought for the gas gate pursuant to rule 19.1 regardless of the retailer which is at that gas gate from time to time, and is therefore sought for all retailers.

#### **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):

The purpose of the Gas (Downstream Reconciliation) Rules 2008 is to establish a set of uniform processes that will enable the fair, efficient and reliable downstream allocation and reconciliation of downstream gas quantities. As there is no UFG at the grid direct gas gates for which the exemption is sought, the inclusion of such gas gates in the allocation process serves no useful purpose and results in an inequitable and (Genesis Energy believes) unintended allocation of ongoing allocation costs.

Genesis Energy believes that the intention of the gas industry in drafting the rules for the methodology for the distribution of ongoing allocation costs was to reflect how the current ongoing allocation fees are apportioned. Currently the allocation fees are only apportioned to the gas gates where there is a requirement for downstream reconciliation. This is where on shared gas gates differences between the metered volume at the gate and the estimated volumes submitted by the connected retailers trading on that gate generate a variance to the gate total requiring a calculation and apportionment of a UFG amount to that gate for each month. There is no allocation performed for consumers who are directly connected to the Vector Transmission system (direct connect customers) or for consumers which feed directly off the Maui Transmission system. Consumers at these gas gates are billed the transmission metered volumes and therefore there is no UFG to allocate and no need for Reconciliation.

The inclusion of the gas gates listed above (and for which the exemption is sought) in the calculation of the ongoing fees allocation results in a large and disproportionate amount of ongoing costs being allocated to these gas gates based on their gas volumes in circumstances where there is no benefit from or need for the downstream reconciliation process. It is also understood within the gas industry that these consumers are not the causers of the majority of downstream allocation and reconciliation costs.

Genesis Energy agrees with the concept of causer pays for the allocation of ongoing reconciliation costs and therefore requests that only shared gas gates are included in the fee allocation.

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

If the exemption is granted the new allocation of ongoing fees will not be materially different from the current fee allocation, and therefore will not adversely affect any participant when compared to the current basis for allocation of ongoing costs of downstream allocation and

## DR08-07-U Genesis Energy

reconciliation. The current methodology is based on volumes allocated between retailers at shared gas gates which have a need for the allocation of UFG.

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

Genesis Energy requests that this exemption is in effect until such time as a rule change which has the effect of excluding the gas gates sought in this exemption (and all other grid direct gas gates) from the allocation of ongoing allocation costs is consulted on and implemented.

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

This exemption should apply to the gas gate in accordance with rule 19.1 and accordingly apply to all retailers for these gates so that if a direct connect customer switches retailer the exemption will continue to apply to the relevant gas gate.

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

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

A decision is required before the Gas Industry Co (GIC) notifies the Retailers in accordance with rule 16.3 of the estimated ongoing allocation costs that will be payable by that Retailer for the gas year commencing 1 October 2008. Based on Rules 16.2 and 16.3 this will occur during September 2008 therefore a decision is needed before this calculation and notification.

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

Genesis Energy is seeking an urgent exemption due to the timing established in the rules for notification to Retailers of the ongoing allocation costs. In addition we do not believe that it was the intention of the GIC to apportion the downstream allocation costs to direct connect customers or Maui pipeline distributions.

### **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 [bas.walker@gasindustry.co.nz](mailto:bas.walker@gasindustry.co.nz)

### 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: Contact Energy

Phone☎(04) 462 1265

Contact Name: Rod Crone

Fax: (04) 463 9295

Email: rod.crone@contact-energy.co.nz

Mailing Address: P O Box 10742, Wellington  
6143

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

Urgent (under rule 20)

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

Rule 16.3 (how and when estimated ongoing fees payable) to exclude the following gas gates from the allocation costs:

BAL08201 Ballance Ammonia-Urea

BAL09626 Ballance Ammonia-Urea

GLB03401 Glenbrook

LCF20010 Lichfield DF

MSD01801 Marsden 1 (NZRC)

OTB00301 Otahuhu B Power Station

## DR08-08-U Contact Energy

TCC00201 Taranaki Combined Cycle (TCC)

TAT16401 Tatuani DF

TRC02003 Te Rapa Cogeneration Plant

TIR33501 Tirau DF

And any other gas gate where the gas is supplied to a single consumer, including those gates off the Maui Pipeline (Welded Points).

#### **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):

Contact is seeking exemption of throughput volumes associated with category (b) in the definition of "gas gate" (direct supply consumers) from the allocation of ongoing fees.

The purpose of the Gas (Downstream Reconciliation) Rules 2008 is to establish a set of uniform processes that will enable the fair, efficient and reliable downstream allocation and reconciliation of downstream gas quantities. As there is no UFG at the grid direct gas gates for which the exemption is sought, the inclusion of such gas gates in the allocation process serves no useful purpose and results in an inequitable and unintended allocation of ongoing allocation costs.

Contact Energy believes that the intention of the gas industry in drafting the rules for the methodology for the distribution of ongoing allocation costs was to reflect how the current ongoing allocation fees are apportioned. Currently the allocation fees are only apportioned to the gas gates where there is a requirement for downstream reconciliation. There is no allocation performed for consumers who are directly connected to the Vector Transmission system (direct connect customers) or for consumers which feed directly off the Maui Transmission system. Consumers at these gas gates are billed the transmission metered volumes and therefore there is no UFG to allocate and no need for downstream reconciliation.

The inclusion of the gas gates listed above (and for which the exemption is sought) in the calculation of the ongoing fees allocation results in a large and disproportionate amount of ongoing costs being allocated to these gas gates based on their gas volumes in circumstances where there is no benefit from or need for the downstream reconciliation process. It is also understood within the gas industry that these consumers are not the causers of downstream allocation and reconciliation costs.



## DR08-08-U Contact Energy

Contact believes that a clearer description of the purpose including a more precise definition of Downstream Reconciliation would clarify the intention of the rules and the allocation of costs.

Contact submits that to include volumes associated with this gas gate category in the allocation of ongoing fees would materially distort the existing allocation costs sharing basis, and be inconsistent with the core principles for recovery of costs outlined in the Government Policy Statement, Gas Act and Gas Industry Co Downstream Reconciliation Proposal documents.

It is also noted that the example in Appendix 3 of the Statement of Proposal dated 4 September 2007 specifically excluded generation and petrochemical plant volumes from the assessment of ICP numbers versus allocation volumes for cost allocation. Furthermore page 95 states "Strictly speaking, gas customers are the ultimate users/causers, because the need for a reconciliation service only arises where customers want to be able to exercise choice, and a gate station is shared between customers."

Further the recently GIC released 'Current issues for Domestic and Small Business Gas Consumers' consultation paper states under Allocation and reconciliation of downstream quantities - "Downstream reconciliation is concerned with the appropriate allocation and reconciliation of gas quantities, measured at each transmission system gas gate<sup>8</sup>, across the retailers who supply gas to consumers through each distribution system." Where note 8 is - A gas gate is a point on the transmission system which supplies gas into a local distribution system.

If the Gas Industry Co considers that the ongoing fees are to be allocated to volumes associated with all gas gates, and not with those gas gates where downstream reconciliation is required, then the fees would also have to be allocated to volumes associated with delivery points off the Maui transmission system supplying generation plant (e.g. New Plymouth, Huntly, E3P) and dedicated to a single user (e.g. Methanex).

In due course Contact will be proposing a rule change to ensure that the basis for allocating ongoing fees to retailers is consistent with the core principles applicable to cost allocation.

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

If the exemption is granted it will ensure the transition from the current to new cost sharing basis is not materially altered, and therefore will not adversely affect any participant when compared to the current basis for allocation of ongoing costs of downstream allocation and reconciliation (i.e. based on volumes allocated between retailers at shared gas gates which are the only gas gates that require downstream allocation and reconciliation).

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

## DR08-08-U Contact Energy

Contact Energy requests that this exemption is in effect until such time as a rule change which has the effect of excluding the gas gates sought in this exemption (and all other grid direct gas gates) from the allocation of ongoing allocation costs is consulted on and implemented.

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

Nil

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

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

A decision is required before the Gas Industry Co notifies every Retailer in accordance with rule 16.3 of the estimated ongoing allocation costs that will be payable by that Retailer for the gas year commencing 1 October 2008. Based on rules 16.2 and 16.3 we assume this will occur during September 2008 so a decision is required to meet the timeframe proposed by Gas Industry Co for issuing the required notice to Retailers.

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

Contact is seeking an urgent exemption due to the timing under the rules which the GIC must notify retailers of the estimated ongoing allocation costs that will be payable by that Retailer for the gas year commencing 1 October 2008, the notice provides reasonable certainty as to each Retailer's likely liability for meeting ongoing costs. It may also avoid issuing invoices which are materially incorrect if it is later found that incorrect assumptions were made in the absence of an informed exemption decision on this matter.

### **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 [bas.walker@gasindustry.co.nz](mailto:bas.walker@gasindustry.co.nz)**

**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: On Gas Limited	Phone: 029 289 9897
Contact Name: Anna Carrick	Fax: 04 462 8625
Email: a.carrick@vector.co.nz	Mailing Address: Level 7, 44 The Terrace, Private Bag 39980, Wellington

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

Urgent (under rule 20)

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

Exemption is sought from rule 16.3 (How and when estimated ongoing fees payable) to exclude the following gas gates from the allocation of ongoing allocation costs:

- BRO36301 Broadlands;
- GLB03401 Glenbrook;
- KIN04310 Kinleith (CHH mill);
- KTK23901 Kaitoke;
- KUR33601 Kauri;

- MNG34001 Mangaroa;
- MUT19001 Maungaturoto DF;
- RAG33401 Rangiuru;
- ALF15501 Alfriston;
- KAW04410 Kawerau (ex-Caxton);
- KAW04411 Kawerau (ex-Tasman);
- MGK05401 Mangatainoka;
- MSD01802 Marsden 2;
- RBM03101 Rainbow Mountain;
- WKE19201 Waikeria;
- KAP09612 Kapuni and
- HAR11801 Harrisville.

The exemption is sought for the gas gate pursuant to rule 19.1 regardless of the retailer, which is at that gas gate from time to time, and is therefore sought for all retailers not just the current retailer of On Gas or Vector Gas Contracts Limited.

#### **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):

The purpose of the Gas (Downstream Reconciliation) Rules 2008 is to establish a set of uniform processes that will enable the fair, efficient and reliable downstream allocation and reconciliation of downstream gas quantities. As there is no UFG at the grid direct gas gates for which the exemption is sought, the inclusion of such gas gates in the allocation process serves no useful purpose and results in an inequitable and (On Gas believes) unintended allocation of ongoing allocation costs.

On Gas believes that the intention of the gas industry in drafting the rules for the methodology for the distribution of ongoing allocation costs was to reflect how the current ongoing allocation fees are apportioned. Currently the allocation fees are only apportioned to the gas gates where there is a requirement for downstream reconciliation. This is where on shared gas gates differences between the metered volume at the gate and the estimated volumes submitted by the connected retailers trading on that gate generate a variance to the gate total requiring a calculation and apportionment of a UFG amount to that gate for

## DR08-09-U On Gas

each month. There is no allocation performed for consumers who are directly connected to the Vector Transmission system (direct connect customers) or who are directly off a network where the gas gate is allocated in total to a single retailer. Consumers at these gas gates are billed the transmission metered volumes and therefore there is no UFG to allocate and no need for Reconciliation.

The inclusion of the gas gates listed above (and for which the exemption is sought) in the calculation of the ongoing fees allocation results in a large and disproportionate amount of ongoing costs being allocated to these gas gates based on their gas volumes in circumstances where there is no benefit from or need for the downstream reconciliation process. It is also understood within the gas industry that these consumers are not the causers of the majority of downstream allocation and reconciliation costs.

On Gas agrees with the concept of causer pays for the allocation of ongoing reconciliation costs and therefore requests that only shared gas gates are included in the fee allocation.

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

If the exemption is granted the new allocation of ongoing fees will not be materially different from the current fee allocation, and therefore will not adversely affect any participant when compared to the current basis for allocation of ongoing costs of downstream allocation and reconciliation. The current methodology is based on volumes allocated between retailers at shared gas gates which have a need for the allocation of UFG.

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

On Gas requests that this exemption is in effect until such time as a rule change which has the effect of excluding the gas gates sought in this exemption (and all other grid direct gas gates) from the allocation of ongoing allocation costs is consulted on and implemented.

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

This exemption should apply to the gas gate in accordance with rule 19.1 and accordingly apply to all retailers for these gates so that if a direct connect

customer switches retailer the exemption will continue to apply to the relevant gas gate.
<p><b>5. Additional information for an urgent exemption:</b></p> <p><u>If your application is urgent, specify the date(s) by when a decision is needed:</u></p> <p>A decision is required before the Gas Industry Co (GIC) notifies the Retailers in accordance with rule 16.3 of the estimated ongoing allocation costs that will be payable by that Retailer for the gas year commencing 1 October 2008. Based on Rules 16.2 and 16.3 this will occur during September 2008 therefore a decision is needed before this calculation and notification.</p> <p><u>State the reasons for seeking an urgent exemption rather than a standard exemption:</u></p> <p>On Gas is seeking an urgent exemption due to the timing established in the rules for notification to Retailers of the ongoing allocation costs. In addition we do not believe that it was the intention of the GIC to apportion the downstream allocation costs to direct connect customers or Maui pipeline distributions.</p>
<p><b>6. Additional information for a transitional exemption</b></p> <p>State the reasons for seeking a transitional exemption rather than a standard exemption:</p> <p>N/A</p>
<p><b>Please email this form to <a href="mailto:bas.walker@gasindustry.co.nz">bas.walker@gasindustry.co.nz</a></b></p>

**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: On Gas Limited

Phone: 029 289 9897

Contact Name: Anna Carrick

Fax: 04 462 8625

Email: a.carrick@vector.co.nz

Mailing Address: Level 7, 44 The Terrace, Private Bag 39980, Wellington

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

Standard (under rule 19)

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

On Gas is seeking exemption from the following rules:

- 26 General obligations of allocation participants;
- 27 Metering equipment accuracy;
- 28 General obligations of retailers;
- 29 Retailer to ensure certain metering interrogation requirements are not met;
- 30 General requirements for provision of retailer consumption information;
- 31 Provision of consumption information for initial allocation;
- 32 Provision of consumption information for interim allocation;

## DR08-10-S On Gas

33 Provision of consumption information for final allocation;  
39 Retailer to give gas gate notice to allocation agent;  
40 Retailer reporting requirements;  
48 Initial Allocation  
49 Interim Allocation;  
50 Final Allocation;  
51 Special Allocation;  
52 Annual Reconciliation;  
53 Allocation Agent reports;  
65 Industry body to commission performance audits;  
66 Industry body may commission event audits;  
67 Time restriction on audit material;  
69 Provision of information auditor  
75 Responsibility for audit costs;  
78 Provision of information during transitional period; and  
79 Calculation and application of annual UFG factors during transitional period,

for each of the following gas gates;

- BRO36301 Broadlands;
- GLB03401 Glenbrook;
- KIN04310 Kinleith (CHH mill);
- KTK23901 Kaitoke;
- KUR33601 Kauri;
- MNG34001 Mangaroa;
- MUT19001 Maungaturoto DF;
- RAG33401 Rangiora;
- ALF15501 Alfriston;
- KAW04410 Kawerau (ex-Caxton);
- KAW04411 Kawerau (ex-Tasman);
- MGK05401 Mangatainoka;
- MSD01802 Marsden 2;
- RBM03101 Rainbow Mountain;
- WKE19201 Waikeria;
- KAP09612 Kapuni and
- HAR11801 Harrisville.

The exemption is sought for the gas gate pursuant to rule 19.1 regardless of the retailer, which is at that gas gate from time to time, and is therefore sought for all retailers not just the current retailer of On Gas or Vector Gas Contracts Limited.



### **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):

As each of the gas gates, for which exemption is sought, is a direct connect consumer gas gate; a gas injection gate; or where On Gas is the only retailer on the network there is no reconciliation of UFG required between retailers. Therefore as there is no reconciliation to perform, and no purpose or benefit for such gates to be included in the processes for reconciliation and allocation, there should be no of costs attributable to these gates as set out in the Rules.

For the following gas gates:

- BRO36301 Broadlands;
- GLB03401 Glenbrook;
- KIN04310 Kinleith (CHH mill);
- KTK23901 Kaitoke;
- KUR33601 Kauri;
- MNG34001 Mangaroa;
- MUT19001 Maungaturoto DF;
- RAG33401 Rangiora;
- KAW04410 Kawerau (ex-Caxton);
- KAW04411 Kawerau (ex-Tasman);
- MGK05401 Mangatainoka;
- RBM03101 Rainbow Mountain; and
- WKE19201 Waikeria.

The total gas volumes recorded by the Vector Transmission meters at each gate is the only metering available and therefore there is no UFG to allocate as transmission metered volumes equal the metered volumes used by the retailers. Thus there is no requirement to complete a reconciliation between retailers as there is only one retailer on the gate.

ALF15501 Alfriston and MSD01802 Marsden 2 are single consumer installations off a single network associated with a single gas gate. On Gas currently gains title to all gas at the Transmission System gas gate but does charge the customer on their volume data from their consumer metering installation. Any UFG on these networks is handled by On Gas and does not need to go through the downstream reconciliation process.

KAP09612 Kapuni is a bi-direction gas gate, i.e. gas injection and off-take occurs

## DR08-10-S On Gas

at this point. There is no need to complete a downstream reconciliation between retailers as this is covered by the Gas Transfer Agreement already in place, which covers injection and off-take for this gas gate. The GTA is based on the metering used by Transmission System and therefore there is no UFG.

HAR11801 Harrisville covers a number of downstream ICPs but all these points are supplied by On Gas, therefore there is no requirement for the Allocation Agent to undertake reconciliation as On Gas manages the UFG on this network.

Including these gates into the reconciliation process will increase the workload of the retailers, allocation agents and transmission system owners with no benefit. In addition to further constraints on resources, the true costs of M-Co's services will not be signalled to the industry resulting in increased costs where there could be a reduction. These costs could potentially be passed onto the consumer, which is obviously an inappropriate solution.

On Gas supports greater transparency of gas gate data within the Industry but believes that a change under the Vector Transmission Code is a more appropriate forum for this to take place.

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

This will decrease the workload of retailers, transmission system owners and the allocation. As this was part of M-Co original scope how much would costs be reduced by this exemption.

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

This exemption is requested to apply from 1 October 2008 until a Rule change is in place to redefine a gas gate requiring reconciliation for UFG purposes.

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

This exemption should remain current for as long as the gas gates remain either a direct connect consumer gas gate, a gas injection gate, or where there is only one retailer on the network, If this changes in anyway this exemption should no longer be effective.

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

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

N/A

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

N/A

**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 [bas.walker@gasindustry.co.nz](mailto:bas.walker@gasindustry.co.nz)

**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: Mighty River Power	Phone (09) 580 3658
Contact Name: Chrissy Burrows	Fax: (09) 580 3515
Email: Chrissy.burrows@mightriver.co.nz	Mailing Address: Private Bag 92008, Auckland 1142

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

Standard (under rule 19)

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

Mighty River Power is seeking exemption from the following rules:

31 Provision of consumption information for initial allocation,  
32 Provision of consumption information for interim allocation,  
33 Provision of consumption information for final allocation,  
39 Retailer to give gas gate notice to allocation agent,  
48 Initial Allocation,  
49 Interim Allocation,  
50 Final Allocation,  
51 Special Allocation,  
52 Annual Reconciliation,

## DR08-11-S Mighty River Power

53 Allocation Agent reports,  
78 Provision of information during transitional period, and  
79 Calculation and application of annual UFG factors during transitional period,

for each of the following gas gates;

- SDN00101 Southdown Power Station

The exemption is sought for the gas gate pursuant to rule 19.1 regardless of the retailer which is at that gas gate from time to time, and is therefore sought for all retailers.

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

Southdown Power– Vector transmission system. We request that an exemption be granted for this gas gate. This is a direct connect gas gate which is billed by Vector Transmission for the total gas volumes recorded by the Vector Transmission meters at the gate. There is no UFG to allocate as transmission equals metered volumes and no purpose for such gates to be included in the processes for reconciliation and allocation of costs set out in the Rules as there is only one shipper on the gate.

There is no value to be obtained by including gates that are either a direct connect consumer or gas injection gate in the downstream reconciliation process and they are currently not part of the downstream allocation process. If these gates are included in the downstream allocation and reconciliation of downstream gas quantities it would introduce increased processing and handling of the volume data from the current process which would be inefficient with little value.

In Mighty River Power's view it is only appropriate that downstream allocation and reconciliation should only be undertaken on delivery points on the Vector transmission system that are used, or available to be used, by more than one shipper under the Vector Transmission Code.

In addition Mighty River Power is supportive of the need to improve the transparency of gas flow information within the industry. If it is the GIC's intention to use the downstream reconciliation and allocation information to enable transparency of gas gate injection volumes we believe that there is a better mechanism for achieving this than forcing all gas transmission volumes to go through the downstream allocation and reconciliation process.

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

This exemption will have no impact on other participants.

## DR08-11-S Mighty River Power

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

This exemption is requested to apply from 1 October 2008 with no end date.

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

This exemption should remain current for as long as the gas gates remain a direct connect consumer with only one customer managed by one Retailer trading on them, or have no gas consumers being fed from the gate. If this changes in anyway this exemption should no longer be effective.

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

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

N/A

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

N/A

### **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 [bas.walker@gasindustry.co.nz](mailto:bas.walker@gasindustry.co.nz)

**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: Mighty River Power	Phone (09) 580 3658
Contact Name: Chrissy Burrows	Fax: (09) 580 3515
Email: Chrissy.burrows@mightriver.co.nz	Mailing Address: Private Bag 92008, Auckland 1142

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

Urgent (under rule 20)

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

Exemption is sought from rule 16.3 (How and when estimated ongoing fees payable) to exclude the following gas gate from the allocation of ongoing allocation costs:

- SDN00101 Southdown Power Station

The exemption is sought for the gas gate pursuant to rule 19.1 regardless of the retailer which is at that gas gate from time to time, and is therefore sought for all retailers.

#### **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):

The purpose of the Gas (Downstream Reconciliation) Rules 2008 is to establish a set of uniform processes that will enable the fair, efficient and reliable downstream allocation and reconciliation of downstream gas quantities. As there is no UFG at the grid direct gas gates for which the exemption is sought, the inclusion of such gas gates in the allocation process serves no useful purpose and results in an inequitable and unintended allocation of ongoing allocation costs.

Mighty River Power believes that the intention of the gas industry in drafting the rules for the methodology for the distribution of ongoing allocation costs was to reflect how the current ongoing allocation fees are apportioned. Currently the allocation fees are only apportioned to the gas gates where there is a requirement for downstream reconciliation. This is where on shared gas gates differences between the metered volume at the gate and the estimated volumes submitted by the connected retailers trading on that gate generate a variance to the gate total requiring a calculation and apportionment of a UFG amount to that gate for each month. There is no allocation performed for consumers who are directly connected to the Vector Transmission system (direct connect customers) or for consumers which feed directly off the Maui Transmission system. Consumers at these gas gates are billed the transmission metered volumes and therefore there is no UFG to allocate and no need for Reconciliation.

The inclusion of the gas gate listed above (and for which the exemption is sought) in the calculation of the ongoing fees allocation results in a large and disproportionate amount of ongoing costs being allocated to gas gates of this type based on their gas volumes in circumstances where there is no benefit from or need for the downstream reconciliation process. It is also understood within the gas industry that these consumers are not the causers of the majority of downstream allocation and reconciliation costs.

Mighty River Power agrees with the concept of causer pays for the allocation of ongoing reconciliation costs and therefore requests that only shared gas gates are included in the fee allocation.

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

If the exemption is granted the new allocation of ongoing fees will not be materially different from the current fee allocation, and therefore will not adversely affect any participant when compared to the current basis for allocation of ongoing costs of downstream allocation and



## DR08-12-U Mighty River Power

reconciliation. The current methodology is based on volumes allocated between retailers at shared gas gates which have a need for the allocation of UFG.

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

Mighty River Power requests that this exemption is in effect until such time as a rule change which has the effect of excluding the gas gates sought in this exemption (and all other grid direct gas gates) from the allocation of ongoing allocation costs is consulted on and implemented.

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

This exemption should apply to the gas gate in accordance with rule 19.1 and accordingly apply to all retailers for these gates so that if a direct connect customer switches retailer the exemption will continue to apply to the relevant gas gate.

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

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

A decision is required before the Gas Industry Co (GIC) notifies the Retailers in accordance with rule 16.3 of the estimated ongoing allocation costs that will be payable by that Retailer for the gas year commencing 1 October 2008. Based on Rules 16.2 and 16.3 this will occur during September 2008 therefore a decision is needed before this calculation and notification.

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

Mighty River Power is seeking an urgent exemption due to the timing established in the rules for notification to Retailers of the ongoing allocation costs. In addition we do not believe that it was the intention of the GIC to apportion the downstream allocation costs to direct connect customers or Maui pipeline distributions.

### **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 [bas.walker@gasindustry.co.nz](mailto:bas.walker@gasindustry.co.nz)**

## DR08-17-S MDL and DR08-18-S MDL

Under section 19 of the Gas (Downstream Reconciliation) Rules 2008, MDL wishes to apply for an exemption from section 41 and 42 of the Gas (Downstream Reconciliation) Rules 2008. The exemption request is based on the fact that all the information that MDL, as a Transmission System Owner, is obligated to provide is already made available to the necessary persons via MDL's Open Access Transmission Information System (OATIS) in the following ways:

- Under section 41, MDL is obligated to provide the allocation agent the actual daily energy quantities injected at each gas gate connected to its transmission system on a monthly basis. This information is already available to the allocation agent via the Public Domain Information pages on OATIS, under the heading 'Daily Metered and Scheduled Quantity Report' (<https://www.oatis.co.nz/Ngc.Oatis.Ul.Web.Internet/Common/Publications.aspx>). [DR08-14-S MDL]
- Under section 42, MDL is obligated to provide each retailer receiving gas at a particular gas gate of the estimated daily energy quantities that were injected on the previous day at that gas gate. This information has also already been made available, on a next day basis, via the Public Domain Information pages on OATIS, under the heading 'Daily Metered and Scheduled Quantity Report' (<https://www.oatis.co.nz/Ngc.Oatis.Ul.Web.Internet/Common/Publications.aspx>). [DR08-13-S MDL]

MDL is of the opinion that the publication of this information fulfils its obligations under section 41 and 42 of the Rules and believes that the publication of additional reports is superfluous and unnecessary.

If you have any questions or comments, please do not hesitate to contact me on the numbers below.

Regards,

James Whistler  
Commercial Analyst, Maui Pipeline

DDI: +64 4 460 2538  
MOB: + 64 211 734 718  
FAX: +64 4 460 2549

## **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: 027 291 2651  
(Vector Transmission)  
Contact Name: Jo Murray      Fax:  
Email: jo.murray@vector.co.nz      Mailing Address:

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

Standard (under rule 19) – unless there is insufficient time to process the exemption, in which case Urgent (under rule 20)

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

The rule 42 requirement:

- to provide estimated daily energy quantities to each retailer at a gas gate for the previous day's gas flow; and
- to provide that information by 1000 hours each day (in relation to the previous day) and at any other time on that day as required and notified

by the industry body.

**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):

The purpose of the Gas (Downstream Reconciliation) Rules 2008 is to establish a set of uniform processes that will enable the fair, efficient and reliable downstream allocation and reconciliation of downstream gas quantities.

Placing obligations on participants which they cannot meet does not facilitate the purpose of the Gas (Downstream Reconciliation) Rules 2008, it undermines it.

Under its VTC Transmission Services Agreements ("TSAs"), Vector Transmission is required to supply:

- "un-validated" energy quantities (in the form of DDRs and HDRs) for small Welded Points (on telemetry) and for Receipt Points and Delivery Points that are not Welded Points (on SCADA or telemetry) by 10:00 on the business day following gas flow;
- "validated" energy quantities (in the form of DDRs and HDRs) for small Welded Points (on telemetry) and for Receipt Points and Delivery Points that are not Welded Points (on SCADA or telemetry) by 14:00 on the business day following gas flow;
- "validated" energy quantities (in the form of DDRs and HDRs) for Large Welded Points (on SCADA) by 14:00 on the business day following gas flow; and
- "validated" energy quantities (in the form of DDRs and HDRs) for small Welded Points (on manual data collection) and Receipt Points and Delivery Points that are not Welded Points (on manual data collection) by 12:00 on the 4<sup>th</sup> business day of the month following the month of gas flow,

to the extent that we, acting reasonably, are able to provide such information.

These deadlines pose difficulties for Vector Transmission and we often struggle to meet them hence the VTC "acting reasonably" language – nonetheless we continue to use reasonable endeavours to meet them or as soon as

## DR08-15-S Vector

possible thereafter.

Rule 42 refers:

- to days rather than business days; and
- fails to distinguish between gas gates with telemetry and those without.

Vector Transmission does not have the staff or resources to provide the requested information every day, as opposed to every business day, nor to provide it more than once a day and as it has previously stated, notes that the costs of doing so would be significant, and in Vector Transmission's experienced view not of sufficient value to warrant doing it.

Vector Transmission is unable to provide estimates for sites where it does not have telemetry. In such a situation the retailer(s) should be better placed than Vector to produce an estimate of energy quantities. It is also not economic to install telemetry at many of the smaller Delivery Points, and in some cases it is actually not technically feasible.

Rule 42 also:

- fails to separate out gas gates at which there are only two retailers. The VTC prohibits Vector Transmission from disclosing aggregate energy quantity information at points where there are only two retailers – this is because if a retailer is armed with the aggregate position and its own position, it can quickly work out the other retailer's position. Vector Transmission has no particular view on this, but it was a requirement of retailers when the VTC was finalised. We understand that a Shipper is soon to lodge a VTC Change Request ("CR") to have this prohibition removed – but that CR has not been lodged nor passed as yet; and
- does not distinguish between gas gates at which an allocation is required and at those where no allocation is required.

Please note that Vector Transmission assumes that the use of the word "estimate" corresponds with the VTC's term "un-validated". Brief and basic "sense" checks are performed before "un-validated" data is released – but that's all.

**Describe how the exemption sought may affect other participants**

**(including service providers) and any costs and benefits to them:**

Participants will be unaffected – current processes will stand and they will have access to the information in accordance with the timeframes set out in the VTC.

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

Vector Transmission seeks an exemption from complying with rule 42 until such time as the rule is amended to: (a) reflect the VTC; (b) not apply to gas gates at which there are only two retailers; (c) account for the distinctions between different types of data collection; (d) use the concept of business days; and (d) provide for the information to only be made available where an allocation is occurring.

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

Vector Transmission is happy to continue meeting its VTC obligations re the provision of this information.

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

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

N/A – unless the urgent process needs to be followed, in which case by 1 October 2008.

**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:

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

## **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: 027 291 2651  
(Vector Transmission)  
Contact Name: Jo Murray      Fax:  
Email: jo.murray@vector.co.nz      Mailing Address:

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

Standard (under rule 19) – unless there is insufficient time to process the exemption, in which case Urgent (under rule 20)

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

The rule 41 requirement to provide information by 0800 hours on the 4<sup>th</sup> business day of the month.

**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):

The purpose of the Gas (Downstream Reconciliation) Rules 2008 is to establish a set of uniform processes that will enable the fair, efficient and reliable downstream allocation and reconciliation of downstream gas quantities.

Placing obligations on participants which they cannot meet does not facilitate the purpose of the Gas (Downstream Reconciliation) Rules 2008, it undermines it.

Under its VTC Transmission Services Agreements ("TSAs"), Vector Transmission is required to supply "validated" energy quantities by 12:00 on the 4<sup>th</sup> business day of the month following the month the gas flowed to the extent that we, acting reasonably, are able to provide such information. The deadline poses difficulties for Vector Transmission and we often struggle to meet exactly 12:00 and hence the VTC "acting reasonably" language – nonetheless we continue to use reasonable endeavours to meet it or a time as soon as possible thereafter. Rule 41 advances that deadline by half a day, and sets out a timeframe that Vector Transmission cannot meet.

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

Participants will be unaffected – current processes will stand and they will have access to the information in accordance with the timeframes set out in the VTC.

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

Vector Transmission seeks an exemption from complying with rule 41 until such time as the deadline in rule 41 is changed to a reasonable endeavours obligation to meet 1200 hours on the 4<sup>th</sup> business day of the month.

If the GIC has no intention of changing the deadline, then Vector Transmission seeks an exemption from complying with rule 41 until such time as it is able to find additional resources, to restructure its metering team, to enable compliance and is compensated for all costs associated with this by the GIC.

**Specify what conditions and/or alternative arrangements relating to the**



**exemption sought are appropriate:**

Vector Transmission is happy to continue meeting its VTC obligations re the provision of this information.

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

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

N/A – unless the urgent process needs to be followed, in which case by 1 October 2008.

**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:

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