DRAG – Meeting #4

31 May 2012

Agenda

1. Welcome and introduction	**10:00pm**
2. Matters arising from last meeting	**10:05pm**
3. Workshop issues	**10:30pm**

- **Late trading notifications**
- **Rule 42 exemptions**
- **Cost of audits**
- **Initial allocation**

4. Wrap-up and next steps	**1:00pm**

1. Welcome and introduction

- Meeting minutes

2. Matters arising from last meeting

- Consideration of rule changes

  - Late TNs

  - Audits of system changes

  - Any other comments on marked up rules

3. Workshop issues

- Late trading notifications

- Rule 42 exemptions

- Cost of audits

- Initial allocation

  - SADSVs

  - Top-down algorithm

  - D+1

Late trading notifications

- Unresolved issues from previous meeting:

  - The mechanism by which the AA checks with a participant if an anomaly is discovered

  - Whether it makes sense for the AA to red-flag an issue at the initial and to breach at the interim

  - How the AA should allocate volume to a retailer who begins trading at a gas gate (according to the registry) but doesn't submit consumption info

Rule 42 exemptions

- Rule 42: Publication of estimated day-end volume injection quantities each day

- Exemptions granted for:

  - gas gates without telemetry metering (all calendar days)

  - gas gates with telemetry metering but without live SCADA data (non-business days)

Rule 42 exemptions (gates without telemetry)

Delivery point	2011 offtake
Pungarehu No2	15
Kingseat	608
Kaponga	1,353
Okato	1,652
Ngaruawahia	3,102
Kairanga	3,540
Oakura	5,972
Oroua Downs	6,186
Alfriston	6,925
Opunake	7,980
Kiwitahi 2	8,104
Ashhurst	8,355
Otorohanga	9,679
Kinleith	15,066
Mangaroa	17,209
Ramarama	18,669
Otaki	18,822
Kapuni (Lactose et al)	20,439
Waitotara	23,185
Te Kuiti North	25,294
Foxton	29,978
Pukekohe	38,939
Waikanae	51,764
Huntly	56,417
Putaruru	77,517

Rule 42 exemptions

- GIC to maintain a schedule of rule 42 exempted gas gates?

  - Process for additions/deletions

  - Initial list based on existing exemptions

  - Add to new Part 1A of rules (atypical gas gates)

Rule 75.2: Responsibility for event audit costs

- ## Current drafting:

If the auditor concludes that a material issue has been raised in relation to compliance with these rules, the allocation agent or the allocation participant to which the material issue relates must pay the costs of the auditor, and if the material issue relates to more than one person, then each person must pay the costs of the auditor in such portions that reflect their contribution to that material issue as determined by the auditor

- ## Issue around "Materiality"

- ## Options:

  - Other criteria

  - Auditor recommends split to GIC who makes decision

Initial allocation

- SADSVs
- Top-down algorithm
- D+1 light

|	BD4	BD5	BD6
Current approach	12:00 TSO submits injection information 12:00 Retailers submit all consumption data	12:00 AA publishes initial allocation	
Alternate "A"	08:00 TSO submits injection information 08:00 Retailers provide TOU data 12:00 AA publishes SADSVs	12:00 Retailers submit non-TOU data	12:00 AA publishes initial allocation
Alternate "B"	10:00 TSO submits injection data; retailers submit TOU data 15:00 AA publishes SADSV	12:00 Retailers submit non-TOU consumption data	12:00 AA publishes initial allocation

Gas Industry Co

Top down algorithm
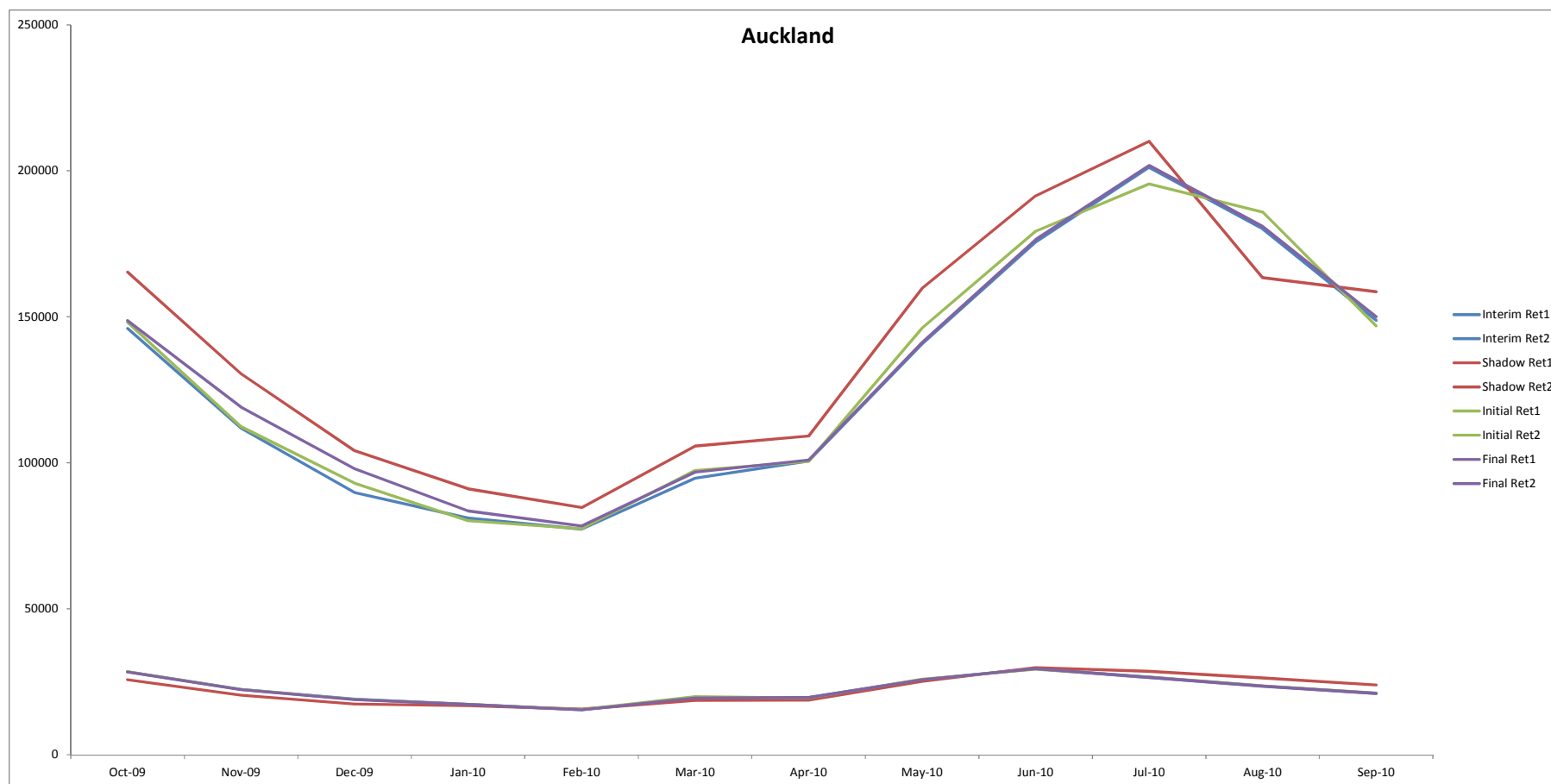
- Example from the Options Paper:

$$initial\ allocation_{aj} = CI_{TOU_{aj}} \times A_{UFG} + \left(injection_j - \sum AQ_{TOU_j} \right) \times marketshare_{aj}$$

- Various options for defining market share:
  - allocated volumes from most recent interim allocation
  - allocated volumes from same period last year
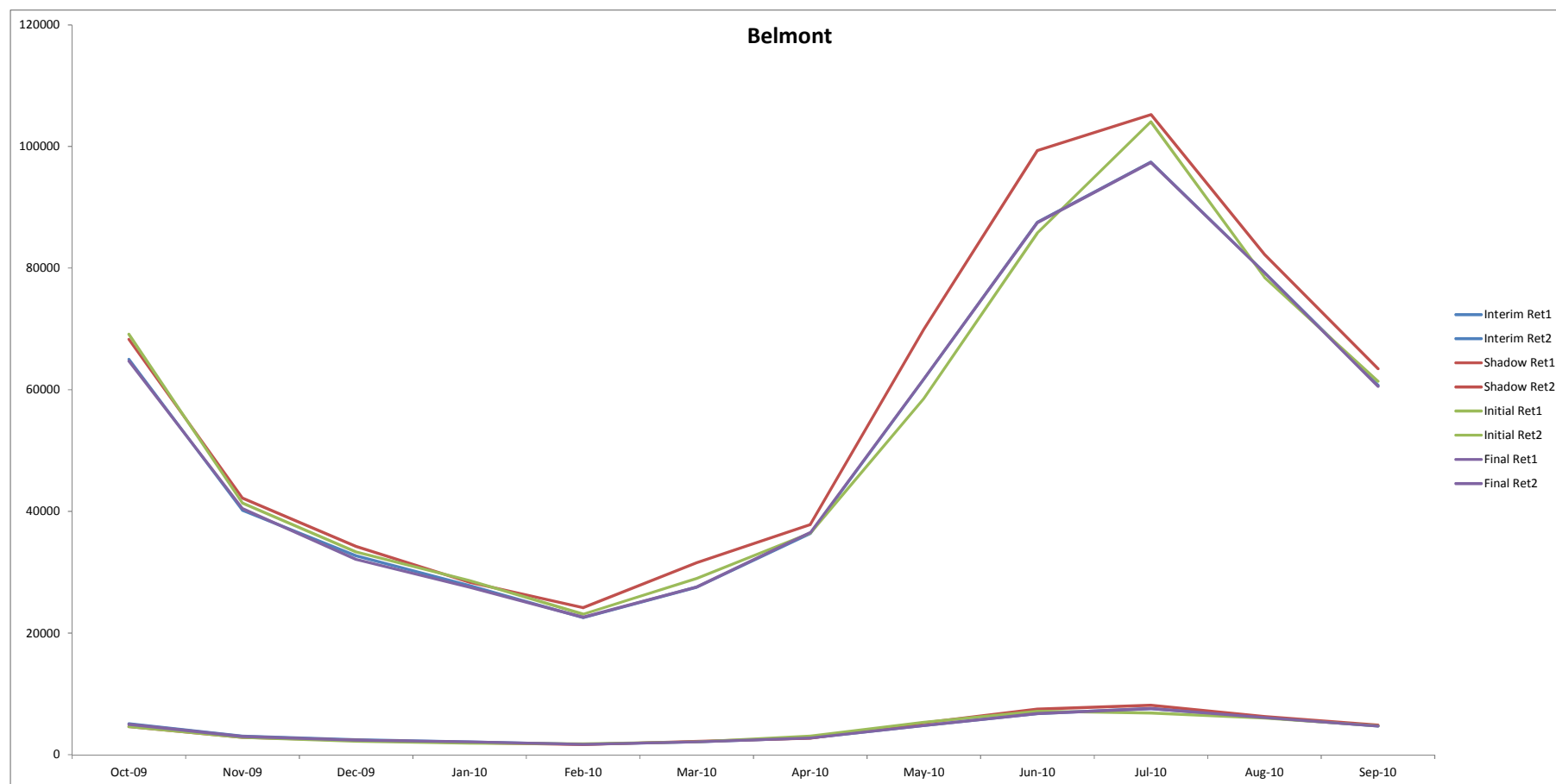 - ICPs per gas gate

Top-down algorithm example: Results
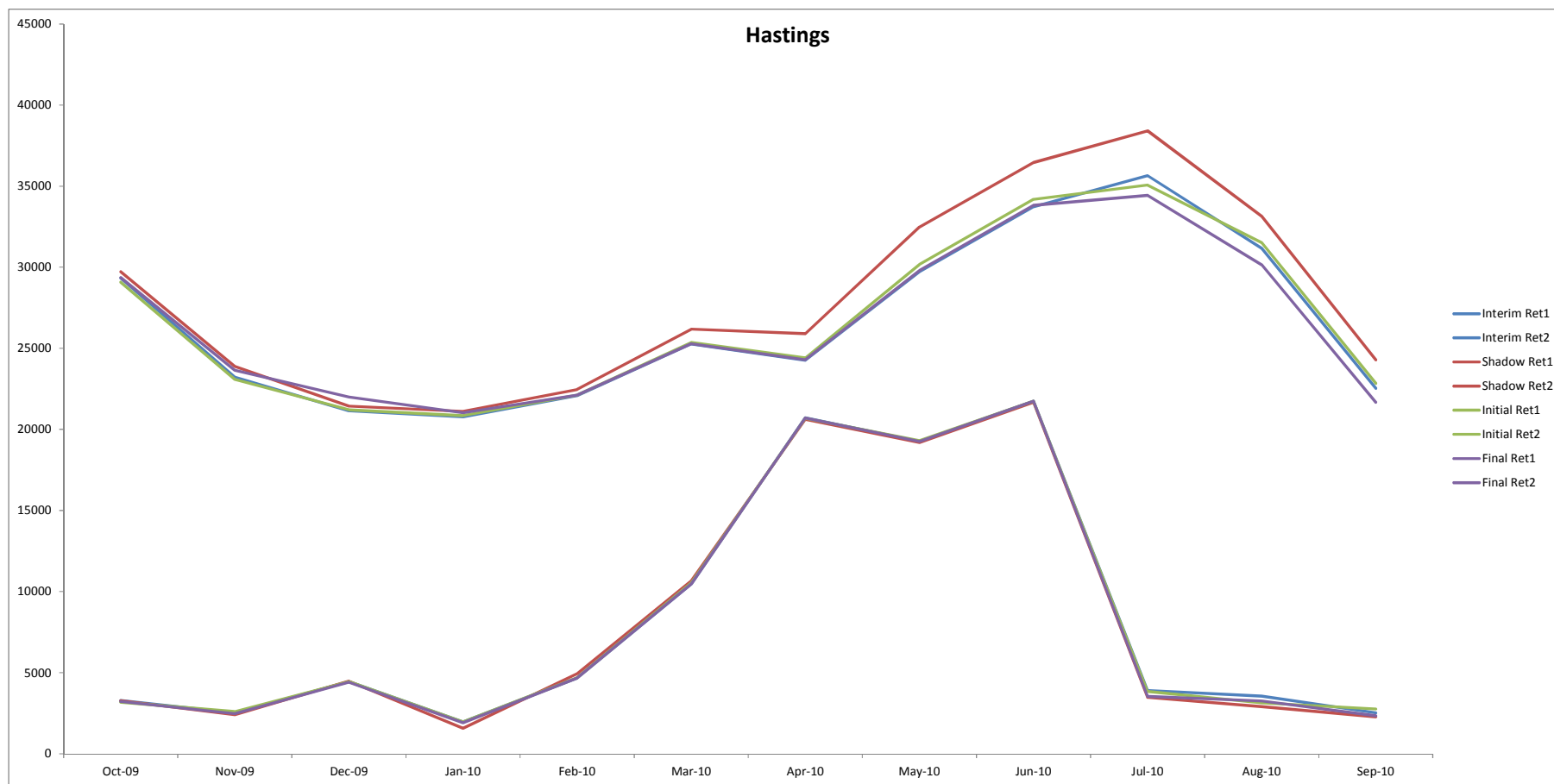
Top-down algorithm example: Results
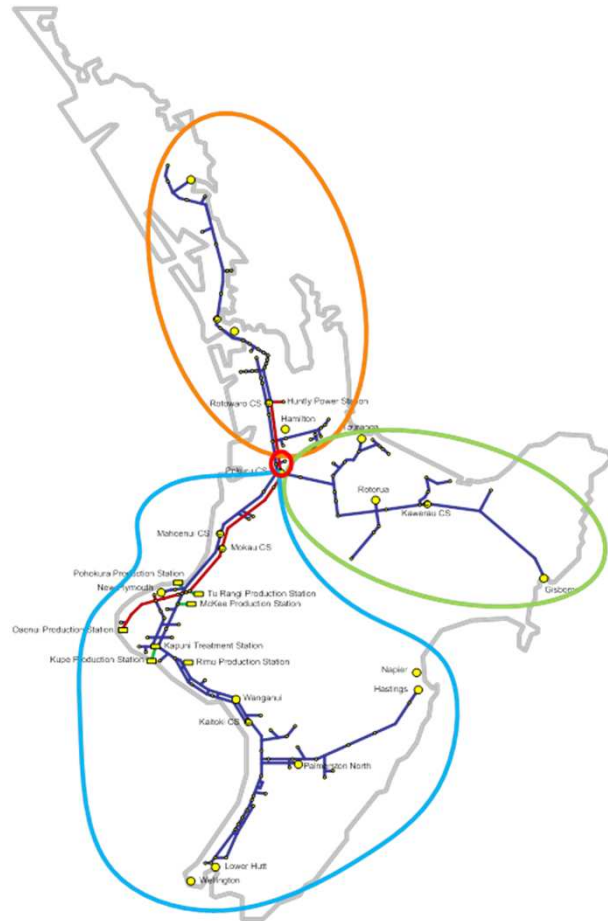
Top-down algorithm example: Results

D+1

- Benefits of D+1:

  - Shippers given better information to balance their positions

  - Reduced balancing costs

- Costs of D+1:

  - Establishment of system

  - Ongoing cost

- Other benefits/costs depend on system design – e.g. require that AG2 becomes AG1?

D+1 light

- **4 BPPs**

- **A shipper's position = nomination$_{D+1}$ − allocation$_{D+1}$**

allocation$_{D+1}$ = TOU$_{alloc}$ + non-TOU$_{alloc}$

- Actual AG1 data from previous day

- Estimate AG2 data based on historic consumption

- Aggregate pipeline injection = receipts – direct connect gas gates

- TOU$_{alloc}$ = SUM(AG1:AG2)

- Non-TOU$_{alloc}$ = (Injection – TOU$_{alloc}$) * market share at previous interim

D+1 light: break-down of allocation group ICPs by pipeline

Allocation Group	BOP	Maui	North	SKRF	TAN	Grand Total
1	18	4	64	31	1	118
2	27	5	133	98		263
3		1	1	1		3
4	817	30	2841	2448		6136
5	1		2			3
6	21133	1052	118279	111497	48	252009
Grand Total	**21996**	**1092**	**121320**	**114075**	**49**	**258532**