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| Subject | Gas (Downstream Reconciliation) Rules 2008 Guideline note for the management of change requests for the allocation system and the associated provision of services by the allocation agent under the service provider agreement with Gas Industry Co |
| Version | 1.0 |
| Date | 17 March 2009 |

1. Introduction

- 1.1 Over the course of time, changes may be needed or desired to the allocation system operated by the allocation agent and/or the services provided by the allocation agent under the allocation agent service provider agreement with Gas Industry Co ('the allocation agent service provider agreement'). The purpose of this guideline note is to set out who can request or initiate such changes, the process to be followed and the associated documentation, and the allocation and payment of costs.
- 1.2 It is noted that this guideline note applies only to changes initiated under the allocation agent service provider agreement. It does not extend to changes to any system or service that the allocation agent provides under a direct contractual relationship with one or more allocation participants.
- 1.3 The processes below are about interaction between allocation participants and Gas Industry Co. A separate set of protocols, and documentation, will apply to the management of changes between Gas Industry Co and the allocation agent. Provisions for this are set out in the allocation agent service provider agreement – which can be viewed at <http://www.gasindustry.co.nz/work-programme/market-administration/allocation-agent>.
- 1.4 This note is explanatory in nature and not legally binding. It needs to be read in conjunction with the Rules and the general approach set out in this note in no way reduces the requirement upon allocation participants to know and comply with their obligations under the Rules.

1.5 This note has been structured to ensure that Gas Industry Co has the information needed for decisions to be made on changes initiated under the allocation agent service provider agreement. If the processes set out in this note are not followed, proposals for system and/or service changes via the allocation agent service provider agreement may not be accepted because of insufficient information.

2. Process and documentation

2.1 Gas Industry Co intends to adopt the following steps in respect of change requests:

- (a) **Case A:** By any allocation participant who wishes to obtain services which are specific to that participant, ie not necessary for the effective operation of the Rules and not intended to be available to other allocation participants;
- (b) **Case B:** By any allocation participant who wishes to propose changes which that participant considers will be beneficial to other allocation participants or to itself and other allocation participants or which that participant considers necessary for the effective operation of the Rules;
- (c) **Case C:** By Gas Industry Co, in order to achieve the effective operation of the Rules; and
- (d) **Case D:** By Gas Industry Co, where a change is considered to be beneficial to allocation participants but not necessary for the effective operation of the Rules.

2.2 It is stressed that allocation system/service changes under the allocation agent service provider agreement must follow, and not anticipate, the granting of exemptions or the approval of rule changes. An exemption or a rule change may often require and lead to a system/service change under the allocation agent service provider agreement, but not vice versa.

2.3 All change requests must initially be referred to Gas Industry Co. Change requests should be submitted in the form attached as Appendix A. Gas Industry Co reserves the right to reject any request if, in its opinion (and generally after consultation with the allocation agent), the implementation of the change request will create any unacceptable risks to the proper and timely operation of the allocation system and/or to the provision of services by the allocations agent, in meeting the requirements of the Rules.

2.4 As part of the consideration of the costs of a change, Gas Industry Co considers the cost of a change to be significant if the cost of the change to the allocation system exceeds \$3,000 and/or the increase in ongoing costs exceeds \$2,000 per annum.

2.5 Gas Industry Co intends to adopt the following steps in respect of change requests:

- (a) **Case A:** Change requests which are acceptable to Gas Industry Co will be referred for direct negotiation between the allocation agent and the allocation participant;

- (b) **Case B:** Change requests which Gas Industry Co agrees are necessary for the effective operation of the Rules will be dealt with directly by Gas Industry Co and without allocation participant consultation, if the cost is not significant and the change is not expected to have any adverse impacts on other allocation participants. Otherwise, Gas Industry Co will generally consult with allocation participants by issuing the submitted change request form attached as Appendix A (and, where appropriate, include Gas Industry Co's draft assessment of the extent to which the change is beneficial to other allocation participants or is necessary for the effective operation of the Rules) for comment;
 - (c) **Case C:** Change requests will be dealt with directly by Gas Industry Co and without allocation participant consultation, if the cost is not significant and the change is not expected to have any adverse impacts on other allocation participants. Otherwise, Gas Industry Co will consult with allocation participants by issuing the submitted change request form (and, where appropriate, include Gas Industry Co's draft assessment of the extent to which the change achieves the effective operation of the Rules) for comment; and
 - (d) **Case D:** Gas Industry Co will consult with allocation participants over all Case D change requests.
- 2.6 Consultation is intended to generally occur via email, but this shall not prevent direct discussions occurring where this is requested or considered to be desirable. Where consultation has been undertaken, Gas Industry Co will advise all those consulted about the outcome of the consideration of the proposed change.

3. Allocation and payment of costs

- 3.1 The allocation agent will be requested to provide a cost estimate for all change requests. The allocation agent will separately identify one-off and ongoing costs.
- 3.2 Gas Industry Co proposes to adopt the following approach to the allocation and payment of costs for proposed changes:
 - (a) **Case A:** The costs for all Case A changes which are acceptable to Gas Industry Co will be paid by the allocation participant concerned as a direct arrangement with the allocation agent, ie Gas Industry Co will not be involved;
 - (b) **Case C:** For Case C changes, which Gas Industry Co decides should proceed, the cost will be paid by Gas Industry Co and will be a cost covered by the ongoing fee charged to all retailers; and
 - (c) **Case B and Case D:** For these proposed changes, the estimated costs will be advised to allocation participants, and a decision will generally be made as follows:

- (i) If the cost is not significant, then Gas Industry Co will decide whether or not the change should proceed and will also decide the allocation and means for payment of the associated costs, provided retailers do not unanimously oppose payment of any of the cost from the ongoing fee. If this occurs, then it will be up to allocation participants to pay the costs as a direct arrangement with the allocation agent. If they decline to do so, the change will not proceed.
- (ii) If the cost is significant, then Gas Industry Co will consult with retailers to decide whether or not they are collectively prepared for the cost to be paid from the ongoing fee. A common sense approach will be taken to this, ie if the cost is moderate then Gas industry Co will look to have most but not necessarily all retailers supporting payment from the ongoing fee, but the level of support required will be higher if the cost is higher. Again if there is insufficient support for the cost to be paid from the ongoing fee and other means of payment are not offered, the change will not proceed.

3.3 Where a special arrangement is agreed for payment of the costs for a change, ie paid by a subset of allocation participants (rather than by all allocation participants via the ongoing fee), Gas Industry Co's preference is for one of the allocation participants to take the lead role in making the payments and then to seek reimbursement from the other contributors. This will apply to both the one-off cost and any ongoing cost. If that is not possible, and provided the one-off change cost is not too large and the ongoing cost is zero, Gas Industry Co will consider taking the lead role.

4. Records

4.1 Gas Industry Co will maintain a file of change requests (using the form attached as Appendix A) which will be accessible on request from any allocation participant. A summary of change requests implemented will be periodically prepared and distributed – most probably in conjunction with industry meetings.

Appendix A Change Control Form

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| Downstream Reconciliation Change Control form | |
| Gas Industry Co Code: | Date initiated: |
| Nature of change: <i>(Delete as appropriate)</i> | To allocation system / To allocation services |
| Change request initiated by: | |
| Description of change: | |
| Reason for change: <i>(State whether change is required so as to be compliant with the Rules)</i> | |
| Benefits: Nature and magnitude: Benefits to whom: | |
| Cost: <i>(Estimated by allocation agent)</i> One-off cost: Ongoing cost: | |
| Has consultation with other allocation participants occurred and if so with what outcome? | |
| Allocation of change costs: <i>(Will either be to Gas Industry Co on behalf of retailers as a whole or to one or more defined allocation participants)</i> | |
| Decision: | |
| Authorised for implementation: | |
| For Gas Industry Co | Date |