

Gas (Downstream Reconciliation) Rules 2008 (Exemption DR09-03-T: Residual Injection Quantity Allocation) Notice 2009

Pursuant to rule 81 of the Gas (Downstream Reconciliation) Rules 2008, Gas Industry Company Limited ("Gas Industry Co"), as the industry body appointed pursuant to s43ZL of the Gas Act 1992, gives the following notice.

Notice

1. Title and commencement

- (a) This notice is the Gas (Downstream Reconciliation) Rules 2008 (Exemption DR09-03-T: Residual Injection Quantity Allocation) Notice 2009.
- (b) This notice comes into force on the date of this notice.

2. Interpretation

- (a) In this notice, Rules means the Gas (Downstream Reconciliation) Rules 2008 made by the Minister of Energy under sections 43F, 43Q and 43S of the Gas Act 1992 by notice published in the New Zealand Gazette, as may be amended from time to time.
- (b) Any term that is defined in the Rules and used, but not defined, in this notice has the same meaning as in the Rules.

3. Transitional Exemption

An exemption is granted from the application of rule 45.2.6 in respect of any gas gates where:

- (a) a non-zero injection quantity for a gas gate has been submitted by the transmission system owner under rule 41 and zero quantity consumption information has been submitted by all of the retailers at that gas gate under rules 31, 32 or 33; and
- (b) one or more retailers are supplying gas to a consumer installation at the relevant gas gate, as determined by the gas gate notices (GAS020 trader notification) that have been provided to the allocation agent under rule 39;

subject to the following terms and conditions:

- (c) the residual injection quantity that has been unable to be allocated to an allocation group and retailer under rule 45 is to be allocated to each retailer supplying gas to a consumer installation at the gas gate – such allocation to be made:

- (i) proportionally based on each retailer's allocated quantities for each allocation group over all retailers' allocation quantities for each allocation group for the previous consumption period's allocation and in accordance with the following formula:

$$AQ_{1,2,3,4,5 \text{ or } 6} = EI_d \times (PAQ_{1,2,3,4,5 \text{ or } 6} / \sum PAQ_{1,2,3,4,5 \text{ or } 6})$$

Where:

$AQ_{1,2,3,4,5 \text{ or } 6}$ is the quantity of gas in GJ to be allocated to allocation group 1, 2, 3, 4, 5 or 6 for the day

EI_d is the actual daily energy injection quantity in GJ provided by transmission system owners in accordance with rule 41 for the day

$PAQ_{1,2,3,4,5 \text{ or } 6}$ is that retailer's daily allocated quantities for the previous consumption period for that allocation group 1, 2, 3, 4, 5 or 6 for the day in GJ as calculated in accordance with rule 45 and reported under rule 48, 49, 50 or 51 (as applicable)

$\sum PAQ_{1,2,3,4,5 \text{ or } 6}$ is the sum of all retailers' daily allocated quantities for the previous consumption period for the allocation group 1, 2, 3, 4, 5 or 6 for the day in GJ as calculated in accordance with rule 45 and reported under rule 48, 49, 50 or 51 (as applicable)

or

- (ii) where:

- one or more retailers commence supplying gas to a consumer installation at the gas gate (which it did not supply gas to during the previous consumption period); or
- one or more retailers cease supplying gas to any consumer installation at the gas gate during the consumption period being allocated;

equally across all of the retailers supplying gas to any consumer installations at the gas gate and in accordance with the following formula:

$$AQ_{1,2,3,4,5 \text{ or } 6} = EI_d / N_R$$

Where:

$AQ_{1,2,3,4,5 \text{ or } 6}$ is the quantity of gas in GJ to be allocated to allocation group 1, 2, 3, 4, 5 or 6 for the day.

EI_d is the actual daily energy injection quantity in GJ provided by transmission system owners in accordance with rule 41 for the day.

N_R is the number of retailers supplying gas to consumer installations at the gas gate, as determined by the gas gate notices (GAS020 trader notification) that have been provided to the allocation agent under rule 39

- (d) All of the injection quantities submitted under rule 41 and any UFG occurring during the relevant consumption period are to be allocated to the consumer installations in allocation groups 1, 2, 3, 4, 5 or 6 at that gas gate.
- (e) To avoid doubt, the previous consumption period refers to the consumption period that is immediately prior to the consumption period that is being allocated.

Example: for an interim allocation occurring in August 2009 for the April 2009 consumption period, the previous consumption period is the March 2009 consumption period.

- (f) The exemption will expire on 30 September 2010.
- (g) The previous *Gas (Downstream Reconciliation) Rules 2008 (Exemption DR09-03-T: Residual Injection Quantity Allocation) Notice 2009*, dated 24 February 2009, is revoked.

4. Reasons for granting the transitional exemption

The reasons for granting the transitional exemption are:

- (a) In respect of gas gates where a non-zero injection quantity exists but the retailers supplying gas from that gas gate have all submitted zero quantity consumption information, the application of the allocation processes set out in rules 45 and 46 will result in a residual amount of gas not being allocated on each day. This is contrary to the policy intention that the allocated quantities balance with the injection quantities at a gas gate.
- (b) The alternative arrangement proposed is that the residual UFG should be allocated to the retailers supplying gas from the gas gate in proportion to the prior consumption period's allocation share at the gas gate. Where one or more retailers commence or cease supplying any consumer installations at a gas gate during the consumption period in question, then the non-zero injection quantity will be allocated equally across all of the retailers at that gas gate. The alternative arrangements will better meet the intended objective of the Rules at affected gas gates for the transitional period.
- (c) This issue has arisen due to circumstances unforeseen in the policy development and the drafting of the Rules and a longer term solution will be considered during the transitional period.
- (d) This transitional exemption varies the previous *Gas (Downstream Reconciliation) Rules 2008 (Exemption DR09-03-T: Residual Injection Quantity Allocation) Notice 2009*, granted on 24 February 2009, by clarifying that the exemption does not apply to situations where no consumption information has been submitted by all of the retailers at a gas gate. In those situations, the usual requirements of rules 43 and 45 apply to the allocation agent.

DATED at Wellington this 24th day of June 2009.

For and on behalf of Gas Industry Company Limited:

CHRISTINE SOUTHEY, Chief Executive.