



DRAG – Meeting #2

12 April 2012

Agenda

1. Welcome and introduction	10:00am
2. Matters arising from last meeting	10:05am
3. Morning tea and coffee	
4. Workshop issues	11:00am
5. Wrap-up and next steps	12:55pm

1. Welcome and introduction

- Meeting minutes
- Meeting #6 location (Friday 27th July)

2. Matters arising from last meeting

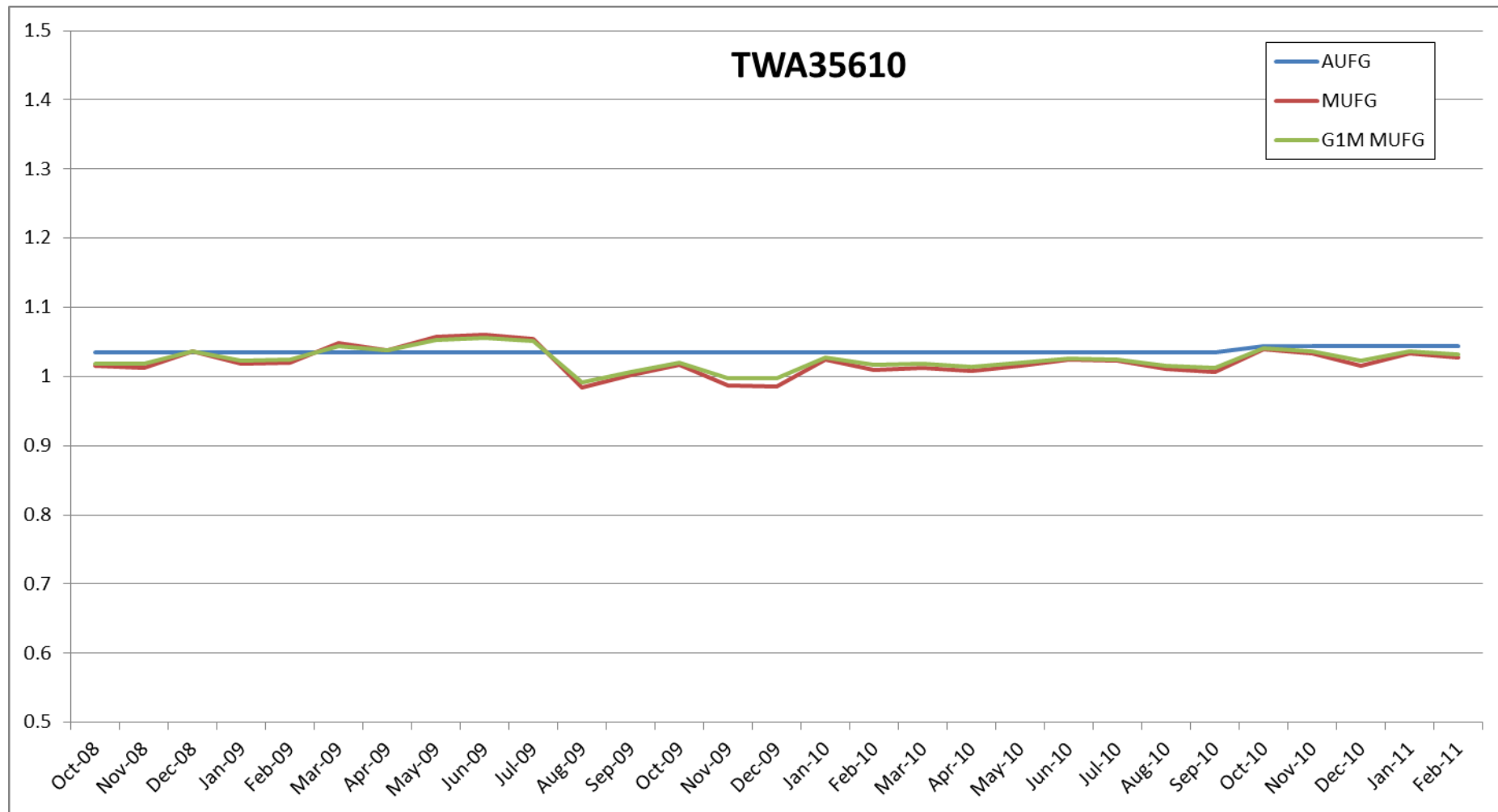
- Consideration of rule changes:
 - AUFG factor
 - G1M
 - Audits to also cover specific switching arrangements

Correction of annual UFG factors

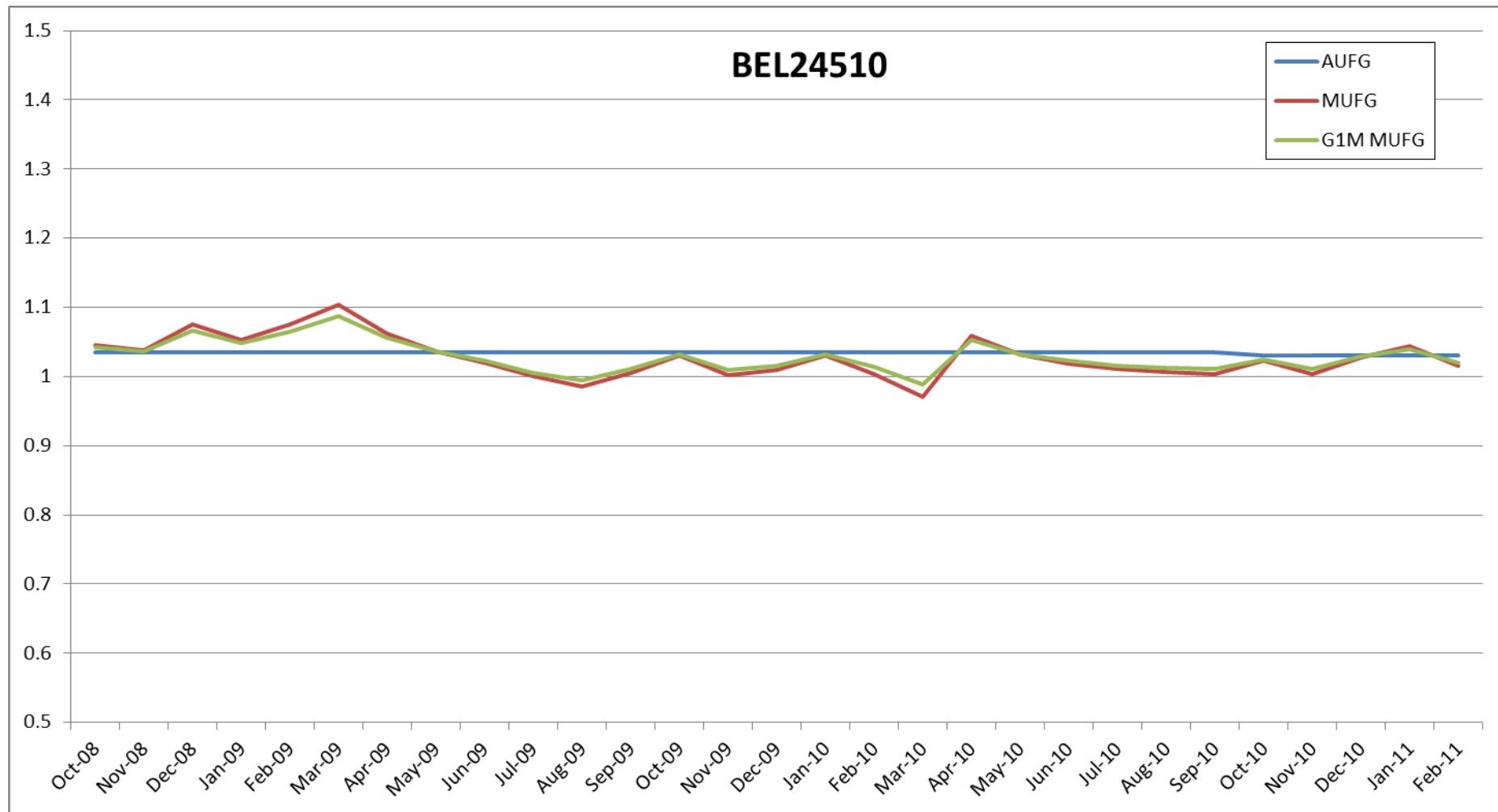
Correction of an annual UFG factor

1. The industry body may require the allocation agent to correct and republish an annual UFG factor up to 15 months after an annual UFG factor has been determined and published in accordance with rule 46.4.
2. Before the industry body makes a request for the correction of the annual UFG factor, the industry body must be of the opinion that the current annual UFG factor will have a materially adverse impact on allocation results at the gas gate to which the annual UFG factor applies.
3. If the annual UFG factor is corrected in accordance with [this rule],
 - 3.1 the correction of the annual UFG factor must be calculated in accordance with rule 46.3.1;
 - 3.2 the allocation agent must publish the corrected annual UFG factor and replace the annual UFG factor determined under rule 46.4.2 and include a notation that the annual UFG factor has been recalculated;
 - 3.3 the corrected annual UFG factor will apply to all allocations calculated after the date that the corrected annual UFG factor is published.
4. Notwithstanding [this Rule], the industry body may determine any specific procedures that will apply to the correction of annual UFG factors.

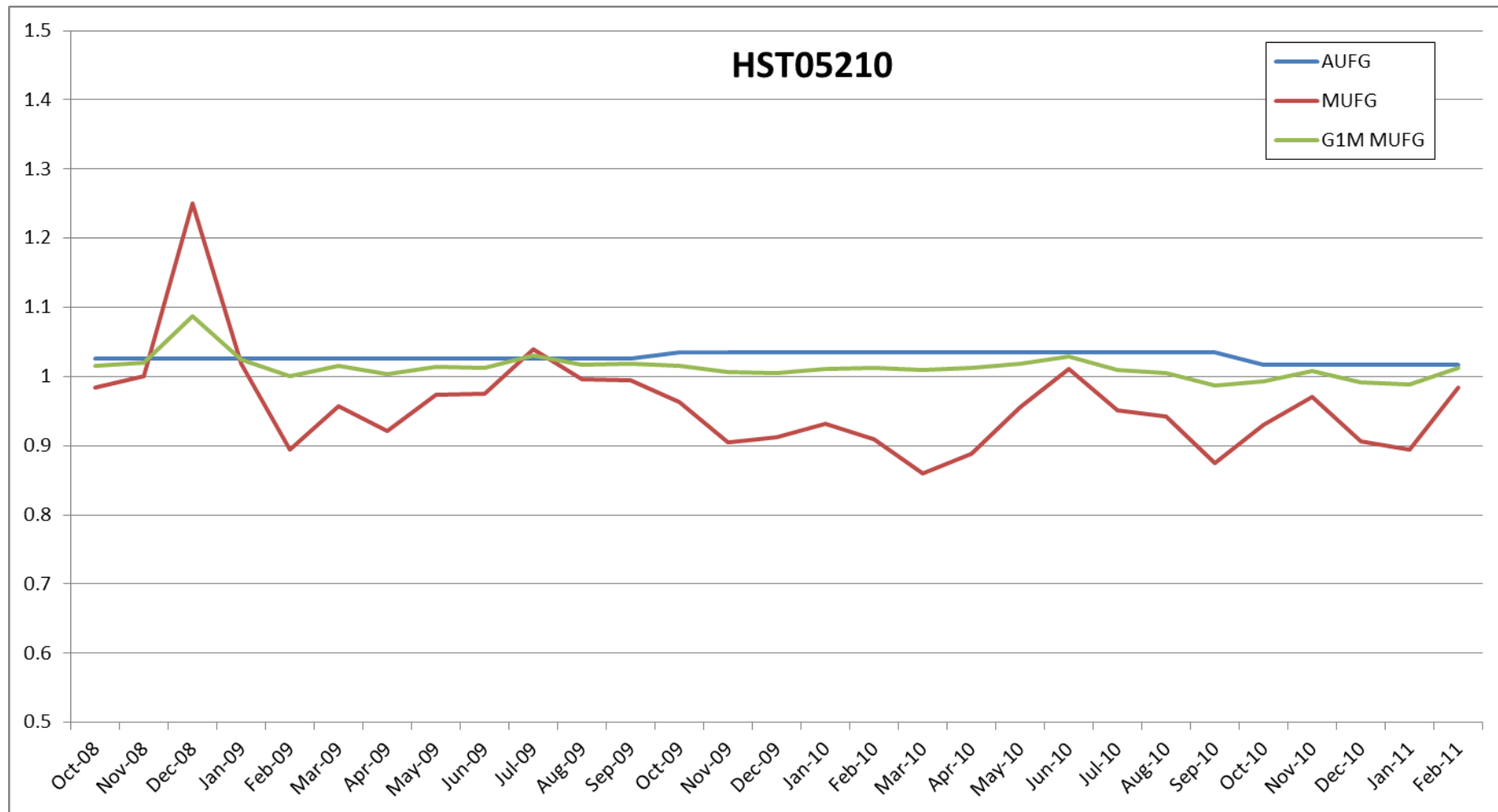
Global 1 Month – additional data analysis



Global 1 Month – additional data analysis



Global 1 Month – additional data analysis



Global 1 Month – additional data analysis

- 80% TOU threshold & $\pm 10\%$ MUFG
- Applied to AUFG calculation periods for 2010/11 and 2011/12 gas years
- Small variance in G1M gas gates year to year
- 26 G1M gas gates in 2010/11, 27 in 2011/12
- MUFG threshold doesn't make a difference for these years

Code	Gas Gate Name	2010/11	2011/12
CAM17201	Cambridge	x	x
DAN05001	Dannevirke	x	x
DRU15102	Drury 2	x	x
EGC30701	Edgecumbe DF	x	x
ELM12301	Eltham	x	x
HAR11801	Harrisville	x	x
HRU16101	Horotiu	x	x
HTL16601	Huntly Town	x	x
HUN15301	Hunua	x	x
KAP12901	Kapuni (Lactose et al)	x	x
KIN02601	Kinleith	x	x
KIW34202	Kiwitahi 2	x	
KKI23701	Kakariki		x
LNB24301	Longburn	x	x

Code	Gas Gate Name	2010/11	2011/12
MNA23402	Manaia		x
MTN23801	Marton	x	x
PHT04901	Pahiatua	x	x
PTR32601	Putaruru	x	x
RAM15201	Ramarama	x	x
RPR30801	Reporoa	x	x
TKP05101	Takapau	x	x
TKS17401	Te Kuiti North	x	x
TUK06501	Tuakau	x	x
WHK32101	Whakatane	x	x
WRK18901	Warkworth	x	x
WTA16501	Waitoa	x	x
WTT20301	Waitotara	x	x
WVY23601	Waverley	x	x

Global 1 Month – rule drafting

G1M gas gates are gas gates at which the G1M methodology applies.

G1M threshold is the threshold determined by the industry body in accordance with rule [x]

Determination of G1M gas gates

1. This rule sets out the process for the determination of G1M gas gates.
 - 2.1 The industry body must, after consulting with allocation participants, determine and publish the G1M threshold.
 - 2.2 Gas gates within the G1M threshold are G1M gas gates.

Global 1 Month – rule drafting

3. In making its determination under rule [2.1], the industry body must have regard to the following matters:
 - 1.1 the extent to which TOU load dominance has created significant variance in the monthly UFG factor at gas gates;
 - 1.2 the extent to which allocation participants have been impacted by the variance in the monthly UFG factor at gas gates;
 - 1.3 the purpose of the rules;
 - 1.4 any other matter it considers relevant to its determination.
4. The industry body may redetermine the G1M threshold, from time to time, in accordance with this rule [x].
5. The allocation agent with determine and publish the G1M gas gates for each gas year, by the 1st business day of July in the previous gas year.

Audits cover specific switching elements

Performance audits to cover specific parts of switching registry

- 26.5 Each allocation participant must ensure that any information that relates to ICPs and ICP parameters it is responsible for on the gas registry and that any part of the rules require use of, must be:
 - 26.5.1 accurate and complete; and
 - 26.5.2 not misleading or likely to mislead; and
 - 26.5.2 updated in a timely manner.

3. Morning tea and coffee

4. Workshop issues

a) Atypical gas gates

- i. Direct connect gas gates
- ii. Unmetered & oversized gas gates

b) Exemptions process

c) Obligations on meter owners

a) Atypical gas gates

i. Direct connect gas gates

- **Options Paper asked whether submitters supported amending the Rules to obviate the need for exemptions in respect of direct connect gas gates**
- **Wide support, but:**
 - MDL argued its direct connect gas gates should not be covered by the Rules
 - Vector further requested that TSOs no longer have to provide daily injection data not publish estimated day-end volume injection quantities each day for direct connect gas gates

i. Direct connect gas gates

- Current exemption expires on 30 September 2012
- AA does not allocate gas to retailers for the initial allocation at direct connect gas gates
- Ongoing fees do not apply to direct connect gas gates
- All direct connect gas gates included in current exemption

Direct connect gas gates					
ALF15501	Alfriston	KUR33601	Kauri DF	NPS00530	New Plymouth Power Station
BAL08201	Ballance Ammonia-Urea	KUP37503	Kupe	OKW23401	Okaiawa (Taranaki Byproducts)
BAL09626	Ballance Ammonia-Urea	LCF20010	Lichfield DF	OTB00301	Otahuhu B Power Station
BER00653	Bertrand Road	MGK05401	Mangatainoka	RAG33401	Rangiuru
BRO36301	Broadlands	KAP09612	Kapuni	SDN00101	Southdown Power Station
GLB03401	Glenbrook	MNG34001	Mangaroa	STR00501	Stratford 3
HPS02993	Huntly Powerstation	MCS01143	Mokau Compressor Station	TAC31001	Te Awamutu Cogeneration Plant
HUN15303	Hunua 3	MOK35801	Mokoia	TAT16401	Tatuanui DF
KAW04410	Kawerau (ex-Caxton)	MRV16301	Morrinsville DF	TCC00201	Taranaki Combined Cycle (TCC)
KAW04411	Kawerau (ex-Tasman)	MSD01801	Marsden 1 (NZRC)	TIR33501	Tirau DF
KIN04310	Kinleith (CHH mill)	MSD01802	Marsden	TRC02003	Te Rapa
KIW34201	Kiwitahi 1 (Peroxide)	MUT19001	Maungaturoto DF	WKE19201	Waikeria
KTK23901	Kaitoke	NGA00669	Ngatimaru Road (Delivery)		

i. Direct connect gas gates

- New rule
- Direct connect gas gates and single retailer gates?
- TSOs required to supply injection information?
- MDL gates?

i. Direct connect gas gates

- **Options Paper outlined process for rule creation:**
 - **Define “direct connect” gas gates;**
 - **Exclude retailers from:**
 - Application of global allocation at such gates;
 - Consequential rules associated with global allocation (e.g. provision of data for annual reconciliation); and
 - Liability for ongoing fees at those gas gates; and
 - **Exclude the AA from associated obligations in respect of those gas gates.**

ii. Unmetered gas gates

- 7 gas gates do not currently have gas measurement systems in place
- Exemption expires on 30 September 2012
- Options Paper presented three options:
 1. Status quo – continue the current exemption approach
 2. Strict compliance – require meters to be installed
 3. Materiality threshold
- Gas Industry Co's preference was Option 2

ii. Unmetered gas gates

- Submitters were divided on whether all gas gates should be required to have meters installed
 - Though all (other than Vector) agreed gas gates should preferably have measurement systems installed
- Submitters agreed that oversized gas gates should be treated the same as unmetered gas gates

ii. Unmetered gas gates

- Vector presentation



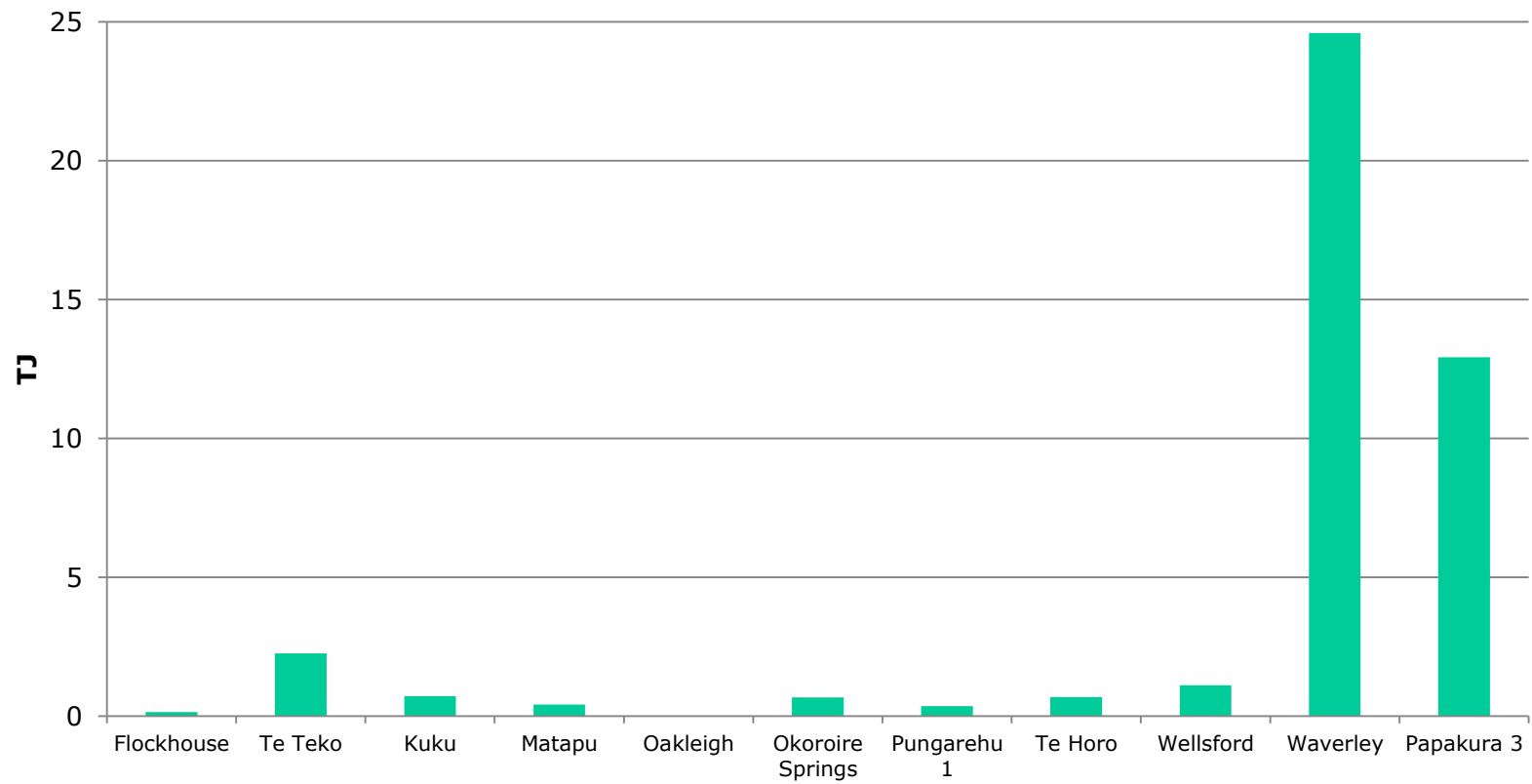
Unmetered and oversized metered gas gates

12 April 2012

Gas Gates

- 7 Unmetered gas gates
 - Wellsford
 - Oakleigh
 - Matapu
 - Pungarehu 1
 - Kuku
 - Te Horo
 - Okoroire Springs
- 2 Oversized metered gates
 - Flockhouse
 - Te Teko
- Expired exemptions at Waverley and Papakura 3
- Approx annual throughput at these gates 24TJ. Annual overall throughput of 120,000TJ. 99.98% flow on the Vector Transmission system is metered

Annual Throughput



Issues with installing meters

- Design issues – layout of station
- Design issues – meter design re variability in flow may make UFG worse
- Cost

Beneficiaries

- Main (only?) benefit of installation is quantification and allocation of UFG
- Currently no UFG allocated at these gates
- Sum of retailer consumption = “gas gate injection”
- Currently the difference between retailer consumption and actual gas gate injections is borne by Vector Transmission as UFG
- This UFG is not passed on to Shippers/retailers
- Unknown accuracy of retailer consumption therefore UFG could be negative or positive
- Therefore unknown who (retailers or VT) would benefit from installing a meter

Waverley

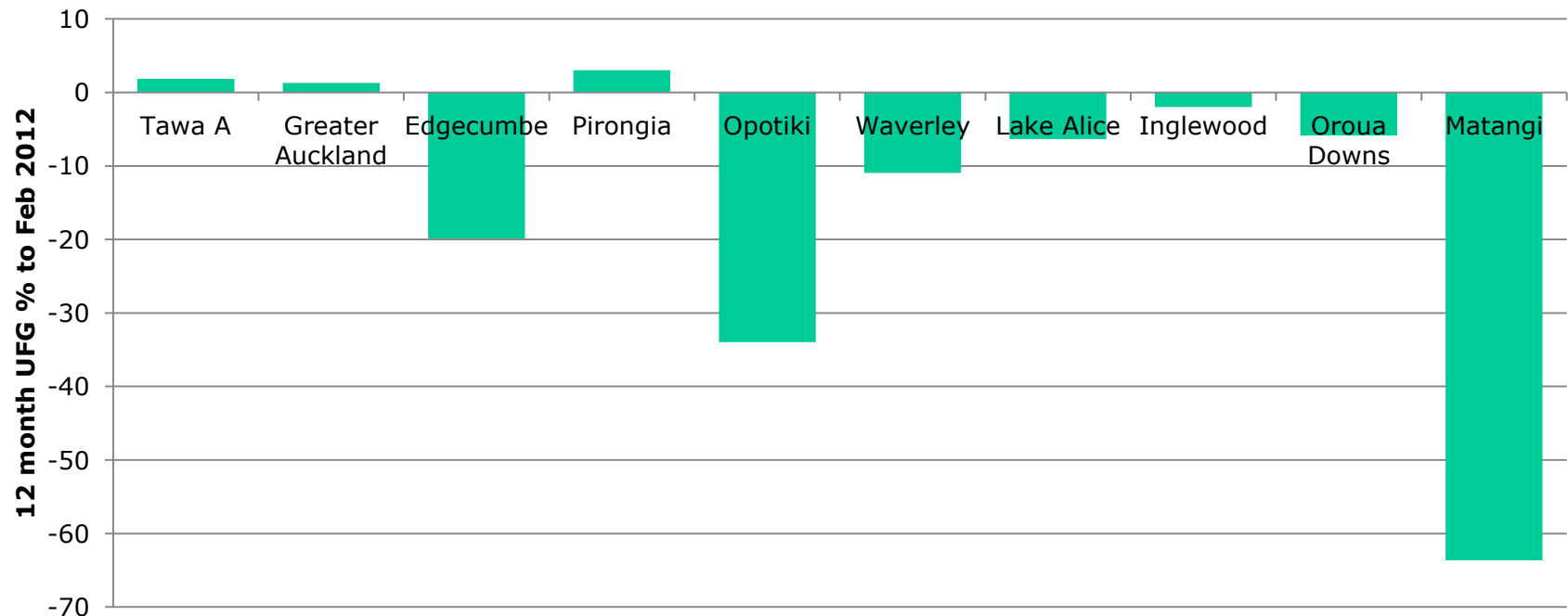
- At Waverley, on average retailers are allocated less gas than if the DP remained unmetered
- Retailers are better off in this case
- However 12 month UFG is high at this and similarly sized delivery points (see graph)

12 Month UFG % from GAR070

12 month UFG % =

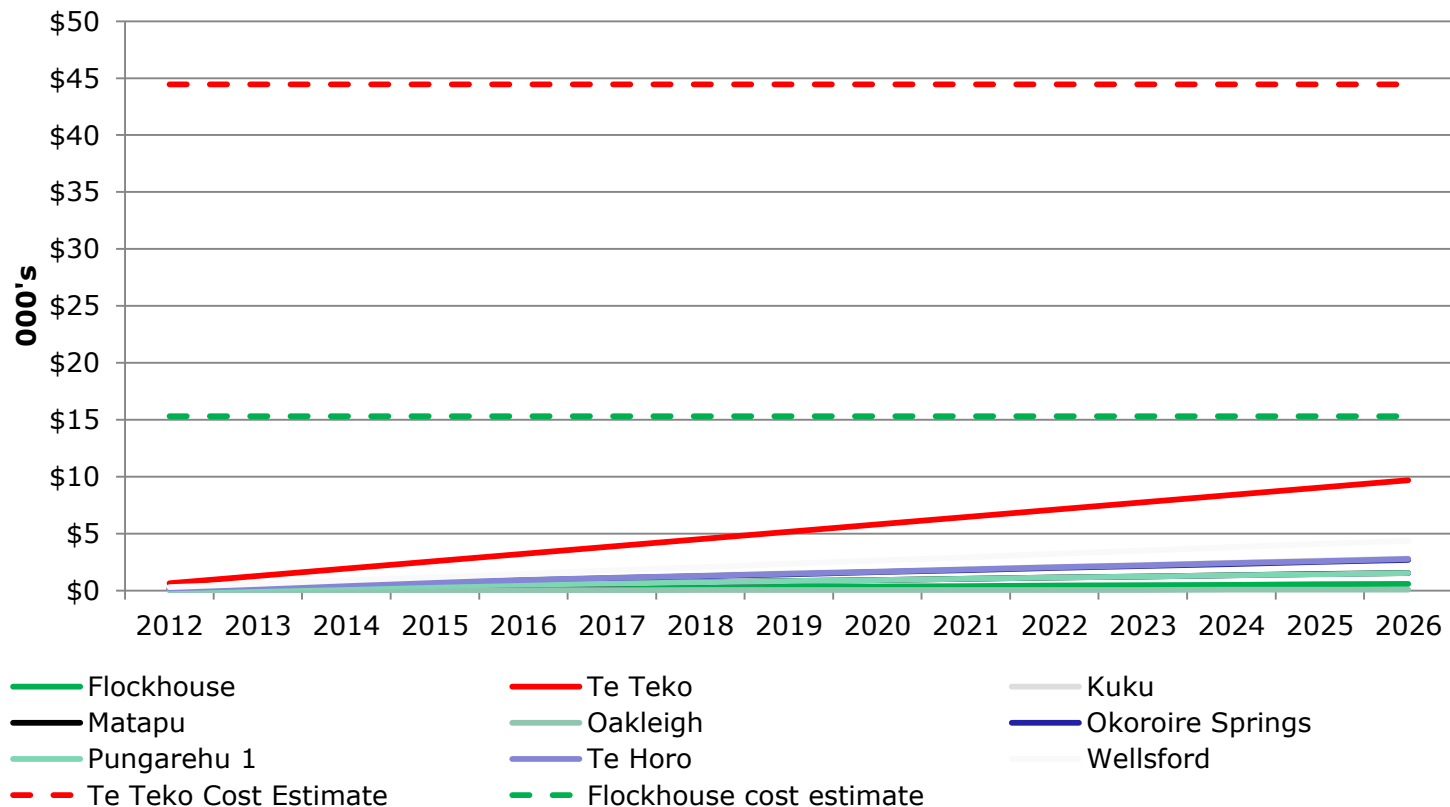
$$\frac{\text{Total injection quantity minus total retailer submissions}}{\text{Total injection quantity}}$$

- Negative UFG means that submissions are higher than injections therefore retailers allocated less gas

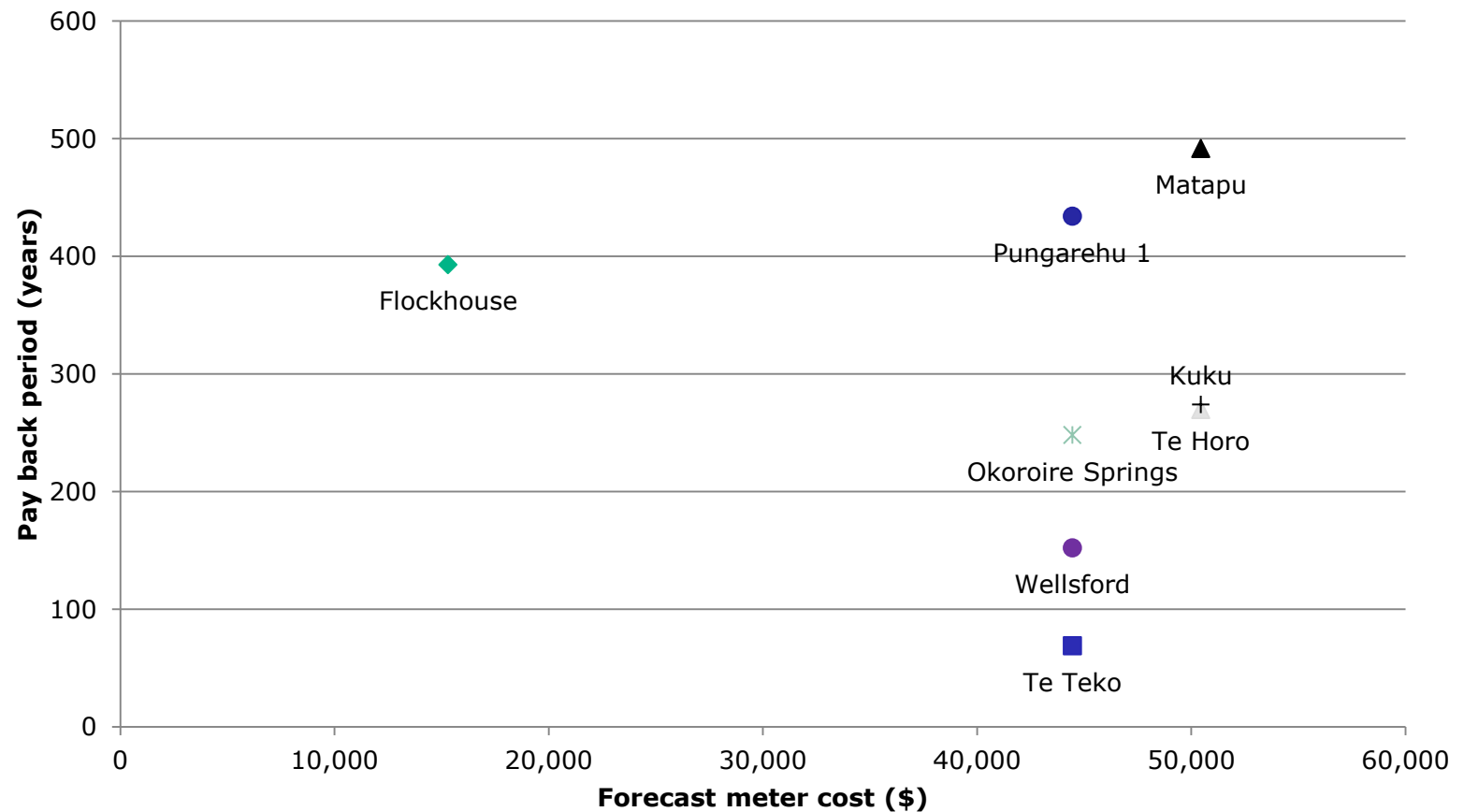


Payback period

- Using same assumptions as in GIC Options paper – 3.5% improvement in UFG; UFG \$7/GJ



Payback period



Conclusion

- Installing a meter will not necessarily reduce UFG borne by retailers
- Cost of installation is borne by Vector not retailers
- Installation is not an economically rational decision based on a basic cost v benefit test
- Installation would only be economically rational if the benefits to retailers outweighed the costs, and retailers paid for the installations



Vector[®]

ii. Unmetered gas gates

- Next steps?

iii. Oversized gas gates

- Same treatment as unmetered gas gates
 - FLH21901 and TTK30601

b) Exemptions process

Exemptions useful, but...

- Options Paper discussed that the exemption provisions are no longer needed for the transitional period
- 3 options were discussed:
 1. Retain status quo (i.e. exemptions)
 2. Remove the exemption provisions from the Rules
 3. Prescriptively outline circumstances that will and will not warrant an exemption

b) Exemptions process

- Gas Industry Co prefers either option #2 or option #3
- Most submitters support retaining the exemption provisions
 - Agree?

b) Exemptions process

If Option #3 is to be pursued then the Rules need to make clear that exemptions will only be permitted where:

- a reasonable substitute is available that achieves the intent of the downstream reconciliation process
- ...add this clause?

c) Obligations on meter owners

Time permitting:

- Estimated TOU data
- Late trading notifications

Next meeting: Friday 27th April

Note: 1pm-4pm

Indicative agenda:

- Consideration of straw-man rules from this meeting
- Estimated TOU data and late trading notifications (if not done today)
- Ongoing fees
- Zero-floor and scaling
- Remaining miscellaneous issues