

Terms of reference for the downstream reconciliation advisory group (DRAG)

Background and purpose

1. The DRAG has been established to assist Gas Industry Co in reviewing the Gas (Downstream Reconciliation) Rules 2008 ('the Rules'). The Rules have been in place since October 2008 and the review at hand seeks to improve specific aspects of the Rules rather than fundamentally reviewing the intent and purpose of them. In December 2011, Gas Industry Co published the Downstream Reconciliation Options Paper ('Options Paper') which outlined options for different issues that have been identified with the Rules by Gas Industry Co or industry participants. Submissions on the Options Paper were received in February 2012. Those submissions are available on Gas Industry Co's website.
2. Gas Industry Co has decided that it will split the work from the Options Paper. The first batch of work will form the content of a Statement of Proposal (SoP) in June 2012. The second batch of work will form the content of a SoP by June 2013. The DRAG will primarily focus on the work for the second SoP (i.e. the work for the initial allocation) but the DRAG will initially be relied on to assist Gas Industry Co in finalising its thinking for the first SoP.
3. The primary objective of the DRAG will be to assist Gas Industry Co in progressing rule changes that result from the Options Paper process and to consider (and assist implementing) any additional rule changes such as those mentioned in the summary of submissions.
4. The DRAG has therefore been established to:
 - consider the issues from the Options Paper and options to address them; and
 - evaluate those options in relation to the Gas Act objectives for recommending rules and regulations.

Role

5. The key role of the DRAG is to provide advice to Gas Industry Co on matters assigned to it according to the "Key Deliverables and Milestones" section below.
6. That advice will include, and is not limited to, providing analysis, feedback, and assistance in drafting rule changes.
7. In providing its advice, the DRAG will take into account:

- a. the industry governance arrangements set out in Part 4A of the Gas Act, in particular the section 43ZN objectives;
- b. the 2008 Government Policy Statement on Gas Governance;
- c. the purpose of the Gas (Downstream Reconciliation) Rules 2008; and
- d. the need to reconcile divergent views wherever possible.

Key deliverables and milestones

8. It is intended by Gas Industry Co that each of the first four meetings will require key milestones being met in order to have a SoP completed and issued for public consultation in June 2012. Those milestones are captured in the table below. Subsequent meetings of the DRAG will be required to progress changes to the initial allocation.

Advisory group – meeting dates and agenda items

Meeting #	When	Indicative agenda items	Milestones
1	Fri 30 March	Introduction and Terms of Reference Issues to be included in June 2012 SoP and preliminary thoughts on rule drafting Introduction to issues for inclusion in June 2013 SoP	Agree on issues for inclusion in relevant SoP
2	Thur 12 April (10am-1pm)	Consider drafting of G1M and AUFG factor rules; exemptions process; atypical gas gates (direct connects, unmetered and oversized gates); obligations for meter owners.	Guidance for re-drafting of relevant rules
3	Fri 27 April (1pm-4pm)	Estimated ToU data, trading notifications, apportionment of market fees,	Guidance for re-drafting of relevant rules
4	Thur 31 May (10am-1pm)	Finalise drafting for issues to be included in June 2012 SoP	Agree on draft 2012 SoP
5	Thur 28 June (10am-1pm)	Initial allocation	
6	Fri 27 July (10am-1pm)	Initial allocation	
Further meetings as necessary		Analysis of options for initial allocation and drafting of rule changes	Agree on draft 2013 SoP

9. The timetable above should be treated as indicative only. Additional meetings may be required depending on the progress the group is making.

Gas Industry Co's role

10. Gas Industry Co will facilitate all meetings of the DRAG.
11. DRAG meetings will be carried out in accordance with agendas determined by Gas Industry Co in advance of meetings. Reasonable notice of meetings must be given by Gas Industry Co including the time and venue.
12. Gas Industry Co will prepare minutes following all meetings. Draft minutes will be circulated to members for comment before being finalised. Final minutes will be made publicly available on Gas Industry Co's website.
13. Gas Industry Co will make all DRAG material available on its website unless specific material has been agreed as confidential by members.
14. Gas Industry Co intends to produce all material to be discussed by the DRAG although the DRAG or individual DRAG members may be required from time to time to complete certain tasks.

The DRAG's decision-making process

15. Gas Industry Co retains the sole right to make final decisions.
16. Gas Industry Co encourages the DRAG to provide consensus advice. Where the DRAG is unable to provide consensus advice, this will be clearly recorded in the minutes by Gas Industry Co.
17. The DRAG must provide its advice in accordance with the documents listed in paragraph [7 above](#).
18. For the avoidance of doubt, consensus advice from the DRAG will not bind Gas Industry Co to implement or recommend that advice.

DRAG Membership

19. The DRAG will consist of the following members, appointed for their expertise in reconciliation and allocation processes (in addition to Gas Industry Co attendees):
 - a. Anna Carrick, Gas Portfolio Manager, Vector Limited
 - b. Rod Crone, Manager – Networks & Reconciliation, Contact Energy
 - c. Andrew Maseyk, Reconciliation Manger, Genesis Energy
 - d. Jim Raybould, Gas Manager, Mighty River Power
 - e. Katherine Shufflebotham, Commercial Manager – Networks, Vector Limited
 - f. Martha Tjan, Gas Pricing and Revenue Manager, Powerco

20. Members are not required to be independent persons but members are expected to provide reasoned, impartial advice. Members are appointed as individuals and not as representatives of their organisations.
21. Members will be responsible for:
- a. complying with the requirements set out in these terms of reference;
 - b. being available for all DRAG meetings unless arranged otherwise prior to the meeting;
 - c. informing Gas Industry Co of any actual or perceived conflicts of interest that may affect their ability to perform their functions as a DRAG member;
 - d. carrying out any tasks or actions assigned by Gas Industry Co; and
 - e. not speaking to the media on any matter relating to the DRAG.
22. Members are appointed until June 2013 or until the DRAG is disestablished, whichever occurs first¹.
23. If for any reason a member needs to withdraw from the DRAG then the member must give Gas Industry Co reasonable notice. Following that notice, Gas Industry Co may seek nominations for a replacement member.
24. Failure to perform to a standard acceptable as determined by Gas Industry Co may result in the termination of a member's appointment.

Meetings

25. A meeting of the DRAG may be held whenever a quorum of members is present at the date and time arranged for the meeting.
26. A quorum shall be at least four members of the DRAG. Gas Industry Co must be present at each meeting.
27. DRAG members will be expected to make themselves available for meetings in person.
28. DRAG members are not entitled to send an alternate to meetings unless agreed by Gas Industry Co and that the alternate has a good understanding of the DRAG's work.
29. Members may be granted leave from a meeting or meetings at Gas Industry Co's discretion. Any member who, without unauthorised leave, misses two consecutive DRAG meetings will be deemed to be removed from the DRAG.

¹ Note that there may be a need for an implementation group post June 2013 to assist GIC with implementing D+1 and/or a revised initial allocation algorithm. In that regard it may be that members of the DRAG would be well placed to oversee such implementation. However, members are not being asked to commit beyond June 2013.