

Implementation of changes to the Gas (Downstream Reconciliation) Rules 2008

Introduction

1. On 1 June 2013, the amendments to the Gas (Downstream Reconciliation) Rules 2008 (the Rules) that were gazetted on 28 February 2013 will come into effect. In essence, the changes tidy-up some unnecessary compliance burdens and inefficiencies identified during the first four years of operation of the Rules.
2. This paper provides a summary of the most significant changes that will impact allocation participant operations, which are those related to:
 - (a) estimation of daily metered energy quantities;
 - (b) gas gate trading notifications;
 - (c) injection information for direct connect gas gates;
 - (d) global 1-month allocations;
 - (e) participant list for notifications;
 - (f) change of payment year; and
 - (g) audits of major system changes.
3. The general approach set out in this note in no way reduces the requirement upon participants to know and comply with their obligations under the Rules. Allocation participants should familiarise themselves with the full text of the amended Rules, which is available on the Gas Industry Co website¹.
4. Allocation participants should also refer to the determinations, exemptions and guidelines related to the Rules that have been issued by Gas Industry Co. These were recently consulted on² and will be finalised and published before 1 June 2013.

Estimation of daily metered energy quantities (rules 31-33 & 41)

5. The new definition *daily metered energy quantities* (which replaces references to actual daily energy quantities) includes quantities that have been estimated, therefore the allocation agent will no longer routinely allege breaches where daily metered energy quantities have been estimated by an allocation participant in accordance with Schedule 1

¹ See <http://gasindustry.co.nz/work-programme/market-administration/gas-downstream-reconciliation-rules-2008>

² See <http://gasindustry.co.nz/work-programme/consultation/consultation-determinations-guidelines-and-exemptions-submissions-closed-16-may-2013>

or 1A of the Rules. This applies with effect from 1 June 2013 to the following submission types:

- (a) retailer submissions of allocation group 1 & 2 quantities under rules 31 to 33; and
 - (b) transmission system owner (TSO) submissions of injection quantities under rule 41.
6. Please note that breaches may be alleged if there is reason to believe a retailer or TSO is not submitting daily metered energy quantities in accordance with the relevant schedule.
7. New terms have also been defined for *daily profiled energy quantities* and *monthly profiled energy quantities*. These changes do not alter the information required to be provided under rules 31.2, 32.2 and 33.2; the definitions just more accurately describe the information required to be provided.

Gas gate trading notifications (rule 39)

8. Retailers will no longer be required to supply trading notices in respect of any changes to gas gate trading under their default transmission services agreement (TSA). This will now be determined by the allocation agent based on information from the gas registry. Retailers can no longer be breached for failing to provide a trading notice in respect of consumption under a default TSA.
9. Active trading notifications for a retailer's default TSA will be updated in the allocation system based on changes to a retailer's active-contracted (ACTC) ICPs at each allocated gas gate (either due to switching or changes to ICP status), as reflected by the registry on the first business day of each month. One implication of this new process is that, if a retailer attempts to make a submission at a gas gate where it has no ACTC ICPs according to the registry, the submission file will be rejected.
10. Retailers are still required to supply notifications of changes to trading information for consumption under non-default contracts (non-VTC contracts or supplementary agreements).
11. Retailers must also still notify the allocation agent whether submissions will be made at physical gas gate level or notional gas gate level for consumption at member gas gates of notional delivery points (whether the consumption is under a default TSA or otherwise).

Injection information for direct connect gas gates (rule 41)

12. The amended Rules draw a distinction between allocated gas gates and direct connect gas gates. TSOs are no longer required to supply injection information for direct connect gas gates to the allocation agent for initial, interim or final allocations. TSOs must still provide access to this information for the allocation agent and industry body, i.e. via an OATIS login, unless it is otherwise available in the public domain.

Global 1-month allocations (rules 25C & 45)

13. Allocations using the global 1-month UFG (G1M) methodology will commence from the 2014 gas year (October 2013 consumption period onwards). At G1M gas gates, the annual UFG factor will not be applied and all allocation groups will be allocated UFG using the G1M monthly UFG factor.
14. The allocation agent will determine and publish the G1M gas gates for the 2014 gas year on or before 1 July 2013. The G1M gas gates will be notified by way of an additional column in the existing GAR090 (annual UFG factor) report.
15. For gas gates other than Kiwitahi (KIW34202), Pahiatua (PHT04901) and Reporoa (RPR30801) (the existing G1M gas gates as established under an exemption to the Rules), no change to the retailer submission process is necessary as the allocation system will automatically apply the appropriate methodology to submissions for all allocation groups.
16. For TOU submissions at Kiwitahi (KIW34202), Pahiatua (PHT04901) and Reporoa (RPR30801), the current G1M exemption requires that allocation group 1 & 2 quantities be submitted as allocation group 3. Retailers should continue to submit TOU volumes for these gas gates as allocation group 3 for consumption periods up to and including September 2013 (including the interim and final allocations for these consumption periods). For the October 2013 consumption period onwards, submission of volumes for ICPs at these gas gates should resort back to allocation group 1 or 2 as the exemption will no longer apply and the allocation system will be capable of applying the G1M methodology set out in the Rules without any changes to retailer submissions.
17. Retailers should be aware that there may be a step change in the seasonal adjustment daily shape values (SADSV) where a gas gate transitions from being allocated according to the standard methodology to allocations using the G1M methodology. Such step changes are expected to be of the same order as the impact of the change to the annual UFG factor that occurs each year.

Participant list for notifications (rule 23)

18. The allocation agent was previously required to use the contact details from the gas registry participant list when sending notifications. For larger organisations with separate registry and reconciliation teams this was ineffective so the allocation agent compiled a separate email notification list with the appropriate contact details for each organisation.
19. Allocation participants are now required to supply contact details directly to the allocation agent for the purpose of receiving notifications. The allocation agent will continue to use its existing notifications list but participants should be aware that they are responsible for keeping their contact details up to date (changes should be emailed to alla@nzx.com).

Change of payment year (rules 15 & 16)

20. Gas Industry Co intends to change the payment year for ongoing fees from the gas year to the financial year, in order to align the estimation and wash-up process with all other market fees. The effective date of the amended Rules does not allow a sufficient notice period to make this change on 1 July 2013 so it will take place on 1 July 2014.

Major system changes (rule 65)

21. Allocation participants should be aware that if they intend to make any change to their systems, processes or procedures that could reasonably be considered to be likely to have a major impact on their compliance with the Rules, an audit of the change will be required.