Appendix C. Compiled responses to the Options Paper

General

Submitter	Submission point(s)
Contact	NC
Energy Direct	NC
Genesis	• Further analysis needed on improving the accuracy of the initial allocation, particularly of Options 2-4. Genesis Energy's preference is for an approach that provides additional information and incentivises improved processes rather than a penalty-based approach. • Impact of (mass-market) share should be factored in to the GIC's analysis of options. • Recommend splitting work into two phases to aid implementation – split off the initial allocation changes and handle the rest by mid-2012.
Greymouth	Greymouth supports a review of the Rules.
MDL	For the most part, MDL does not have concerns about downstream reconciliation. In fact, we would prefer it if this activity had no impact on us at all. Under the current Rules, however, we are faced with some impacts.
Mighty River Power	• MRP's preferred option for resolving monthly allocation of UFG problems is a combination of Option 1 – Alternative A and the introduction of a Daily Allocation arrangement. • On Option 1 – Alternative A – MRP recognises it would probably be impossible for Vector Transmission to issue transmission invoices on the 10th of the month and issue the BPP positions on the 15th of the month. o This could be resolved by introducing D+1 and by requiring all TOU customers be in AG1.

Submitter	Submission point(s)
Powerco	• Support the principle of periodically reviewing all changes to new and amended rules and regulations. • Agree that achieving a high level of accuracy is essential and that an important factor in being able to achieve this is to have all gas gates with gas measurement systems installed. However, in certain circumstances, it is not realistic (commercially) to install or change a meter. In these cases, Powerco believes an exemption should be granted. If/when it becomes commercially viable to install meters the exemption(s) may be rescinded. • No need to devote time/resources to creating a rule to breach meter owners, especially with the introduction of GIC's billing factor guideline.
Vector	• Review of the Rules should be a top priority. • Increased accuracy of initial allocations of UFG: support further investigations into "causer pays." No need to create a dividing line of "causers", rather UFG should be pro-rated amongst all retailers based on the accuracy of their performance; otherwise more work required on the options (including CBA). • More efficient allocation of ongoing costs: the current arrangement is inequitable due to cross-subsidisation of mass-market retailer by non-mass-market retailers. ICPs drive the cost of administering the Rules. • Removal of unnecessary compliance costs: remove triple jeopardy; clarify the intent of the Rules causing uncertainty. • Codification of existing exemptions: codify any exemptions that support the purpose of the Rules; retain exemptions particularly where costs of complying with the Rules outweigh any purported benefits.

Question 1: Do participants agree that the option of making the SADSV available in advance of AG 4 and 6 initial consumption submissions is worth pursuing?

Submitter	Submission point(s)
Contact	No. Contact agrees that using actual (rather than estimated or flat) SADSVs for the initial submission will always improve the historic estimate element of the initial submission, but there is no guarantee that it will improve the forward estimate portion as it would depend on the participant's forward estimation methodology. In Contact's case making SADSVs available for the initial non-TOU submission would not improve our current forward estimation accuracy as this uses a daily average for each meter register for each month that is derived from the previous 3 years seasonally adjusted historic estimates for each register.

Submitter	Submission point(s)
	Contact currently uses estimated SADSVs for the historic estimates portion of the initial submission, the estimated values based on the average SADSVs for Monday, Tuesday, Wednesday, etc through Sunday for the same month in the previous year. Accordingly we are already achieving some improved accuracy in the historic estimates portion of our submissions for initial allocation, but despite this we do not achieve overall accuracy for the initial submission within the +/- 10% and 200GJ initial-final submission thresholds for all gas gates. It is noted that what is proposed for gas effectively replicates what is occurring in electricity, but within a tighter timeframe, electricity using the SADSVs from the BD4 reconciliation in the BD13 submissions. We do not estimate the SADSVs for the initial submission as we do for gas. It is noted that the overall (aggregate of all GXPs) improvement in accuracy for electricity between BD4 and BD13 is typically small (< 1.0%) albeit electricity is less seasonal than gas. For 2011 the change in total submission by month from BD4 to BD13 was -.7%, +0.3%, -0.1%, +0.5%, -0.6%, -0.2%, +0.2%, +0.3%, -0.6%, -0.8%, -0.9%, -0.5%. We do note however that the change in submission (essentially could be regarded as improvement in accuracy) for electricity from initial submission on BD4 to month 3 BD13 submission (the equivalent of the gas interim submission on month 4 BD9) is also relatively small compared to gas. For the months of January 2011 to September 2011 the changes were as follows: Electricity: -0.1%, +0.7%, -0.1%, +1.3%, -1.4%, -0.7%, +0.5%, +1.4%, -0.5% Gas: -3.5%, +1.9%, +5.4%, +8.8%, -6.4%, -4.9%, -1.6%, +6.9%, -9.7% On balance Contact considers this option would only achieve marginal accuracy improvement while at the same time adding complexity to the energy reconciliation process and extending the period (having an accumulating effect) when Contact would not know its position which would outweigh the benefits of improved initial submission accuracy.
Energy Direct	Yes. Use of consistent initial SADSV by all retailers should reduce UFG and differences between initial and final allocation submissions. Many of the differences between EDNZ's initial and final allocations are due to our initial SADSV being higher or lower than the actual SADSV.
Genesis	We agree that this option is worth pursuing but we have concerns about the reliability of the published seasonal adjusted daily shaped value (SADSV). From our experience, there has been a history of errors in time-of-use (TOU) or injection submissions that have corrupted the SADSV and led to incorrect mass-market submissions. These errors then continue every month thereafter until eventually corrected. In addition, the minimal time between publication of the SADSV data and the requirement to use it for the initial allocation may be insufficient to identify potential issues with SADSV data. We consider that there would be significant implementation costs associated with this proposal so a robust cost-benefit analysis would be required to justify such a change. We recommend that this analysis include an assessment of the effectiveness of this option assessed across all gas gates.

Submitter	Submission point(s)
Greymouth	Yes.
MDL	NC
Mighty River Power	Yes – MRP supports that there is value to be added to the accuracy of submissions where the SADSV for the reconciliation month is available for forward estimating NTOU submissions.
Powerco	NC
Vector	Vector agrees that making the SADSV available in advance of Allocation Groups 4 and 6 initial consumption submissions is worth pursuing. In concept, the proposal appears to improve the accuracy of initial submissions; however, timing would be critical. All proposed alternatives would delay the receipt of Balancing Peaking Pool ("BPP") positions. Alternative A would delay the issuance of transmission and BPP invoices by three days every month, which would be unacceptable to Vector Transmission. Alternative B would also be problematic for Vector Transmission. Moving the deadline forward to 08:00 would increase the amount of unvalidated injection metering data submitted to the Allocation Agent in place of "actual daily energy quantities injected" (as required by Rule 41) and therefore increase the number of Vector Transmission breaches under the current Downstream Reconciliation Rules ("the Rules"). Vector suggests another alternative (Alternative C), which is a combination of Alternatives A and B: • Business Day 4 – 10am: TSO submits injection data; 10am: retailers submit TOU consumption data; 3pm: Allocation Agent publishes SADSV. • Business Day 5 - midday: Retailers submit non-TOU consumption data. • Business Day 6 – 8am: Allocation Agent publishes initial allocation. Vector recommends that Alternative C be further investigated. While Vector endorses this option, it is noted that this would delay the issuance of BPP positions for some months. In any case, it is good regulatory practice to consider all options and conduct a cost-benefit analysis.

Submitter	Submission point(s)
	Should retailers, transmission system operators, and the Allocation Agent agree with the above recommendation (Alternative C), Vector suggests that it should be implemented by way of an exemption before the full set of changes to the Rules are made to facilitate the transition.

Question 2: Gas Industry Co seeks feedback on the feasibility of staggering the submission of TOU and non-TOU data for the initial allocation and delaying publication of the results of the initial allocation. We also seek an indication of whether retailers would be able to accommodate the 24-hour period for processing and submitting non-TOU date once they received the SADSV.

Submitter	Submission point(s)
Contact	Contact could accommodate Alternative A but believes Alternative B would be high risk. As stated above, Contact considers these alternatives would only achieve marginal accuracy improvement while at the same time adding complexity to the energy reconciliation process and extending the period (having an accumulating effect) when Contact would not know its position which would outweigh the benefits of improved initial submission accuracy.
Energy Direct	Ideally EDNZ would prefer the SADSV for the initial allocation to be based on actual data. We acknowledge that extending deadlines for submission of GAS040 non TOU data may cause difficulty for upstream billing, and advancing deadlines for GAS050 TOU submissions may result in an increase in estimated TOU data. If it is impractical to provide actual SADSV we would like the GIC to consider providing retailers with estimated SADSV prior to the initial allocation. If the same values are used by all retailers, UFG should be shared proportionately between them. **Alternative A** This alternative would create timing issues for upstream billing dependent on gas allocation results. Consideration should be given to whether the interim and final allocation deadlines should also be extended. The proposed timetable means that the initial SADSV would not be available until 12pm on the 8th working day, with interim GAS040 submissions (which require these SADSV) due at 8am on the following working day.

Submitter	Submission point(s)
	Alternative B It would be possible for EDNZ to complete submissions within 24 hours of receiving the SADSV. However, it would be beneficial to allow further time to check any anomalies in our consumption data. Bringing forward the deadlines for submission of TOU data under alternative B could result in more frequent estimation of TOU submissions. TOU downloads are usually provided to EDNZ by the end of the 3rd working day of each month, but in some cases these are not received until during the 4th working day. The downloads must be processed in our billing system before the GAS050 report can be generated.
Genesis	We would not support a 24 hour processing period as presented in Alternative B. We believe it would result in more errors entering initial submissions as there would be insufficient time for processing and validations.
Greymouth	Greymouth Gas primarily makes TOU data submissions and accordingly, we are not materially impacted by the mass market UFG issues. We recognise that this is an industry issue and the option of making SADSV available in advance does seem like a pragmatic solution to explore. However, we would not want to see material delays in transmission invoicing (unless Vector relaxed their payment terms) or finalised balancing positions. The pragmatic solution is therefore Alternative B per page 28 of the paper. Greymouth would consider amending our systems to effectively provide TOU injection data on/by Business Day 3 instead of part-way through Business Day 4, if it looks like this will be of material benefit to industry.
MDL	NC
Mighty River Power	MRP finds it is feasible to stagger the submission times for NTOU and TOU data however has concern that delaying the allocation will increase balancing costs as retailers will need to wait longer before being able to realign their BPP positions with Vector. For that reason MRP will support the movement to option B where the allocation is only delayed by 1 day. The 24 hour period for processing once the SADSV is received into NTOU submissions is tight and therefore where unforeseen system errors may occur from time to time, retailers should be given the opportunity to estimate with reasonable accuracy without the use of the SADSV.
Powerco	NC
Vector	Vector agrees with this proposal and in option C above suggests that an even shorter period for submitting non-TOU data could be achievable once retailers receive the SADSV.

Question 3: Do you agree that preferentially allocating UFG to causers is worth investigating as a possible alternative to the global allocation method for the initial allocation? If not, please provide reasons.

Submitter	Submission point(s)
Contact	No Contact considers that such an approach would create more uncertainty and noise, and not reflect system improvements on a timely basis.
Energy Direct	In principal EDNZ agrees that more UFG should be allocated to causers. We understand that there will be further consultation on how accuracy will be determined, and how much excess UFG will be apportioned based on the size of submissions versus historical accuracy. Our main concerns with preferentially allocating UFG are: • If the method of calculating historic accuracy is not accurate or reviewed regularly, incentives to improve accuracy of submissions will be reduced. • Whether the retailer's accuracy across all gas gates, or at each gas gate is considered. A retailer could be a significant causer of UFG at certain gates, but not at others. • How materiality will be taken into account. A retailer could be just over an accuracy threshold by under reporting thousands of GJ, or less than 1 GJ. • Whether historical under and over submissions should be treated differently. • Transparency and complexity. • The cost of administering a more complex process.
Genesis	Yes. As noted in the cover letter, we consider that further analysis of the options presented in section three of the consultation paper is required so that

Submitter	Submission point(s)
	participants can fully understand the relative costs and benefits of the options. In principle, we would prefer an approach that incentivises retailers to improve their processes, rather than a penalty based approach for allocating UFG. As part of this option, we encourage the GIC to consider: • the implications of allocating of UFG to causers at the pipeline level, rather than individual gas gates; and • allowing retailers a realistic tolerance band for accuracy of submissions, prior to determining the causers of UFG. We note that there are already provisions for this at the gas gate level and that this option has been raised in previous industry forums. There will be difficulties associated with determining the "causers" of UFG and we disagree with the method the GIC has presented in the consultation paper. The GIC has sought to use absolute gas volumes in its analysis to represent the comparative accuracy between retailers. However, this approach is unacceptable as market share ratios would be the main influencing factor (particularly given the dominance of two retailers) in this data, not improvements in retailers' accuracy. Refer to comments in the cover letter regarding market share.
Greymouth	Yes – but only to the extent of the process but forth on page 30 of the paper, i.e. AG1 and AG2 would be allocated as they are now.
MDL	NC
Mighty River Power	MRP does not agree that this would be a feasible option. In order to accurately distribute UFG to causers fairly, the distribution would need to be allocated based on actual readings. Where estimated readings are used, the causers are only identified by each retailer's "best" estimates.
Powerco	NC
Vector	Vector fully supports preferentially allocating UFG to causers but would prefer this be implemented in addition to Option 1. Consistent with the fairness principle, parties who cause UFG should get allocated the UFG in the initial allocation.

Question 4: What is your view of using the difference between a retailer's initial and interim submissions as the measure of accuracy?

Submitter	Submission point(s)
Contact	The problem here is that you cannot assess who the causers are until much later, consequently participants that implement system improvements would be penalised long after the improvements were made. Contact considers that such an approach would create more uncertainty and noise, and not reflect system improvements on a timely basis.
Energy Direct	The difference between initial and interim submissions would be a reasonable measure of accuracy only for retailers who have read most of their ICPs several times between the initial and interim allocation. EDNZ achieves a read rate of approximately 98% per month and over 99% each 4 months, so the difference between the initial and interim allocations would be a reliable measure of accuracy for us. The difference between initial and interim submissions will be much less reliable for retailers who do not have high monthly read attainment rates. Our preference is to use the difference between initial and final allocations, as retailers are likely to have attained actual reads for most sites by the time that the final allocation is completed. Materiality should be taken into account as well as the percentage difference between the initial and subsequent allocations. Events such as a single domestic meter being misread, or different SADSV applied to initial and interim submissions for the same month, can easily result in a difference of more than +/- 10% when there are only a handful of EDNZ customers at the gate.
Genesis	We agree that using the difference between a retailer's initial and interim submissions is an appropriate measure of accuracy as the change between interim and final submissions is usually small. However, we caution that this approach may create perverse incentives. Participants may now seek to shift correction movements from the initial/interim/final submissions to the initial/final submissions, therefore making the interim submission essentially the same as the initial.
Greymouth	NC
MDL	NC
Mighty River Power	NC
Powerco	NC
Vector	Vector agrees with this proposal.

Question 5: If a rolling average were to be used as the basis for measuring accuracy, how many months would you suggest the average be taken over?

Submitter	Submission point(s)
Contact	Refer Q4 comments
Energy Direct	EDNZ would prefer a rolling 12 month average. Changes of season and months with a higher or lower average temperature than usual are more likely to result in inaccuracy. Using a 12 month average will take seasonal over and under reporting into account.
Genesis	It is hard to comment on an appropriate basis for calculating a rolling average without further information from the GIC on what exactly is to be averaged. However, our initial thoughts are that a rolling average should be calculated over a period of three to 12 months. This would ensure that seasonal fluctuations, such as heading in and out of winter, were allowed for. It is preferable to avoid a longer period as returns would take too long to manifest and this would weaken the incentives for retailers to make accuracy improvements.
Greymouth	NC
MDL	NC
Mighty River Power	NC
Powerco	NC
Vector	A six-month period would be reasonable. It would cover the changes of the seasons but is short enough to reflect improvements in accuracy of retailers" initial submission.

Question 6: One suggestion is to define "causers" as the bottom x% of retailers when ranked by submission accuracy. What value would you suggest for "x"?

Submitter	Submission point(s)

Submitter	Submission point(s)
Contact	Refer Q4 comments
Energy Direct	EDNZ does not agree that the bottom percentage of retailers should be defined as causers. By ranking retailers, they will only benefit from improvements to their submission accuracy if they move into the top group displacing another retailer. Theoretically if all retailers improve their submission accuracy to an acceptable level, UFG should be shared evenly between retailers based on their submission volume. EDNZ's preference is for the GIC to consider a minimum accuracy percentage (with materiality taken into account) rather than the bottom percentage of retailers.
Genesis	We strongly disagree with this approach as it overlooks the fact that all mass market retailers contribute to UFG to some degree. In addition, there are only a small number of retailers at many of the gas gates, making it difficult to find an "x" value that would effectively capture the causers. We consider that it would be fairer and more effective for all retailers to receive a scaled apportioned share of UFG, based on their submission accuracy
Greymouth	As the GIC notes, the value of 'x' will depend on the business model of retailers. Perhaps a cost-benefit analysis is needed to identify the point at which 'x' generates a marginal benefit to industry compared with the cost of implementation? Such an analysis would need to take account of allocative efficiency issues and the purpose would be to determine if 'x' could be reasonably tightened further, or whether doing so would be too costly.
MDL	NC
Mighty River Power	NC
Powerco	NC
Vector	Vector does not believe a dividing line should be used to identify which parties are the "causers" of UFG and which are not. UFG should be pro-rated amongst all retailers based on their performance accuracy in the previous six months. All retailers should get a share of the UFG to incentivise all parties to improve their performance. If only some of the retailers are considered to be the causers, this may cause administrative complexity as the causers will vary across gas gates.

Question 7: Do you agree that it is worth investigating the feasibility and cost of implementing daily allocations (D+1) at a pipeline level? Please provide reasons for your answer.

Submitter	Submission point(s)
Contact	Yes Contact considers that the "D+1 Light" proposal has merit and warrants further investigation and analysis. This methodology would appear to offer a very pragmatic solution for the industry to achieve improved accuracy in the information usable by shippers to self-balance, and for BPP calculations and invoicing. It is particularly attractive in that while providing improved accuracy it also would remove the need for Rule 37.2 breaches and wash-ups of BPP charges via ongoing breach investigations and settlements, and instead focus on what Rule 37.2 was intended for when the GART proposed its inclusion which was to have a KPI to identify outlier estimation performance (as for electricity). At a conceptual level the approach would need to involve: • Both AG1 and AG2 ICP consumption to be estimated where actual AG1 ICP data is not available on any particular day for the previous day. • Use of an estimated pipeline CV to convert the metered volumes to GJ. Be able to take into account any material shift in ICPs and associated consumption from one retailer to another (e.g. E-Gas)
Energy Direct	No. We believe that the costs of implementing D+1 will outweigh the benefits for EDNZ. We are also concerned that allocations calculated using the D+1 methodology could be very different to interim allocations especially for a smaller retailer like EDNZ, due to switching, changes in market share percentages each month, and accuracy of retailer submissions.

Submitter	Submission point(s)
Genesis	Yes. Daily allocations (D+1) seeks to address participants' main concerns with gas allocations by enabling participants to balance their gas positions throughout the month and it may remove the need for initial allocations). As noted in the cover letter, we encourage the GIC to undertake further analysis of this option so participants can fully understand the costs and benefits of the varying approaches.
Greymouth	D+1 has been an issue for a number of years and while the theoretical benefits are relatively clear-cut, prior M-co and GIC analysis has proven that the feasibility and cost of implementing D+1 is prohibitive. Accordingly, the question shouldn't be whether there is an investigation; it should be whether the current ad-hoc investigations continue and whether old arguments are rehashed. Such a process would require significant cost-benefit and efficiency analysis and is almost better placed sitting outside of the paper, particularly when the SADSV process may allow interim incremental improvement. Greymouth Gas reserves further comment on D+1.
MDL	We believe this would indeed be worth investigating further. Without jumping to conclusions, we believe a D+1 allocation could offer several benefits and increased opportunities for better gas management and self-balancing. An investigation to study the implementation feasibility and cost should be justifiable.
Mighty River Power	Yes – MRP agrees that the GIC should investigate the feasibility of a D+1 allocation option. D+1 would provide shippers with an essential operational tool to effectively and efficiently manage their mismatch positions. A D+1 would also address the problems associated with Rule 37.2 breaches.
Powerco	NC
Vector	Vector does not see overriding benefits in implementing D+1 or "D+1 light", which would appear to be a backward step in ensuring greater accuracy. Data using this methodology may not be accurate or not as accurate as current initial data. The Options Paper points out "it is likely that gas gate-level apportionment would be significantly less accurate at some gas gates than the existing initial allocation results...due to the limited amount of data the D+1 "light" allocations would be based on" (page 34). D+1 light could cause issues. Vector is concerned about the effectiveness of creating a profile for Allocation Group 2 sites due to the uncertain nature of customers' consumption due to shutdowns, maintenance, differing seasonal start and end dates, and differing work patterns due to the economic environment. While a retailer in close contact with its customers can take these variances into consideration whilst purchasing gas, it would be difficult to create an automatic profile for these customers based on their last year or three years' consumption. More evidence is required to show

Submitter	Submission point(s)
	that more accurate data and cost efficiency is derived from the implementation of D+1 light before this option can be considered further. Vector is concerned that under D+1 Shippers may dispute any balancing costs they believe to be inaccurate based on less accurate allocations.

Question 8: If D+1 were to be implemented for BPP charges, would it be a concern for your organisation if transmission charges continued to be based on the existing initial allocation methodology?

Submitter	Submission point(s)
Contact	No
Energy Direct	Yes, EDNZ would prefer the same methodology to be used for all allocations for simplicity and efficiency reasons. We also have concerns about the accuracy of initial D+1 allocations.
Genesis	No. Transmission charges based on initial allocations allow parties to manage overruns each month.
Greymouth	NC
MDL	MDL's transmission charges are based on approved nominations, so allocation methodologies are not relevant to us for this purpose. We do not expect this to change.
Mighty River Power	No.
Powerco	NC
Vector	Vector does not agree with this proposal. Clear benefits need to be shown from the implementation of D+1 for BPP charges. The accuracy of data derived could be inferior to the current arrangements.

Question 9: Do you agree it is worth investigating changing the initial allocation algorithm? Does your organisation have any suggested algorithm(s)?

Submitter	Submission point(s)
Contact	Yes. Contact considers this methodology would provide a superior outcome to the current initial allocation arrangements. Assuming this is in addition to D+1 light this would improve the accuracy of the initial transmission invoice. If on the other hand D+1 light does not go ahead this would at least provide a more accurate basis for BPP charges. It is also assumed that this methodology would remove the need for Rule 37.2 breaches and settlements via breach investigations of BPP charges. At a conceptual level the approach would need to involve: • Both AG1 and AG2 ICP consumption to be estimated where actual ICP data is not available on any particular day for the previous month. • Be able to take into account any material shift in ICPs and associated consumption from one retailer to another (e.g. E-Gas) • Continue to produce the SADSVs for the interim submission, but remove the need for initial submission of consumption data for AG3-6. In effect this top down option is very similar to Contact's methodology used for building gas nominations. Contact also uses a top down/market share approach for estimating electricity purchases on BD2 required for management reporting, and this always provides a materially accurate estimate compared to bottom up as billed +/- accruals. We monitor results using different approaches for market share but have found one particular approach consistently gives the most accurate results.
Energy Direct	EDNZ does not agree with the proposed change to the initial allocation algorithm for the following reasons: • The algorithm depends on daily TOU data being available. All but one of EDNZ's TOU correctors are downloaded monthly. Some of our correctors do not have telemetry. Meter owners charge additional fees for telemetry which would increase costs for our customers. • Interim allocation results may not be representative of a retailer's actual volumes, as discussed in question 4. • Each retailer has a different customer mix. Using the market share from the last interim allocation (which occurred four months prior and during a different season) may not be representative of the retailer's market share in the current month.

Submitter	Submission point(s)
Genesis	Yes. The current algorithm lacks robustness in some situations such as dealing with negative and zero gas volumes. We recommend that the GIC review the following research paper to aid the development of alternative initial allocation algorithm: Brabec, M Malý, M Pelikán,E.-Konár,O (2010), Statistical model of segment-specific relationship between natural gas consumption and temperature in daily and hourly resolution, From: Natural gas. Sciyo. ISBN 978-953-307-112-1 (www.sciyo.com).
Greymouth	Yes – it may be worth investigating changing the initial allocation algorithm as a further interim step made in accordance with, or after, the SADSV solution. Greymouth Gas would support such an investigation where the status quo allocation continues for TOU data, and we make no comment about the relative merit of using market share to determine mass market allocations.
MDL	Yes, if a D+1 approach is taken, we expect it would be worthwhile to investigate the most appropriate and practical algorithm for such a new approach. We do not expect MDL to be affected by the choice of algorithm so we do not have any preferences.
Mighty River Power	Yes, as per cover letter.
Powerco	NC
Vector	Vector agrees that changing the initial allocation algorithm is worth investigating. An algorithm that proportionately allocates UFG to causers needs to be developed and subsequently released for consultation.

Question 10: Do you agree that the purpose of the Reconciliation Rules would not be better served by having retailers who trade at direct connect gas gates subject to the global allocation methodology? If not, please provide your reasoning.

Submitter	Submission point(s)

Submitter	Submission point(s)
Contact	No There is no benefit as there is no UFG to be allocated. All it would do is add allocation costs for no benefit. The same concerns that were raised when exemptions were sought for direct connect gas gates would arise again, i.e. the flow on effect of ongoing fees if they remain fully or partially based on allocated volumes.
Energy Direct	No, it is not necessary to have direct connect gas gates subject to the global allocation methodology. All gas at the gas gate will be allocated to one retailer, regardless of who the retailer for the site is. We believe that the global allocation methodology should apply where a single retailer trades on a gas gate connected to an open access network.
Genesis	Yes. We support maintaining the current practice, where retailers who trade at direct connect gas gates are not subject to the global allocation methodology. We also agree that non-shared (single retailer) gas gates should continue to be subject to global reconciliation. Although there is only one retailer currently trading on a gas gate, it is important that the possibility for retail competition is maintained.
Greymouth	No. The status quo is fine whereby direct connect gas gates are not subject to the global allocation methodology. Continuation of this approach is supported by: • The original policy intention to provide transparent public data, which Oatis continues to provide for direct connect gas gates where the pre-splits are equal to the splits. • The Rules are all about allocation, and no allocations are required at direct connect gas gates. • Allocations are primarily for Vector's purposes, and Vector doesn't need an external party to tell them what they already know. • Section 43ZN(b)(iv) requires delivered gas costs to be subject to sustained downward pressure; so bringing direct connect gas gates under the Rules would unnecessarily increase the costs for end users connected directly to the transmission system.

Submitter	Submission point(s)
	• Further to the point above, NZX might have a commercial benefit if the "allocate" direct connect gas gates, as there could be scope for their revenue to increase.
MDL	MDL does not assign UFG to gas gates so we believe MDL's direct connect gas gates should never have been subject to any downstream allocation methodology or Rules. We believe this is a historical mistake that should be rectified.
Mighty River Power	No for the same reasons that this suggestion has been previously rejected.
Powerco	NC
Vector	Vector agrees with this proposal.

Question 11: If you agree with Q9, do you also agree that the Reconciliation Rules should be amended as described above so as to obviate the need for exemptions in respect of direct connect gas gates?

Submitter	Submission point(s)
Contact	We agree the Rules should be amended in respect of direct connect gas gates as per the preferred option, although this has no relevance to Q9 (or for that matter Q10).
Energy Direct	Yes, we agree that exemptions should not be required for direct connect gas gates
Genesis	Yes. It is important that the Rules reflect the current practice of exempting direct connect gas gates. We note that if the GIC decide to proceed with D+1, direct connect gas gate data would need to be available for this process. This data is required to enable data to be built up to the pipeline level for D+1 allocations.
Greymouth	Notwithstanding the first part of this question, the Rules should be amended to obviate the need for exemptions in respect of direct connect gas gates. i.e. the Rules should incorporate the concepts provided in current exemptions on direct connect gas gates. This way the Rules can incorporate continuous improvement and leave the exemption process free to look at exceptional circumstances.

Submitter	Submission point(s)
MDL	As above, there is no need to make any downstream reconciliation or allocation of UFG at any of MDL's gas gates. Instead of relying on continuing exemptions we believe it would indeed be better to amend the Rules to not apply to direct connect gas gates. We believe the reasons for granting the existing exemptions to direct connect gas gates are valid, and will remain valid in the future. In addition, we believe that reporting requirements under the Rules should also be eliminated for MDL's direct connect gas gates. As far as we are aware, the information that we report is not used or necessary for any allocation algorithm. As a result we do not know why MDL should be required to comply with Rule 41. We also do not believe that Rule 42 should be applicable to MDL. All the information requirements between MDL and Shippers on the Maui Pipeline are set out in the Maui Pipeline Operating Code. We are not aware of any need or benefit for Downstream Reconciliation Rules to add to those requirements.
Mighty River Power	NC
Powerco	NC
Vector	Vector agrees with this proposal. In addition to, and as a consequence of, the amendments referred to in Q10, which removes the need for retailers to submit data at direct connect gas gates and for the allocation agent to perform an allocation, the Rules should be amended to remove the need for transmission system owners to provide daily injection information (Rule 41) and publish estimated day-end volume injection quantities each day (Rule 42) (these will still be published under our obligations in the Vector Transmission Code ("VTC")), and for the Allocation Agent to produce estimates (Rule 43) in respect of direct connect gas gates.

Question 12: Do you agree that the global methodology fails to produce acceptable results as gates that have a very high proportion of TOU load?

Submitter	Submission point(s)
Contact	Yes, but the underlying issue that prompted the global 1 month methodology (TOU metering inaccuracy) is not limited to gas gates with a high proportion of TOU load. Contact notes that the influence of inaccurate TOU metering (gas gate metering and/or customer TOU metering) can only be easily demonstrated at gas gates with dominant TOU load, this was the basis for the original introduction of the global 1-month methodology at certain gas gates under the Reconciliation Code arrangements. The same principle applies at all gas gates with TOU gas gate/customer metering, it just can't be demonstrated as easily.

Submitter	Submission point(s)
	There is s strong argument that UFG allocation should not differentiate between TOU and non-TOU metered sites, consistent with the arrangements for UFE allocation in the electricity reconciliation process. Comment is often made that TOU metering is more accurate than non-TOU metering, however this point is overplayed. While a TOU metering installation typically includes a conversion device connected to the meter via an instrument drive that electronically adjusts the metered volume for pressure and temperature (instead of using fixed factors), and records daily volumes, the actual meter itself is no different to a standard meter used for medium sized non-TOU consumer installations. Therefore the only accuracy benefits that can be claimed are the dynamic adjustment for pressure and temperature, and the recording of daily volumes using the logger capability. It should also be noted that large [TOU] meters are often left in place when the usage at a site has reduced materially, as a consequence the [TOU] meter will under-record and possibly not record the lower gas consumption. There have been many examples of this over the years, one being the South Pacific Tyres site in Upper Hutt which retained a large meter for a long time after South Pacific Tyres ceased manufacturing on the site and it became obvious that the meter was not recording any consumption despite there still being some actual gas usage.
Energy Direct	Yes, particularly if the TOU data is not accurate.
Genesis	Yes. At gas gates with a high proportion of TOU load, any error in TOU volumes is incorrectly reflected in the mass market allocations, rather than in the TOU allocation.
Greymouth	No. Without seeing numbers or an analysis as part of the paper, the evidential answer must be no.
MDL	NC
Mighty River Power	Yes but this in turn raises a question of the validity of the application of an Annual UFG factor to Allocation Group 1 and 2 customers.
Powerco	NC
Vector	Vector agrees with this proposal.

Question 13: Do you agree with the proposal to incorporate within the Reconciliation Rules provision for a framework for application of the global 1-month methodology at gas gates that meet specific criteria? If not, please provide your reasons and your suggested alternative approach to addressing the shortcomings of the global methodology in such circumstances.

Submitter	Submission point(s)
Contact	Contact's preference would be to apply the global 1-month methodology to all gas gates to ensure fairness of UFG allocation, however we accept

Submitter	Submission point(s)
	that because balancing charges are not washed up with the interim and final allocations that it makes sense to retain annual UFG factors for gas gates that do not have a high proportion of TOU (daily metered) load. Accordingly Contact agrees with the preferred option, except that we would suggest 80% of TOU load would be a more appropriate threshold, and that the global 1-month methodology be applied at all gas gates meeting the 80% threshold criteria.
Energy Direct	Yes.
Genesis	Yes. The global 1-month methodology is the only fair method of allocation for a number of exceptional gas gates with high TOU load. We encourage the GIC to seek further industry input on the exact processes and criteria for approval that it seeks to include within the Rules. We recommend that the GIC consider expanding this proposal further if it proceeds with an initial submission process where SADSV are calculated prior to mass market submission. With the additional information available from the SADSVs, the allocation agent would be able to identify affected gas gates on a monthly basis that require the use of the global 1-month methodology and it could therefore allocate accordingly, to prevent TOU errors distorting mass market allocations. We consider that this would be a more proactive approach that would remove the need for ongoing exemptions and would avoid subsequent wash-ups to address allocation errors. A rule change would be required to establish this process.
Greymouth	Greymouth Gas would want to see such a proposed framework drafted first before forming a view on whether the same should be incorporated into the Rules. Prima facie, there is a problem but the proposed solution gets straight to the point without addressing possibly intermediary issues like other sources of UFG, accuracy of meter reads, or audits of gas gates. Wouldn't it be pragmatic to do event audits at these particular gas gates to determine what the real issue is? And if the outcome is that various parties' different but correct super-compressibility calculations exclusively cause UFG at smaller gas gates, then shouldn't this just be a function of the current gas conversion policy settings? Going straight to a global monthly methodology may not only circumvent other government policy processes, but it may also disinventivise the GIC to assess each gas gate's specific circumstances on a case-by-case basis via the exemptions process.
MDL	NC
Mighty River Power	Yes

Submitter	Submission point(s)
Powerco	NC
Vector	Vector agrees with this proposal.

Question 14: Do you consider that all gas gates should have gas measurement systems installed? If not, please provide reasons. If you consider that there should be a threshold below which gas gate meters are not necessary, please describe both the threshold and the basis of measurement (e.g. monthly (average or peak) or annual volumes).

Submitter	Submission point(s)
Contact	Yes Contact believes that unmetered gas gates are most likely to be a legacy of single customer gas gates where the metering was located at the customer's premises (we think gas gates like this used to be referred to as farm gates). Then over time other connections were taken off the pipeline connecting the single unmetered gas gate to the initial single metered consumer, but no gas gate metering was installed when the status changed. We know this was the case for Waverley gas gate. A lower cost option would be for very small throughput gas gates to have non-TOU metering installed, and for daily throughput GJ deemed to be the monthly consumption divided by the number of days in the month, subject of course to no downstream consumer installations having TOU metering.
Energy Direct	EDNZ does not currently trade on any unmetered gas gates. Our preference is for all gas gates to be metered to allow detection of inaccuracies and prevent UFG costs being shared by transmission system users who do not trade on the affected gas gates. There is little incentive for retailers trading on unmetered gas gates to improve submission accuracy. If not all gas gates are to be metered, we would prefer exemptions to be considered on a case by case basis with materiality of annual consumption taken into account.
Genesis	While it would be preferable to have gas measurement systems installed at all gas gates, it is unlikely to be economical to require gas measurement systems at gas gates with small consumption volumes. A trade-off needs to be made between the cost of the gas measurement system and the allocation errors created by estimated injection volumes. A process is needed to assess these trade-offs. A more appropriate alternative may be to apply an annual UFG to the submissions for gas gate volumes with oversized meters.

Submitter	Submission point(s)
Greymouth	Yes. This view is based on the theory that exemptions should either be incorporated into the Rules or addressed so that they are no longer exemptions over time. However, the argument is tricky because while the chart on page 43 of the paper hints that installing gas measurement systems would break-even by 2021, Vector may decommission gas gates which are uneconomic. This could create a perverse Gas Act 1992 outcome notwithstanding that the counterfactual may create a perverse outcome under the Rules.
MDL	NC
Mighty River Power	Yes – MRP agrees that all gas gates should be metered.
Powerco	No. Achieving a high of accuracy is important in the downstream reconciliation process, and having meters (suitable for current flow conditions) on all gas gates supports this. Any opportunity to eliminate factors that could affect the robustness and accuracy of the process should be taken. However, we think that it is reasonable to exempt existing gas gates where there is a single Retailer and gas volumes are low. Rather than a simple threshold, we favour an exemption process whereby the cost/benefit of installing a meter is used as the determinant. Any new gas gates should be metered, as the incremental cost of providing metering on a new station is small.
Vector	Vector disagrees with the GIC"s preference to have gas measurement systems at all gas gates. Retaining the status quo would ensure that all new gas gates have metering installations while retaining all existing metering. The analysis in the Options Paper is founded on the premise that any UFG existing at an unmetered gas gate will appear as transmission system UFG and be socialised among Shippers. This is not the case. Any UFG existing at an unmetered gas gate will be part of Vector"s Running Imbalance, therefore Vector, not Shippers, is liable for managing it. The GIC"s analysis shows that a metering installation could have a payback period of 15 years. This analysis is unrealistic because: a) it is based on a site that is not an unmetered gas gate and does not have an oversized meter; b) the annual volume at that gas gate is approximately 5-6 times higher than any of Vector"s unmetered or oversized metered gas gates; and

Submitter	Submission point(s)
	c) the design life of some of the metering equipment is less than 15 years. Assuming 3.5% UFG at $7.00/GJ, the shortest payback period for the installation of any of these meters would be 250 years, for Okoroire Springs. The table below indicates the actual 2011 offtake for Vector"s seven unmetered gas gates and two gas gates with oversized meters. With very small volumes involved, it is clearly uneconomic to install meters at these gates. It would cost between $15,000 and $50,000 to install a meter at each of the gas gates below, depending on the delivery point, excluding ongoing maintenance and data processing costs. | | Offtake per year (GJ) | |---|---:| | Flockhouse* | 152 | | Te Teko* | 2,262 | | Kuku | 718 | | Matapu | 413 | | Oakleigh | 17 | | Okoroire Springs | 672 | | Pungarehu 1 | 366 | | Te Horo | 692 | | Wellsford | 1,116 | * Oversized meters In some cases, it may be very difficult to install a meter due to the flow profiles at these gates and, in many cases, technically difficult due to space restrictions. Vector is not aware of any operational difficulties for the Allocation Agent or financial detriments to Shippers in using consumption quantities instead of injected quantities to satisfy the requirements of the Rules. Should the installation of measurement systems be made mandatory at all gas gates, it would make commercial sense for Vector to decommission those gas gates that would become uneconomic as a result of this requirement.

Question 15: Do you agree that, for the purposes of this review, gas gates with oversized meters should be treated in the same way as gas gates that do not have meters installed? If not, please provide reasons.

Submitter	Submission point(s)
Contact	Yes As above, an option would be for very small throughput gas gates to have non-TOU metering installed, and for daily throughput GJ deemed to be the monthly consumption divided by the number of days in the month, subject of course to no downstream consumer installations having TOU metering.
Energy Direct	EDNZ trades at Flockhouse (FLH21901). Our preference is for oversized meters to be replaced with suitably sized meters. If it is decided that the costs of replacement outweigh the overall benefits, gas gates with oversized meters to be treated consistently with unmetered gas gates.
Genesis	Yes.
Greymouth	Yes.
MDL	NC
Mighty River Power	Yes it is important that gas gate meters should be appropriately sized for the load flowing through it so that meter readings are as accurate as possible.
Powerco	Yes. Where the meter's (over) sizing results in unacceptable metering accuracy the meter should be replaced with a compliant meter or removed from the allocation calculations. The threshold for removing the meter from allocation calculation should be established using the same exemption test as described in Q14.

Submitter	Submission point(s)
Vector	Gas gates with oversized meters should be treated in a similar manner as gas gates without meters, for the same reasons indicated in our response to Q14.

Question 16: Do you think Gas Industry Co should consider making an explicit rule to enable correction of AUFG factors or should the exemption process be relied upon?

Submitter	Submission point(s)
Contact	Contact would not support a rule change and considers the exemption process should be relied upon, and that a change should not be considered unless triggered by a materially abnormal situation. For example, we consider that AUFG factors should not be corrected unless correction of the error would have resulted in a material change to the UFG% at a gas gate that was used to calculate the most recent AUFG factor (e.g. to correct for E-Gas under-reporting across all gas gates, or where the impact on UFG was greater than say 2% at an individual gas gate), and that there is no backdating into previous gas years. It is noted that any retrospective change would likely impact network pricing/billing and/or retail pricing/billing which relied on the original AUFG factors, so in most circumstances any correction should be left until the next annual review.
Energy Direct	We agree that it would be appropriate to add a rule to enable correction of the Annual UFG factor.
Genesis	Yes. The GIC should consider an explicit rule.
Greymouth	No. The exemption process can be relied upon for exceptions.

Submitter	Submission point(s)
	Greymouth Gas notes the successful implementation of the AUFG and MUFG concepts driven by the tangible higher level of accuracy from AG1 and AG2 data compared to other Allocation Group data due to the frequency of meter reads. However, there are two suggestions which could be explored when it comes to UFG: • First, during a review of the Rules, wouldn't it be prudent to review the concept of full allocation of UFG to retailers? Has there been a study that can identify all components of UFG and pin all UFG upon retailers? Is the GIC 100% certain that Network Owners and Transmissions System Owners haven no venting, pending maintenance or line pack differential issues that could contribute to UFG? Perhaps an annual review of determinants of UFG is needed with the outcome being to distribute a proportion of the AUFG and MUFG factors to the Network Owners and Transmission System Owners who at the moment get a free-ride at the expense of consumers. To persist with such an assumption especially during a review of the Rules could be contrary to section 43ZN(b)(iv) and even (vi) of the Gas Act 1992. • Second, if a retailer submits 100% accurate data to the Allocation Agent then why should they be given a proportion of the AUFG factor? Wouldn't there be scope to make an AUFG factor retailer specific based on prior year accuracy of the final allocations? This would be a great way of incentivising parties to improve their initial, interim and final allocation results.
MDL	NC
Mighty River Power	The AUFG should be reviewed and corrected where material errors are found.
Powerco	NC
Vector	An explicit rule to enable the correction of AUFG factors should be considered. This is more cost effective and efficient, and provides greater certainty than relying on the exemption process.

Question 17: Do you agree that the way in which ongoing costs are apportioned among retailers should be changed to 50:50 mix of volume and ICP numbers? If not, please provide your preferred apportionment method with supporting reasons.

Submitter	Submission point(s)
Contact	Arguments can be made to suit any allocation methodology, however Contact considers that no compelling arguments have been made to change the status quo. It is therefore Contact's view that the status quo should be retained which is consistent with the electricity market (which has never been challenged, noting most gas retailers are also electricity retailers) and with arguments made in the past by new entrant gas retailers who advocated allocation quantities for the apportionment of the major component of allocation costs (when incumbent retailers wore most of the cost for allocation services). Contact does not support allocation based on number of ICPs.
Energy Direct	Changing to a 50:50 mix of volumes and ICP numbers will have the greatest impact on retailers who have significant TOU load or are incumbent retailers. There is little difference for EDNZ between the current process on the proposed process, but some other retailers will make significant gains or losses from the changes. Our preference is for costs to be apportioned based on volumes. Our reasons are: • Higher volumes of gas consumed are likely to result in higher submission errors. Although it can be argued that TOU metering is more accurate, even a small percentage error at a single ICP can have a significant impact. • Retailers with relatively large numbers of mass market ICPs also have a relatively large share of allocated volumes. • TOU data provided to the Allocation Agent is more detailed and covers smaller time periods, and we expect it costs more on average to complete an allocation for a TOU ICP than a single domestic ICP. • Basing the charges on either consumption or customer numbers is simpler than a mix. We think it is more appropriate to base the charges on the number of GJ.
Genesis	No. This matter has been an issue of ongoing discussions since the start of the global reconciliation project and to date no method has surfaced that has received universal agreement from participants. We support maintaining the status quo where: • allocation costs are driven by gas volume and costs should be allocated accordingly; and • registry costs are driven by the number of ICP records and should be allocated on this basis. We consider that there needs to be a strong positive benefit identified to justify a change away from the status quo. GIC should be wary of making

Submitter	Submission point(s)
	changes just for the sake of achieving a compromise between retailers with large gas volume and retailers with large customer numbers (ICPs). Changes to allocation of ongoing costs for the Registry Notwithstanding our comments above, if the GIC decide to proceed with a 50:50 split for allocation costs, then we recommend that changes also be made to the method for allocating Registry costs. This would ensure consistency in approach given that the same arguments for allocating Registry costs apply in inverse.
Greymouth	The real issue here is the setting of precedents for other work-streams, and obtaining the fair and reasonable buy-in of various parties to continue work collaboratively together on future industry initiatives. The GIC should be careful not to make conflicting signals, but, rather, user-pays should prevail with costs reflecting fairly on those who use the service: a simple matching principle. In this case we are allocating volume of gas, so costs should be proportionate to the volume of gas. Greymouth Gas does not support apportioning costs 50:50 because the status quo is okay.
MDL	NC
Mighty River Power	The issue around how costs are apportioned seems to be an ongoing discussion where there is no favoured method by a majority of retailers. Would implementing the 50:50 mix create equity, simplicity and economic efficiency which were factors previously discussed? In addition if the cost allocation methodology was changed for the Reconciliation Rules this may result in a requirement for reassessment of the cost allocation for the Registry and Retail Levy.
Powerco	NC
Vector	Vector believes that an efficient and fair system of apportioning the ongoing costs of administering the Rules is one that is based totally on the number of ICPs held by retailers. This would be consistent with how other retail levies and market fees are allocated. The status quo can only be defensible if it can be robustly established that TOU customers, who account for a large proportion of gas volumes, drive the costs of reconciliation or receive a substantial proportion of the benefits. Vector strongly argues this is not the case. The costs of downstream reconciliation are significantly affected by the number of ICPs. The great majority of ICPs are non-TOU customers, which account for a more complex system, greater number of required allocations and higher administration costs.

Submitter	Submission point(s)
	The marginal cost of processing data for a new ICP beyond a certain level is likely to be low because of economies of scale in information technology costs. This may be valid on a marginal cost basis but not on an average cost basis, which is the relevant measure for determining costs to be shared. In a market where there were only TOU customers, the costs of administering the Rules would be substantially less because of the relative benefits of lower complexity and scale. Where non-TOU customers are also present, retailers would be expected to incur the higher reconciliation costs. For the majority of the time, TOU volumes require only one allocation, while non-TOU volumes require three allocations due to time allowed between meter reads. Under the volume-based approach, non-TOU customers do not pay the commensurate share of administration costs their market segment is creating. Their retailers therefore have little incentive to keep costs down and implement efficiency improvements in their systems and processes. Vector is willing to support a solution that would better meet the cost-setting principles of equity and efficiency compared to the existing arrangement. This would provide greater assurance that all retailers are paying the costs proportionate to the burden of work they are creating and not "subsidising" other retailers. Cross subsidisation between retailers is neither fair nor efficient. Vector recommends that any changes to the apportionment of ongoing costs are implemented before changes to NZX"s allocation system. This would ensure that these associated costs are fairly apportioned under the new cost structure.

Question 18: Do you agree that AG1 and AG2 data should only be treated preferentially when actual TOU data are being supplied? Which option do you prefer for addressing missing TOU data?

Submitter	Submission point(s)
Contact	Contact does not consider any of the options put forward are appropriate, and add unnecessary complexity. Any solution to the problem needs to be simple to implement and monitor, and Contact considers the following principles should apply: • If a retailer is unable to provide actual daily consumption information for a TOU/daily metered consumer installation in AG1/AG2 it must provide estimated daily consumption data and flag the fact in the submission file. This should not be treated as a breach, the current problem. • If for the final allocation a retailer is still unable to provide actual daily consumption information the estimated submission data will be deemed a permanent estimate. • When performance audits are undertaken the auditor must audit the retailer's estimation methodology for AG1/2 installations, and if in the

Submitter	Submission point(s)
	auditor's opinion the retailer's methodology does not comply with schedule 1 the auditor must allege a breach. • Settlement of the breach should be subject to the retailer demonstrating that it has implemented system and/or process improvements to its estimation methodology for TOU metered consumer installations in AG1/2 to ensure future compliance. . • Rule 30.3 should be amended to require that: o Where a retailer is unable to provide actual daily consumption data for any AG1/2 consumer installation it must provide its best estimate of daily consumption to the allocation agent and flag the fact in the submission file, and the estimation methodology must be consistent with schedule 1. o Where a retailer is still unable to provide actual daily consumption information for any AG1/2 consumer installation for the final allocation the estimated consumption data will be deemed a permanent estimate. By making the above changes to this rule, provision of estimated consumption for an AG1/2 consumer installation for any allocation would no longer be subject to a breach allegation, but would be subject to a breach as part of a performance audit if the auditor: • considered the estimation methodology described in schedule 1 was not complied with; or • considered that the retailer had not provided estimated data when it could reasonably have been expected to have done so; or • discovered that the retailer failed to flag the existence of estimated data in the submission file. Furthermore it de-emphasises use of the word "actual" which in Contact's opinion was never intended to be interpreted the way it has been by Gas Industry Co. The word "actual" was used in the Reconciliation Code to mean actual daily or monthly quantity (consumption) for AG1-4, as opposed to estimated monthly quantity (consumption) for AG5-6. Reference should be made to Schedule 3 of the Reconciliation Code. • Rules 44.5.1 and 44.5.2 should be amended to de-emphasise "period" and emphasise "accuracy of estimated consumption", that it is the responsible retailer not the allocation agent that must provide consumption data for allocation purposes, and that the allocation agent may hold daily consumption history which the responsible retailer does not hold but may require to produce an accurate estimate of daily consumption.. • For rule 44.5.1, it is suggested that the words "allocation agent" be replaced with "responsible retailer", that after "of the error" the words "and/or amount of error" be inserted, and that after "information" the words ", and if requested by the responsible retailer the allocation agent must provide the responsible retailer with historical daily consumption where relevant to the period of the error where it holds such information" be inserted. For rule 44.5.2, it is suggested that after "expected period of the error" the words "and/or amount of error" should be inserted.
Energy Direct	AG1 and AG2 data should be treated preferentially as long as the estimate is being provided for a genuine reason, and the method used to estimate the consumption is reasonable.

Submitter	Submission point(s)
	EDNZ prefers option 4 – permit TOU estimates in some circumstances provided that an appropriate estimation methodology is used. This will allow potential breaches to be monitored, without requiring breach notices to be issued and formally responded to. Consideration would need to be given to when a waiver is issued, in some cases this may be after the initial allocation is performed. Retailers may not realize until close to the deadline that they will not receive actual TOU downloads. We have some concerns about the other options: • Option 1 could reduce the incentive to provide actual downloads for subsequent allocations. • Option 2 an estimation floor may not be appropriate for all customers. We have some TOU customers with seasonal consumption patterns, who use no gas at all during some months. • Option 3 increases the complexity of the allocation process and could distort SADSV. If estimates are only applied where absolutely necessary, and are reasonable, the impact of estimation should be low.
Genesis	No. We recommend that the GIC consider the combination of options one and four in order to address missing TOU data. There are a number of reasons why retailers are sometimes unable to provide TOU data and we consider that retailers are best placed to know the most appropriate estimation methodology to apply under given circumstances. Given that there is a greater level of historical data collected for TOU sites, an estimation for the missing periods is still able to be made based on a strong data set. In addition, often the total volume for the month is known and it is only the intra-day spread that requires estimation. We recommend that a breach notice would be issued for the initial event only and the retailer's response would include a determination on the estimation methodology to be used and whether estimations are likely to be replaced.
Greymouth	No. AG1 and AG2 data should continue to receive preferential treatment regardless of whether it is actual data or estimated because: a) TOU retailers should not be punished for what are generally meter owners' equipment deficiencies,

Submitter	Submission point(s)
	b) Estimates are typically accurate and are performed in accordance with the Rules, i.e. estimates in audits have generally been found to comply with the Rules so the fact that there are estimates would not make a material difference to the AUFG concept, It is important to note that AG1 data is of the highest quality, notwithstanding that the equipment is often the same as other Allocation Group equipment, simply because telemetry enables daily or possibly hourly meter reads. Data quality must therefore account for both equipment and frequency. Of the options identified, Greymouth Gas prefers option 1, i.e. elimination of triple jeopardy which is simple and makes sense. The current triple jeopardy regime is extremely inefficient – retailers receive a number of breaches (due to simple things like estimations) and have to deal with the onerous breach process three times, it is a complete repetition of information and should only be triggered at the first interim allocation stage. On the other options we make the following comments: • Option 2 is already provided for in the estimation guidelines in the Rules and the associated audit process. To prescriptively determine estimates would remove the ability of retailers to factor in different seasonal and business-cycle considerations that AG1 and AG2 customers typically have. i.e. 30 day historical data may not be representative of the period requiring estimates. Surely it is better to retain the current guideline and audit process. • Option 3 is not pragmatic for reasons discussed earlier. Application of various UFG factors is not the issue and changing the status quo is arguably not material. • Option 4 is already in place under the Rules and the current estimation process, guidelines and audits, works fine.
MDL	NC
Mighty River Power	Preference goes to option 2 & 3 combined. That is the UFG factor should be applied if any estimations that are done including if the floor estimate method is implemented. Exemptions for unforeseen circumstances to the floor for estimating would need to be in place in situations where zero or a reduced consumption is likely to have occurred. Instances such as the Christchurch Earthquake.
Powerco	NC

Submitter	Submission point(s)
Vector	Vector prefers Options 1 and 4 to address missing TOU data. Option 1 (eliminating the 'triple jeopardy') would significantly reduce compliance costs. Option 4 (permitting TOU estimates in specific circumstances when the appropriate methodology is used) would provide flexibility for retailers to provide estimated TOU data where actual TOU data is not available due to a metering problem, provided the problem will be addressed in a timely manner. The proposed waiver process (Option 4, second option), however, is unnecessary if clear pre-defined scenarios and estimation criteria are established for TOU data. To achieve consistency across retailers in making TOU consumption estimations, Vector proposes the development of an industry guideline for estimating data (for example, a standard methodology in making monthly consumption estimations), similar to that recently developed for gas billing factors. The advisory group proposed for this review should consider this.

Question 19: Do you agree that meter owners should have more obligations under the Rules? Do you agree that some of the obligations placed on retailers would be more appropriately placed on meter owners?

Submitter	Submission point(s)
Contact	No Contact considers there are commercial incentives on retailers to ensure they (or their data collector acting as agent) review meter event logs to identify issues which they can then bring to the attention of the meter owner to address in accordance with the relevant GMS Services Agreement. We do however believe meter owners should be held accountable for metering data that they populate in the registry
Energy Direct	Yes. We agree that the accuracy of retailers' submissions can be affected by events that are beyond the control of the retailer, but within the reasonable control of the meter owner. The following situations have occurred for EDNZ: • Meter owners have not provided notification of meter changes prior to submitting allocation data, leading to under or over reporting. • Meter owners have provided an incorrect number of digits, resulting in EDNZ reporting 1/10th of metered consumption.

Submitter	Submission point(s)
	• Meter owners have provided incorrect meter pressure information, leading to under or over reporting. • A meter owner failed to repair a damaged corrector for several months despite numerous requests from EDNZ. This resulted in EDNZ repeatedly breaching rule 33.1. • Meter owners have delayed meter accuracy tests, repairs, maintenance or replacements which have contributed to inaccurate reporting. EDNZ is aware that meter details transferred between retailers during switching may not match the meter owner's records. EDNZ reconciles key meter details including meter number, pressure and dials to the meter owner's records monthly and investigates and corrects errors. Unfortunately, we have found that in some cases the meter owners' own records are not accurate. We believe that meter owners should be responsible for providing complete, accurate and timely information to retailers, which will assist retailers to create accurate submissions.
Genesis	No. We consider that it is more appropriate that issues between retailers and meter owners regarding breaches be addressed through existing commercial arrangements. Meter owners are not specified participants under the Rules and therefore have no clear obligations beyond Rule 27. In addition, we note that breaches relating to meters are not always caused by the meter owner but occasionally by the customer. Commercial arrangements should ensure that meter breaches are addressed in the most efficient manner by placing responsibility on the party best placed to address the matter. <u>Performance of meter owners</u> We note that reliance on commercial arrangements will not enable parties to understand the overall performance of a meter owner with all of its contracted retailers. However, trends in the total number of breaches would be visible to the GIC and should be monitored to identify any potential concerns.
Greymouth	Yes. It is not enough to simply say that retailers have contracts with meter owners; therefore retailers bear the responsibility for getting a good meter reading service. Sure, competition does exist between meter owners but changing a meter owner requires changing the meter. In our experience, we have had metering problems with all our meter owners so we think this is a problem with the metering industry rather than

Submitter	Submission point(s)
	with any particular retailers failing to ensure adequate service delivery. Case in point: the numerous alleged breaches of rules 31.1, 32.1 and 33.1 of the Rules. Some of the metering problems we have had from time to time at customers' sites are: • Gas leak or other requiring bypass that sometimes isn't captured by the meter; • Corrector failure • Back-up connector failure • Battery failure • Delays attending to remote sites. There is an argument that this is the nature of the gas metering industry simply by nature of trying to measure a gaseous product, i.e. metering issues do happen from time to time. However, the counter to this is if the gas industry and/or the GIC wants to make real improvements here (and possibly industry could use such improvements as a stepping stone to future smart meter investment and/or roll-out), then the Rules must have adequate incentives and obligations on meter owners. Such meter owner obligations could include at a minimum: • Audit of meter owner performance • Dual requirement of meter owner alleged breaches when retailers are allegedly breached for rules 31.1, 32.1 and 33.1 of the Rules.
MDL	We do not have a comment on the division of obligations between retailers and meter owners, but we would like to point out that MDL also owns meters. If obligations are imposed on meter owners then care must be taken to ensure that their scope is limited to situations where metering is needed for downstream allocation or reconciliation among retailers.
Mighty River Power	Yes.
Powerco	No. Meter owners are currently required to compile with NZS5259:2004. This adequately guides their responsibilities regarding metering equipment under the Rules, increasing meter owner obligations has the potential to create confusion and grey areas around responsible parties. Retailers have commercial arrangements with distributors which should provide the mechanism for resolving issues rather than the need to introduce regulation.

Submitter	Submission point(s)
	No. Powerco acknowledges that as the Rules are currently drafted, retailers can breach due to metering equipment failure that they have no operational control over. As this appears only to occur in exceptional circumstances, retaining the consistency within the Rules were the onus is on retailers to ensure compliance of consumption information seems logical and efficient. This would avoid developing additional complexity through introducing and amending clauses related to meter owners that require enforcement. As stated in the consultation paper, retailers are in a position to ensure their meter owners comply with their directives and therefore currently have the ability to address the issue of retailer breaching. Use of Service Agreements between retailers and distributors provide a market based mechanism developed in a competitive environment to manage such circumstances satisfactory. We believe that by allowing all parties involved adequate time to address the matter will remove the need to commit time and resources to amending the Rules.
Vector	Vector does not agree that meter owners should have more obligations under the Rules. Metering is a competitive service. Retailers can readily negotiate commercial arrangements with meter owners to ensure retailers meet their obligations under the Rules. If a meter owner is not prepared to accommodate such arrangements, the retailer can select an alternative meter owner that will. Obligations should be placed on the party best able to address or manage a problem. Retailers alone hold the agreement with the end consumer on which most of the obligations they are looking to place on others rely. Without the retailers" agreement with their customers, the meter owner and network company have no rights to access their equipment installed on the end consumer's property, except during an emergency. This places at risk these parties" ability to meet their regulatory and contractual obligations, in particular, interference and maintenance of metrology accuracy as required by NZS 5259, compliance with which is required under the Rules.

Question 20: If you have been or are regularly notified of a breach of Rule 39 by the Allocation Agent, is there a problem you can identify with the Rules or with the Registry that could be changed without compromising the intent of the downstream reconciliation process?

Submitter	Submission point(s)

Submitter	Submission point(s)
Contact	Contact considers that the only obligation on the retailer should be to provide a trading notification for any new, amended or deleted TSA Supplementary Agreement, which requires additional (or less) allocation data splits by the allocation agent before uploading information to OATIS. Otherwise the allocation agent should rely on registry information to identify which shared gas gates the retailer is trading at under its main TSA.
Energy Direct	We receive rule 39 breaches rarely. EDNZ's trading notification breaches have related to back dated switches of ICPs, and supplies being loaded in our billing system with an incorrect gas gate.
Genesis	The vast majority of our late trading notification breaches occur as a result of a back dated switch. If the switch transaction physically completes prior to the allocation process, then querying the Registry will advise the allocation agent of this but the retailer will still be in breach of the notification timeframe.
Greymouth	Notwithstanding the lead-in to the question, there are some problems with the wording of rule 39 as follows: • Rule 39.1.2 implies that whenever any customers are lost at a gas gate, e.g. one customer out of ten; then rule 39.1 applies. The intent seems to be that when all customers are lost, then this triggers rule 39.1 vis-à-vis cessation of supplying gas to a gas gate. • Rule 39.1.3 doesn't seem to acknowledge that Vector's head transmission services agreement covers posted price transmission to all gas gates, meaning retailers have the contractual right to supply gas to all gas gates notwithstanding that gas may/may not flow. So when gas does flow for the first time, while this is commencing flow at a gas gate, it is not commencing a transmission services agreement in respect of that gas gate. • The definition of transmission services agreements in the Rules and transmission services agreement in the VTC are different. There is also an argument that the intent of the Rules' definition of transmission services agreement only refers to the head transmission services agreement and not to supplementary agreements. Notwithstanding this, the mismatch in definitions can cause misunderstandings between various parties to the Rules. • When supplementary agreements are commenced or ceased, there is large scope for error because the concept is not individually envisaged by the Rules. E.g. if notifying the Allocation Agent that a transmission services agreement (i.e. a supplementary agreement) has ceased for a particular gas gate, then can the Allocation Agent's systems recognise that the head transmission services itself is not ceasing, but a supplementary agreement is ceasing notwithstanding that the retailer may continue to flow gas to that same customer? Each month there is a tight turn-around for allocations and industry billing. A simple misunderstanding because of rule 39 could have significant consequences, especially for balancing.

Submitter	Submission point(s)
MDL	NC
Mighty River Power	Registry should be utilised to determine active gas gates.
Powerco	NC
Vector	Vector does not see the need to amend Rule 39 at this point.

Question 21: Do you agree that exemptions should only be permissible where there is a reasonable substitute available that achieves the intent and purpose of the Rules or in an "exceptional circumstance"? What sort of situations do you believe would warrant an "exceptional circumstance"?

Submitter	Submission point(s)
Contact	Contact considers that it is not possible to identify when an exemption may be appropriate, accordingly the status quo (Option 1) should be retained to provide for flexibility.
Energy Direct	Exemptions should be considered where the exemption will better achieve the objectives set out in s43ZN of the Gas Act and the purpose of the rules.
Genesis	Yes. We support option three in the consultation paper that recommends that the Rules prescriptively outline what circumstances will warrant an exemption. While we do not have any specific situations to put forward, we are of the general view that exemptions should be available for circumstances where adherence to the Rules would be to a greater detriment to the industry as a whole, not just to the requesting party.
Greymouth	Yes. Exceptional circumstances are often unforeseen and as such, the Rules should retain flexibility. An example of this would be if a direct-connect customer starts obtaining some wholesale or spot market gas which may throw up a number of issues with the Rules.
MDL	We are satisfied with the status quo and prefer to maintain option 1 described by the GIC. Because it is extremely difficult to prescribe rules that cover every possible situation at every possible point in time we believe it is useful to let GIC maintain an ability to make exemptions. By the same token, we see little advantage in attempting to prescribe "exceptional circumstances" or limiting the GIC's ability in advance.
Mighty River Power	Mighty River Power believes that the existing exemptions provisions should be retained and that a regular review (every 2 years) of the exemptions should be undertaken to determine if the exemptions should be converted into the Rules.
Powerco	NC
Vector	Reducing the number of exemptions would help achieve certainty and consistency for market participants. However, exemptions should still be allowed under "exceptional circumstances".

Submitter	Submission point(s)
	While the Rules will be considered as carefully as possible, there are likely to be unforeseen issues that need to be addressed arising from, for example, technological changes (eg the deployment of smart meters) or more efficient practices that have become widely accepted in the industry. A recent example would be the exemption granted to Vector Transmission from the application of Rule 41 in certain circumstances to allow corrected data to be treated as "actual" data by the Allocation Agent. While the thresholds for exemptions could be set higher, it would be prudent to retain some room for flexibility as no one can totally foresee the future. Exceptional circumstances should cover new processes that provide better quality data or where the costs of complying with the Rules override purported benefits. If the Rules are amended to more clearly and effectively express their intent, there should be little need for numerous exemptions.

Question 22: If Gas Industry Co removes the exemption provisions, are there specific circumstances or situations that you believe warrant consideration for specific rule amendments now so as to remove the requirement for a future exemption?

Submitter	Submission point(s)
Contact	Contact does not consider the exemption provisions should be removed
Energy Direct	EDNZ prefers Option 1: status quo. The exemption provisions in the rules have been well used and we do not think it is appropriate to remove them. The exemptions process is intended to cover unforeseen circumstances and events which could not necessarily be prescriptively outlined as described in Option 3.
Genesis	We recommend that the GIC consider specific rule amendments for the application of the global 1-month methodology (as described in section 4.2 of the consultation paper). Refer to our comments under question 13.

Submitter	Submission point(s)
Greymouth	Removing exemption provisions is dangerous because the future cannot be predicted. It would be better to be open to having future reviews of the Rules or assessing unusual things on a case by case basis.
MDL	We do not believe GIC should remove the exemption provisions in general. As already stated above, we believe direct connect gas gates should not be covered by the Rules in order to eliminate the need for continuing future exemptions for that specific purpose.
Mighty River Power	NC
Powerco	NC
Vector	The GIC should codify the exemptions below, which are not addressed in the Options Paper: • Vector Transmission's exemption from Rule 42, which requires the provision of unvalidated daily energy quantities on all days for all gas gates. Similar to our response to Q14, the significant cost of installing SCADA or telemetry equipment at small gas gates outweighs any benefits. • Vector Transmission's exemption from Rule 41 in certain circumstances to allow the application of metering corrections. In most cases, Vector Transmission's validation and correction processes provide higher quality data than the Allocation Agent's estimates, providing a more optimal outcome for industry. • Vector Transmission's exemption from Rule 41, which does not require Vector to submit actual daily energy quantities to the Allocation Agent for gas gates that are unmetered or have oversized meters.

Question 23: Given the Rules are unlikely to be reviewed again in the near future, are there other issues you would like Gas Industry Co to consider before a Statement of Proposal is released for consultation? Please be specific with your suggestion(s) and where possible provide supporting evidence.

Submitter	Submission point(s)
Contact	Contact considers that: • Part 5 "Transitional provisions" should now be deleted as they are no longer relevant, although it may be necessary to introduce new transitional provisions if any of the changes proposed for October 2013 require such provisions. • Rule 65 should provide that performance audits not only cover "these rules" but also the Switching Rules in respect of population of data in the registry that affects the ability of the retailer to comply with its obligations under rule 28.2. For meter owners this could be achieved by an

Submitter	Submission point(s)
	additional sub-clause in rule 27.1, while for distributors it could be achieved through insertion of a new rule 27A. • References to NZS 5259:2004 should be amended to NZS 5259
Energy Direct	No.
Genesis	No.
Greymouth	Yes – per suggestions throughout our submission.
MDL	We expect it may be advisable to review the Rules again, particularly if a D+1 regime is implemented. In light of experiences that would be gained, such a regime could evolve over time.
Mighty River Power	NC
Powerco	NC
Vector	The GIC should consider codifying existing practices and exemptions that will provide clarity and greater consistency to market participants in respect of these issues: • the current 200GJ threshold for Rule 37.2 breaches should be codified to prevent the requirement for a breach to be raised. The current process of raising a breach that is automatically deemed immaterial is inefficient; • Vector Transmission's exemption from Rule 42 for gates without telemetry/SCADA, for the reasons stated in our response to Q22; • Vector Transmission's exemption from Rule 41 to allow the application of metering corrections, for the reasons stated in our response to Q22; • Vector Transmission's exemption from Rule 41, which does not require Vector to submit actual daily energy quantities to the Allocation Agent for gas gates that are unmetered or have oversized meters; and • the Billing Factors Guideline, to improve the overall consistency and accuracy of consumption submissions under the Rules. In addition, the GIC should consider removing the Allocation Agent's obligation to estimate daily injection data for direct connect gas gates as this data is not required under the Rules or the Vector Transmission Code.

Question 24: Do you agree with the proposed timeframe for implementing any rule changes?

Submitter	Submission point(s)
Contact	At this point Contact is comfortable with a 1/10/13 implementation timetable, although we consider there is no necessity to align go live of any changes with the start of a gas year (1 October), and that potentially changes could be staggered where there would be efficiency benefits from earlier implementation of some changes (e.g. the rules around TOU estimates).
Energy Direct	Yes, but if any stage is delayed later deadlines should be extended, to allow retailers time to make any necessary system changes.
Genesis	We consider that the proposed "go-live" timeframe of October 2013 is appropriate for the proposals to address initial allocation accuracy (section 3 of the consultation paper). However, as noted in the cover letter, sections four to eight of the consultation paper could be progressed earlier. Many of these rule changes are minor in nature and could be implemented within a shorter timeframe. We recommend that the GIC separate this work stream into two phases and consider implementing the minor rule changes by mid-2012.
Greymouth	No. There are three problems: • After the STATEMENT OF PROPOSAL and call for submissions, there is no supplementary paper or analysis of submissions by the GIC which could include, amongst other things, cost-benefit analysis and efficiency tests. This is an important step that the GIC usually takes but is missing. Without such a step, the GIC would have limited recourse to amend the STATEMENT OF PROPOSAL in light of submissions or subsequent workshops. • Industry submissions on the review of the draft rule changes are also missing. This is important to iron out drafting issues and ensure the intent of the STATEMENT OF PROPOSAL is captured by the words in the Rules. • Go-live is October 2013, but it might be better to specifically say that 1 October 2013 would be the go-live date to coincide with the gas year. At the moment the date is ambiguous.
MDL	We would like to point out that the current exemptions for MDL expire on 30 September 2012. We would prefer amended Rules to be in force, with amendments that eliminate MDL's need to request continuing exemptions, by that date.
Mighty River Power	From the start date of the review to the Go – Live date of October 2013 seems very distant. Is this amount of time required? Agree that it would likely need 4 months for participants to comply. However does it require such a long time to develop the rule changes?
Powerco	NC
Vector	Vector agrees with the proposed timeframe, which would enable the revised Rules to be implemented from October 2013. To provide further certainty for market participants, particularly in cases where the new/amended Rules give rise to unintended consequences that are

Submitter	Submission point(s)
	not consistent with the Rules" objectives, we recommend the addition of a provision stipulating a regular review of the Rules, say every five years, or as necessary. Vector believes another consultation on some of the proposed options is necessary before a Statement of Proposal is made, eg more details on the proposed alternative algorithm, assessing whether D+1 data would be more accurate than current practice, ensuring consistency of proposed measures with other Rules, and new proposals that will be raised by stakeholders in response to this consultation. This interim consultation could alternatively be undertaken through the proposed advisory group for this review.

Question 25: Do you consider that creating an advisory group similar to the GART is worthwhile for the purposes of developing rule changes as a result of this policy review?

Submitter	Submission point(s)
Contact	Yes.
Energy Direct	Yes.
Genesis	Yes. We offer our support to help progress this work.
Greymouth	No. The paper is not reviewing the formation of the rules or creating new core policy, but it is seeking to tweak existing policy and propose pragmatic improvements. Accordingly, a new GART or similar wide-ranging panel is unnecessary in our opinion.
MDL	NC.
Mighty River Power	Yes.
Powerco	Yes. The GIC should continue to lever off the abundant industry expertise when developing and implementing rule changes.

Submitter	Submission point(s)
Vector	Vector considers it worthwhile to create an advisory group for the purposes of developing changes to the Rules and to particularly consider their implementation. Vector would be happy to provide nominations should such a group be formed.