

**ALLOCATION AGENT**  
Notifying participant

**VECTOR GAS LIMITED**  
Participant allegedly in breach

**ON GAS LIMITED**  
Party to breach notice

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**Record of settlement of alleged breach of rules 26.2.1 and 41.1  
Gas (Downstream Reconciliation) Rules 2008**

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**Record of settlement of alleged breach of rules 26.2.1 and 41.1  
Gas (Downstream Reconciliation) Rules 2008**

**Breach notices:** 2011-174 and 2011-242

**Between:**

Notifying participant: Allocation Agent  
Participant allegedly in breach: Vector Gas Limited  
Party to breach notices: On Gas Limited

**Background**

1. Pursuant to regulations 18(3) and 23 of the Gas Governance (Compliance) Regulations 2008, the market administrator referred the following alleged breaches by Vector Gas Limited in its capacity as transmission system owner (TSO) (Vector Transmission) of the Gas (Downstream Reconciliation) Rules 2008 (Reconciliation Rules), to an investigator, Jason McHerron, for investigation:
  - a. alleged breach of rule 41.1, referred to investigator on 1 September 2011;
  - b. alleged breach of rule 26.2.1, referred to investigator on 26 September 2011.
2. The alleged breaches arose when a faulty corrector led to incorrect energy quantities being recorded by the meter at gas gate WHK32101 in May and June 2011. On 7 June 2011 (which was for the purposes of rule 41.1 the 4<sup>th</sup> business day of the month that immediately followed the May 2011 consumption period), Vector Transmission provided the allocation agent with those incorrect quantities as the “actual daily energy quantities as supplied by the meter” even though it was aware that there was a problem with the corrector and it had not been able to validate the relevant data.
3. Vector Transmission now accepts that the data it provided to the allocation agent on 7 June 2011 was not “accurate and complete” in terms of rule 26.2.1; nor did it constitute “actual daily energy quantities” for the purposes of rule 41.1.
4. Because Vector Transmission wishes to be able to provide to the allocation agent data that has been “corrected” under Part 3 of the Metering Requirements for Receipt and Delivery Points dated 29 November 2007, Vector Transmission has sought an exemption under rule 19 of the Reconciliation Rules from rule 41 in respect of situations where:

- a. metering data fails Vector's initial validation process and enquiry reveals no demand-side reason for the failure (and the metering data is therefore not actual data); and
- b. a correction is required to be made to the metering data (in accordance with Part 3 of the Metering Requirements for Receipt and Delivery Points dated 29 November 2007) in order to accurately reflect actual flow; and
- c. Vector is able to create corrected data (which may in some cases include estimated data) to submit to the allocation agent, by the required deadline, that is likely to be closer to actual injection quantities than an estimation performed by the allocation agent in accordance with the estimation process set out in the allocation agent's functional specification document.

### **The agreed settlement**

5. In settlement of these alleged breaches, Vector Transmission agrees that:
  - a. for the purposes of rule 41 of the Reconciliation Rules, it will provide only data that has been validated in accordance with Vector's standard validation processes (and recorded as validated on OATIS) to the allocation agent as actual daily energy quantities injected;
  - b. where validated data is not available to Vector by the deadlines in rule 41, and Vector provides unvalidated data to the allocation agent, it will notify the allocation agent of the relevant dates and gas gates at which it has not provided the actual daily energy quantities injected by the deadlines in rule 41. These notices will be provided via OATIS notice and via email to [alla@nzx.com](mailto:alla@nzx.com).
6. This settlement is subject to the approval of the Rulings Panel pursuant to regulation 34 of the Gas Governance (Compliance) Regulations 2008. If the Rulings Panel approves this settlement, it will be final and binding on the parties, all other participants, and the Rulings Panel, and no further action can be taken in respect of the alleged breaches.

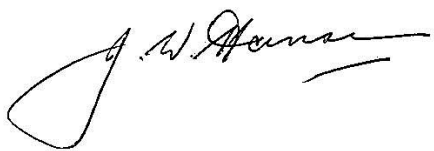
### **Acceptance of parties to settlement**

7. The allocation agent notified its acceptance of the terms of settlement in writing to the investigator on 19 December 2011.
8. Vector Gas Limited notified its acceptance of the terms of settlement in writing to the investigator on 20 December 2011.

9. On Gas Limited notified its acceptance of the terms of settlement in writing to the investigator on 19 December 2011.

### **Rulings Panel**

10. I approve this settlement pursuant to regulation 34 of the Gas Governance (Compliance) Regulations 2008.

A handwritten signature in black ink, appearing to read 'J. W. Hansen', is written above a horizontal line.

Hon Sir John Hansen KNZM

Date: 20 December 2011