



DRAG – Meeting #1

30 March 2012

Agenda

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|---|----------------|
| 1. Welcome and introduction | 10:00am |
| 2. Terms of reference | 10:10am |
| 3. Gas Act context | 10:35am |
| 4. Morning tea and coffee | 11:00am |
| 5. Summary of submissions | 11:15am |
| 6. Introduction to issues for inclusion in 2012 SoP | 11:30am |

1. Welcome and introduction

- Review of the Rules
- Member's expertise
- 2 SoPs

2. Terms of reference

- Draft circulated
- Any issues with draft (including meeting dates/times)?
- Will circulate final next week

Advisory group – indicative meeting dates and agenda items

Meeting #	When	Agenda items	Decisions required
1	Thur 29 Mar	<ul style="list-style-type: none"> - Introduction and Terms of Reference - Issues to be included in June 2012 SoP and issues to be included in June 2013 SoP - Introduction to issues for inclusion in June 2012 SoP 	Agree on issues for inclusion in relevant SoP
2	Thur 12 Apr	<ul style="list-style-type: none"> - Consider drafting of G1M rule(s) - exemption process - Atypical gas gates (direct connects and unmetered/oversized) - obligations for meter owners 	
3	Thur 26 Apr	Finalise drafting for issues to be included in June 2012 SoP	
4	Thur 31 May	Initial allocation	
5	Thur 28 June	Initial allocation	
6	Thur 26 July	Initial allocation	
Further meetings as necessary		Analysis of options for initial allocation and drafting of rule changes	

3. Gas Act context

Gas Industry Co objectives: statutory

- Recommends gas governance arrangements to the Minister
- Gas Act objectives
- GPS Objectives and outcomes
- Any solution (regulatory and non-regulatory) to a particular issue must meet these objectives

Improving governance arrangements- the formal consultation process

- Amending rules is considered tantamount to recommending rules for the first time
- Gas Industry Co must assess and consult on any amendments proposed
- Output from DRAG meetings will inform and help guide development of improvements
- DRAG meetings are one aspect of Gas Industry Co's overall consultation process
- Gas Industry Co will issue consultation documents in line with the Gas Act
- Gas Industry Co Board makes recommendations to the Minister

Purpose of the Gas (Downstream Reconciliation) Rules 2008

“To establish a set of uniform processes that will enable the fair, efficient, and reliable downstream allocation and reconciliation of downstream gas quantities.”

5. Summary of submissions

- a. Submissions summary**
- b. Issues to be included in 2012 SoP**
- c. Issues to be included in 2013 SoP**

a. Submissions summary

- Initial allocation: Support for GIC options mixed.
- Atypical gas gates: General consensus to codify existing exemptions.
- Correcting AUFG factors: Most submitters agree to create new rule enabling correction of AUFG factors.
- Ongoing fees: Most support no change to status quo.
- Compliance-related issues: mixed support for GIC options.
- Exemptions: Most favour retaining exemptions

2012 SoP	2013 SoP
<p>Atypical gas gates:</p> <ul style="list-style-type: none"> • Direct connect • Global 1-month (today) • Unmetered gas gates • Oversized gas gates 	<p>Initial allocation:</p> <ul style="list-style-type: none"> • Better information • Allocate UFG to causers • D+1 • Top-down algorithm
Correcting AUFG factors (today)	
Allocation of ongoing fees	
<p>Compliance related issues:</p> <ul style="list-style-type: none"> • Estimated data for TOU sites • Obligations for meter owners • Late trading notifications 	
Process for granting exemptions	
Miscellaneous (some today)	

The timeline chart displays the following events and periods:

- April-12:** Event 1 (black dot)
- June-12:** Event SoP to Board (orange dot)
- August-12 to December-12:** Period Analysis of submissions + Recommendation to Minister (light blue bar)
- August-12:** Event Consultation (dark teal bar)
- September-12:** Event Current exemptions expire (orange dot)

Agree on split of issues?

6. Issues for the 2012 SoP

- a. Correcting AUFG factors**
- b. Atypical gas gates**
 - i. Global 1-month**
- c. Miscellaneous issues raised in submissions**

Correcting AUFG factors

Question 16 in options paper

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?

Context

Options

- Explicit rule vs. reliance on exemption process
- Prescriptive rule vs. discretionary power
- Mirror special allocation provisions
- Amend force majeure provisions

Global 1-month

Current exemption expires 30 September 2012

Submissions support codifying the exemption

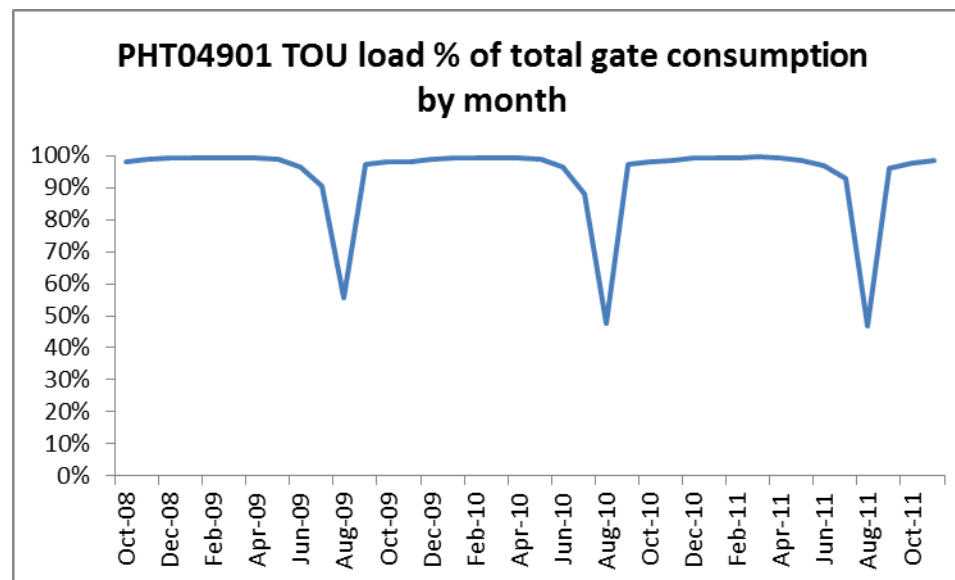
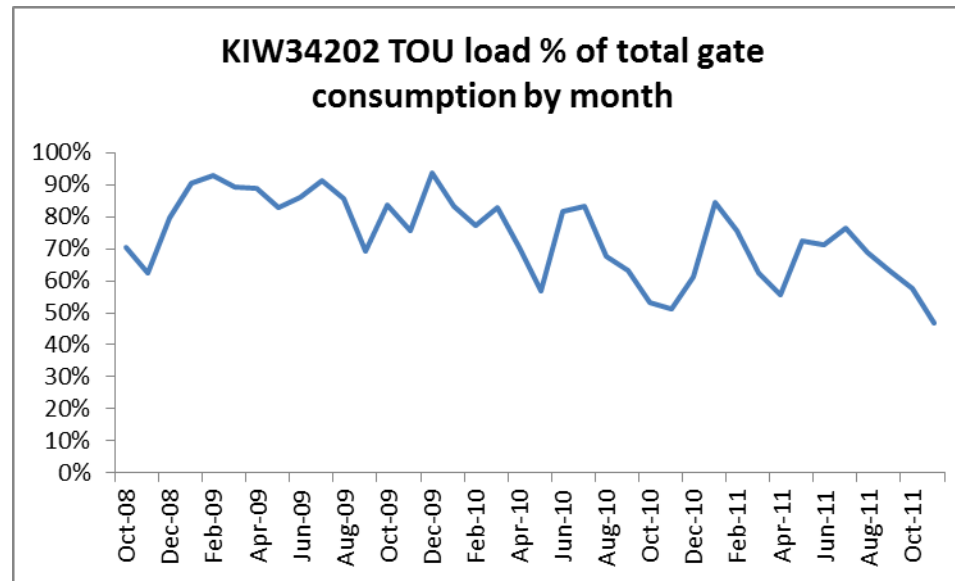
Global 1-month

Need to create rule(s) that cover the following:

- a. Provide for a G1M methodology in the Rules
- b. An application/approval process
- c. Specified criteria for approval
- d. Periodic review process

c. Criteria for approval

- Options:
 - Simple threshold?
 - Cap and floor + middle-ground process?
 - MUFG variance approach?

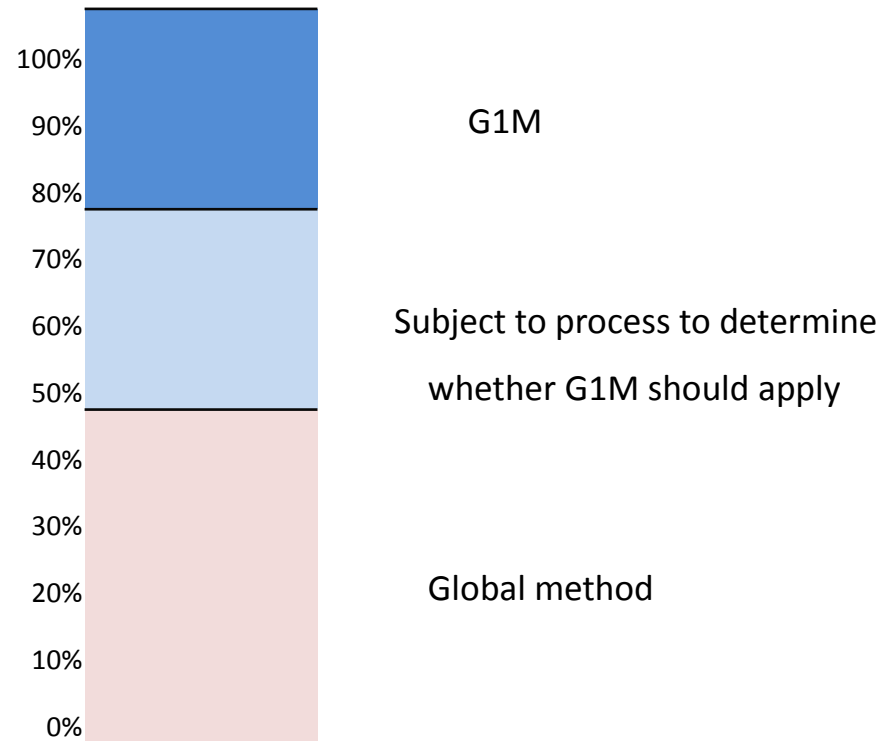


A simple threshold approach

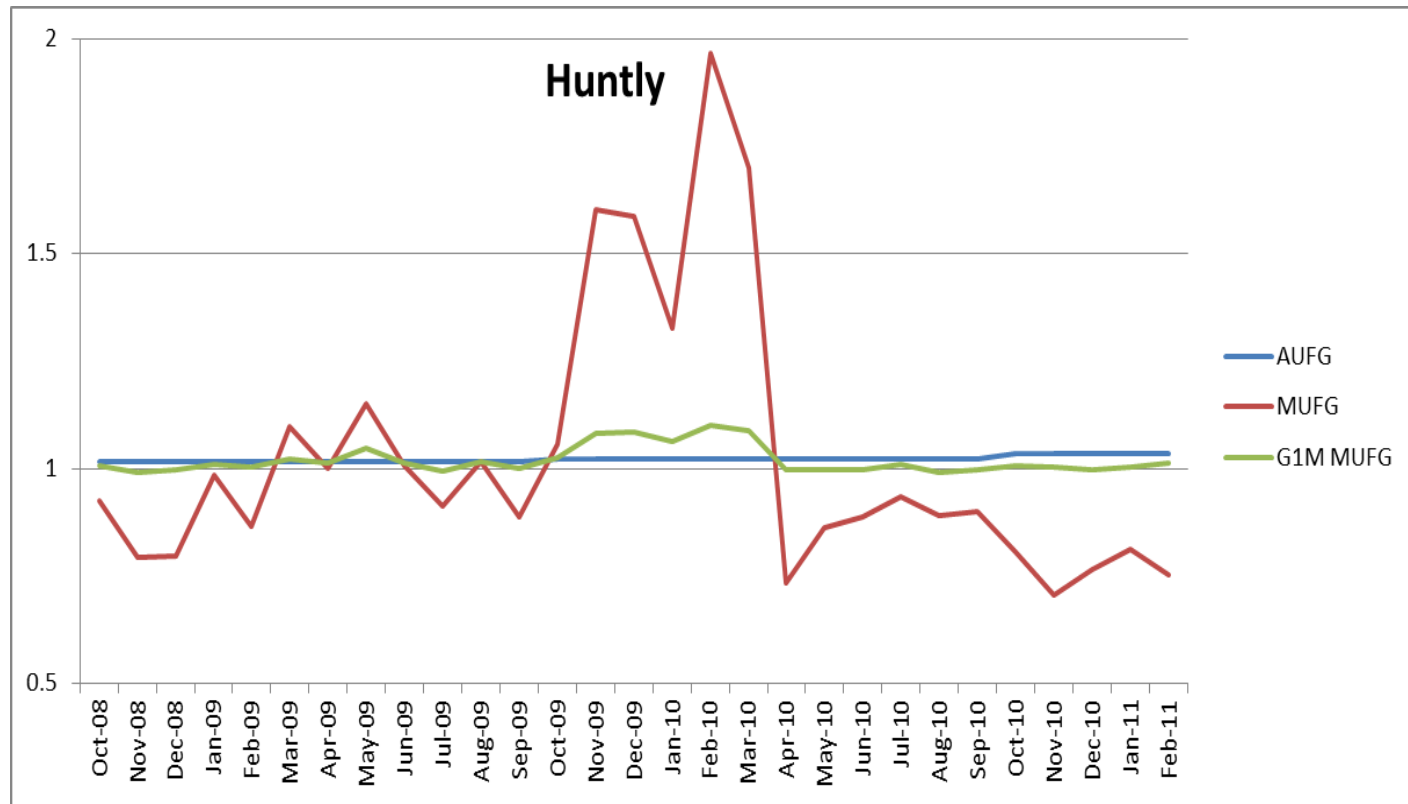
Threshold	Number of "captured" gas gates
60%	35
65%	33
70%	32
75%	29
80%	26
85%	23
90%	20
95%	13
99%	6

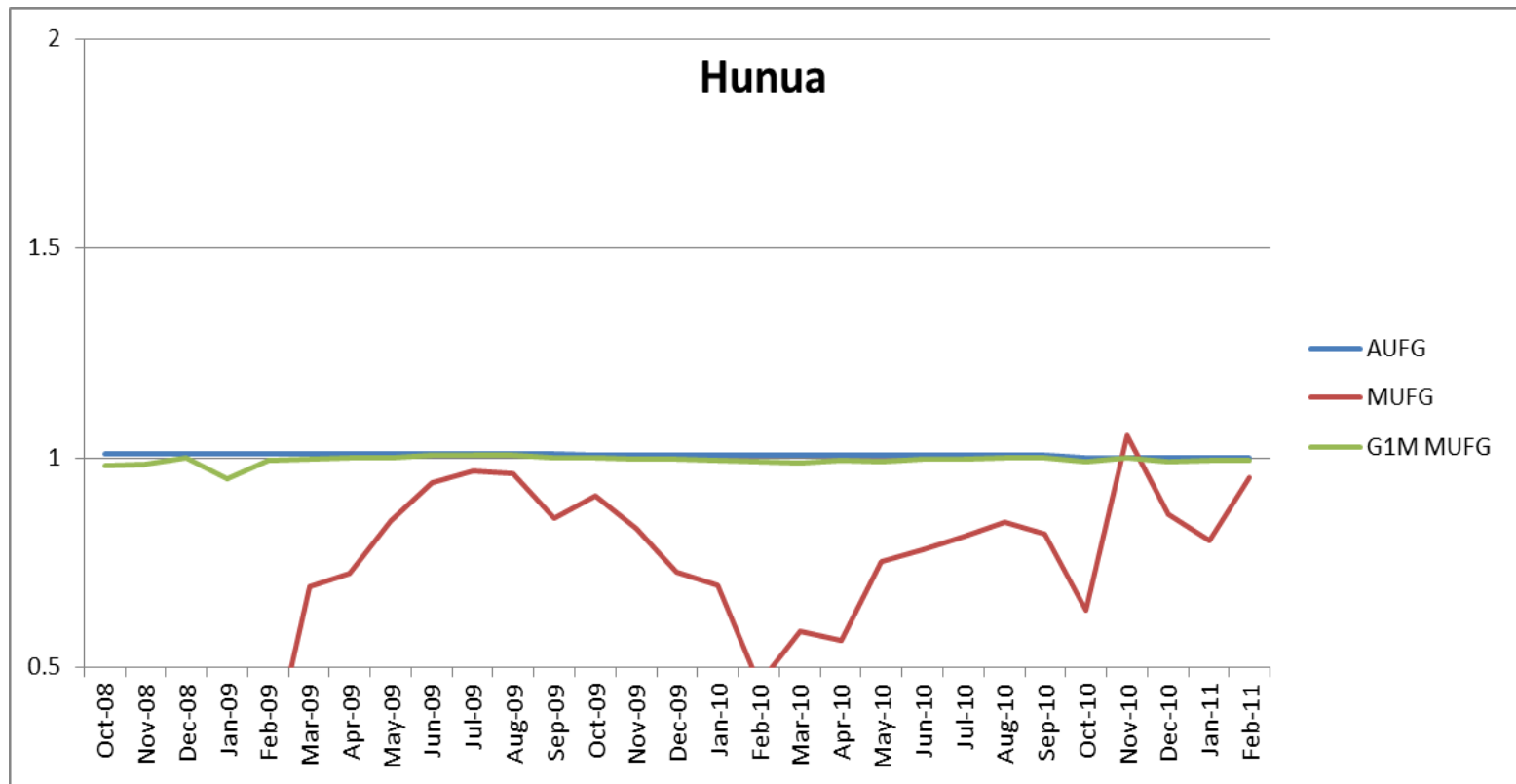
Cap and floor and middle ground process?

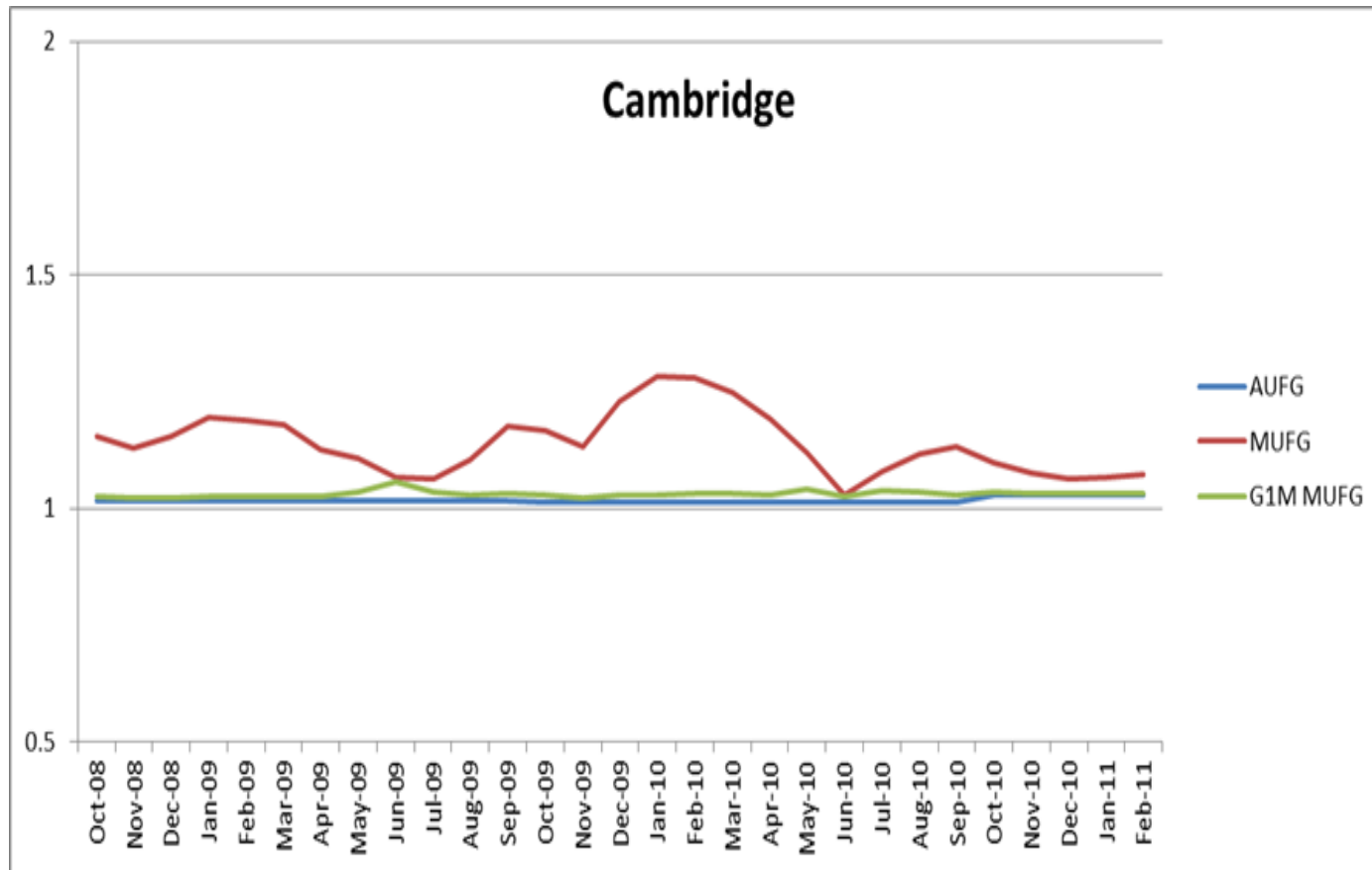
TOU Load

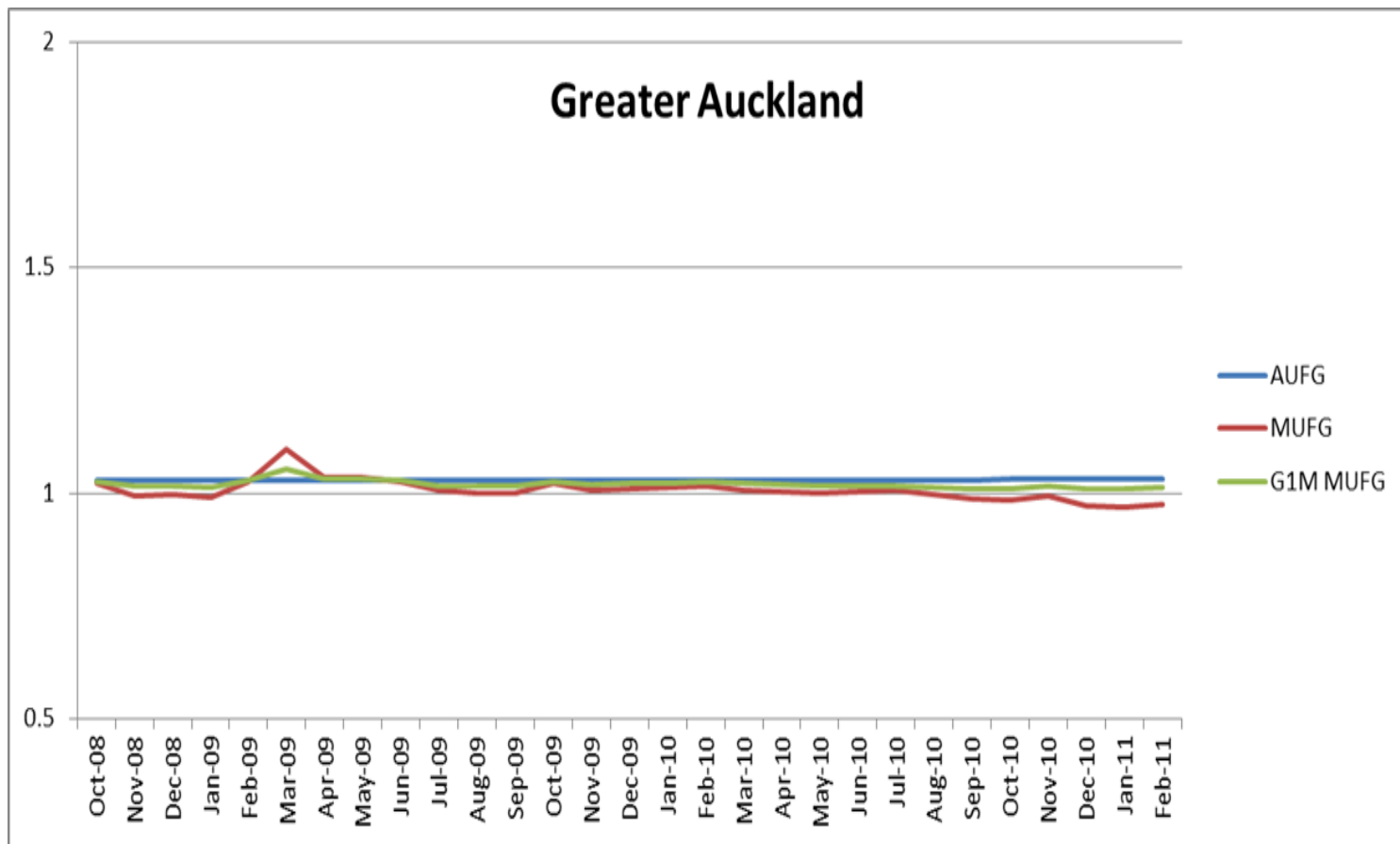


MUFG variance

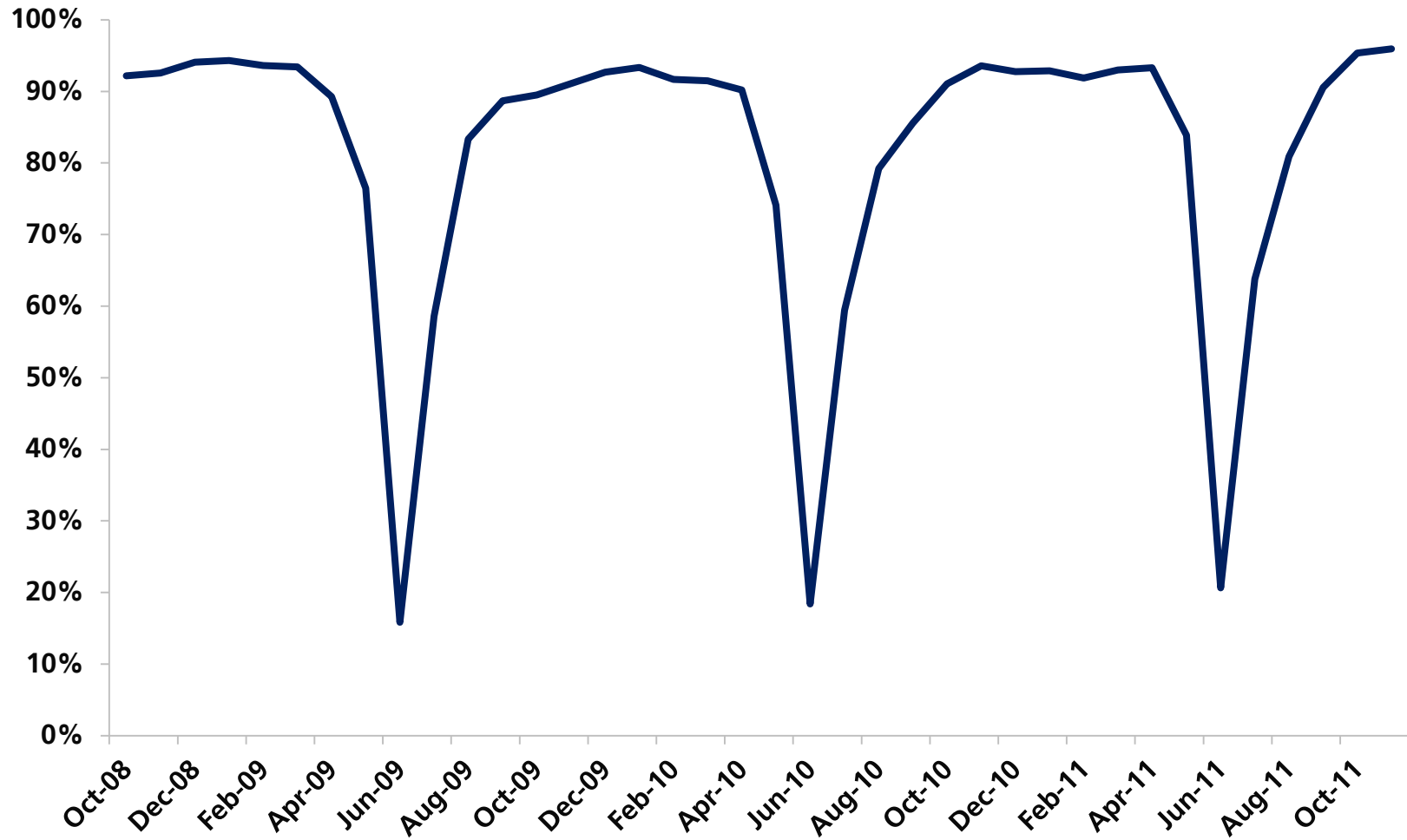




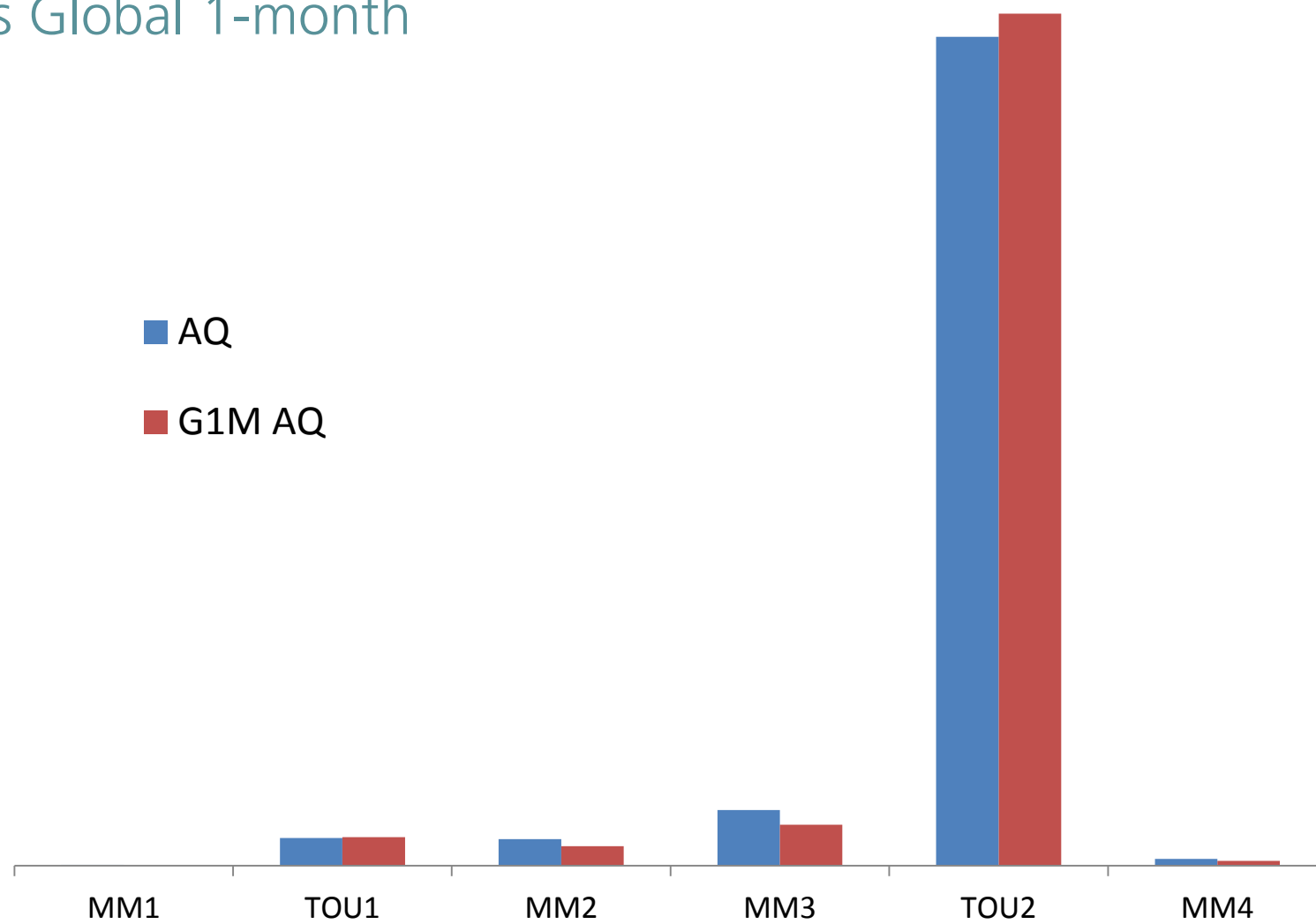




Case study: G1M "contender"



“Contender” gate allocations for a selected month: Global vs Global 1-month



b. Application and approval process

- **Who decides if a gas gate is to be G1M?**
- **Review?**

Miscellaneous issues raised in submissions

- **NZS 5259:2004**
- **MDL gas gates**

Next meeting: Thursday 12th April

Indicative agenda:

- **Consider drafting of G1M rule(s)**
- **Exemptions process**
- **Atypical gas gates:**
 - **Direct connects**
 - **Unmetered and oversized**
- **Obligations for meter owners**