



Updated Proposal for Industry Information

**Allocation and Reconciliation of
Downstream Gas Quantities**

21 December 2007

Gas Industry Co was formed to be the co-regulator under the Gas Act. As such, its role is to:

- recommend arrangements, including rules and regulations where appropriate, which improve:
 - the operation of gas markets;
 - access to key infrastructure; and
 - consumer outcomes;
- administer, oversee compliance with, and review such arrangements; and
- report regularly to the Minister of Energy on the performance and present state of the New Zealand gas industry, and the achievement of Government's policy objectives for the gas sector.

Authorship

This updated proposal has been prepared by Bas Walker and Tristan Meo of Gas Industry Co, and Lucy Elwood of Elwood Consulting Limited.

Executive Summary

A Statement of Proposal containing draft rules for allocation and reconciliation of downstream gas quantities was issued for consultation on 1 September 2007. A total of 9 submissions were received, a full analysis of which is attached to this document as Appendix A.

The original intention was to proceed from the Statement of Proposal to a draft Recommendation to the Minister. However, Gas Industry Co considers it appropriate to first release this document - an Updated Proposal – for discussion with the industry at an industry workshop. This process will allow modified transitional arrangements and some underlying technical details to be further discussed and explained before a draft Recommendation is presented to the February 2008 meeting of the Gas Industry Co Board.

This Updated Proposal sets out the key issues raised in submissions, and from elsewhere, and describes Gas Industry Co's response. There is very little change to the long term solution set out in the Statement of Proposal. Most of the issues relate to the management of the transition from the current voluntary regime, based on the difference methodology, to the proposed global allocation methodology.

The key transitional issues are the need to accommodate the delay in the implementation of the proposed gas registry until 1 March 2009, and the determination of the most appropriate way of dealing with allocations of UFG between TOU and non-TOU meters. The Updated Proposal deals with these issues as follows:

- a reconciliation “go live” date of 1 October 2008 is retained but provisions introduced to allow other sources of ICP related information e.g. distributor’s databases, to be used on a best endeavours basis until the gas registry is available; and
- calculations of annual UFG for TOU meters during the full transitional period through to September 2010 are to be on a gas gate basis (not the previously proposed national average) but with the relative impacts on TOU and non-TOU meters then limited by having a cap of +3.5% and a collar of -1.5% on the UFG factor for TOU meters. The exemption provisions provide a safety net for dealing with extreme or unusual situations

Gas Industry Co has responded to other key issues with changes as follows:

- the provisions covering exemptions from the rules have been expanded to better prescribe the process and limit the purpose of exemptions;
- the process that the allocation agent must follow has been better prescribed;
- access for auditors has been extended;
- time frames have been reviewed to provide better sequencing and avoid mismatches;
- the need for confidentiality has been stressed where appropriate; and
- changes have been made in regard to the application of profiles and the seasonable adjustment daily shape, subject to further discussion with the industry.

Where changes were suggested in submissions but no changes were made the reasons are explained in the document. Areas of no change include retention of references to the gas standard NZS5249:2004 and continuation of cost allocation on the basis of volume.

Gas Industry Co's analysis does not support arguments from some submitters that cost benefit considerations favour a pan-industry agreement. The Company also does not agree that a further formal consultation is required.

The proposed updated rules are explained in the body of the document, with particular attention to identifying and explaining changes from the Statement of Proposal. The updated rules are attached as Appendix B.

The implications for the industry of implementing the updated rules are analysed. Key findings are that:

- the long term approach to applying the global allocation methodology should produce fair results for both TOU and non-TOU meters, provided average annual UFG is reasonably stable from one year to another;
- there will inevitably be a re-allocation of UFG, most probably in favour of the current incumbent retailers, as a result of moving from the difference to the global method of allocation. Insufficient data are available to Gas Industry Co to reliably estimate the overall impact, although some examples are calculated for hypothetical gas gates; and
- the approach to dealing with TOU v non-TOU meters over the two year transitional period will enable an immediate switch to the long term approach for about 50% of gas gates. For the other gas gates the application of the transitional "cap and collar" to TOU allocations will limit the impact on non-TOU meters compared to the application of a single national average UFG factor, although extreme situations may have to be dealt with through the exemptions process.

Experience elsewhere indicates that amendments will have to be made to the proposed regime as experience is gained, and this is recognised and will be acted upon by Gas Industry Co. From the industry side, the most important contribution that can be made is to address the issue of excess UFG. The proposed arrangement should help this process, and the operation of the arrangement will in turn benefit from well managed UFG.

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1 Introduction

Background

- 1.1 Effective arrangements for the accurate allocation and reconciliation of downstream gas quantities are a key component of an efficient gas market. This was recognised in the 2004 GPS issued by the Government and reinforced by requests from industry participants. Reference is continued in the draft new GPS which is currently out for consultation.
- 1.2 In response to this Gas Industry Co established an industry review team (GART) in 2006. The work of GART led to the publication of, and receipt of submissions on, two discussion papers. These papers progressively identified issues with the current arrangements and considered options for improving them. This work culminated in the issue of a Statement of Proposal in September 2007.
- 1.3 The Statement of Proposal sets out a regulated solution, i.e. for allocation and reconciliation and allocation of downstream gas quantities to be undertaken in accordance with rules made by the Minister of Energy under sections 43Q and 43R of the Gas Act.
- 1.4 A key element of the proposal is that UFG (the difference between the quantity of gas measured at a gas gate and the sum of all of the quantities measured by the retailer meters associated with that gas gate) should be allocated to retailers on a global basis, i.e. all retailers treated equally. This compares with the existing voluntary arrangement which, for most gas gates, operates on a difference basis, i.e. UFG is allocated to non-incumbent retailers according to a loss factor set in 2000, and then the difference between the loss factor and actual UFG is allocated to the incumbent retailer. Neither the incumbencies nor the loss factors have been changed since 2000. The proposal included a transitional period during which proxy estimates of annual UFG would be used to make up for the lack of comprehensive information on actual UFG levels.
- 1.5 The Statement of Proposal was issued on 1 September 2007. Four weeks were initially allowed for submissions, but the closing date was extended to 8 October 2007 at the request of industry participants. A total of 9 submissions were received.
- 1.6 The Statement of Proposal assumed a “go live” date of 1 October 2008 for the reconciliation rules, in part because of the administrative simplicity of starting at the beginning of a gas year. However, this choice of date was also influenced by the expectation that the proposed gas registry would go live on 1 October 2008. The gas registry will be a much better source of ICP related information and will improve allocation and reconciliation information quality. However, as the go live date for the gas registry has now been rescheduled to 1 March 2009, the proposal has been updated to accommodate this.
- 1.7 The original intention was to proceed from the Statement of Proposal to a Recommendation to the Minister. This approach has been modified to provide an

opportunity to publish this Updated Proposal and discuss it with industry participants. The reasons for this are as follows:

- Gas Industry Co had previously indicated to industry participants that a recommendation would be made in December 2007. As this timeframe has changed it is appropriate for Gas Industry Co to update industry participants on progress made and the new time frame Gas Industry Co is working towards;
- although no changes are proposed to the long term solution set out in the Statement of Proposal, the transitional arrangements have had to be revised to, amongst other things, take into account the new go-live date for the gas registry. It was considered appropriate to provide information to the industry on those arrangements before proceeding to a recommendation.
- several submissions suggested that, amongst other things, it would be useful to have further discussion on technical details. In response Gas Industry Co is now proposing to hold an industry workshop to discuss and work through some of the technical details in the updated proposal.

1.8 The present paper:

- summarises, and provides Gas Industry Co's response to, issues raised in submissions and other issues that have emerged since the Statement of Proposal was distributed;
- sets out and explains the updated proposed rules;
- examines the implementation implications of the proposed rules; and
- sets out the proposed next steps.

Industry workshop and finalisation of recommendation

1.9 As indicated above, it is proposed to hold an industry workshop prior to the finalisation of a Recommendation to the Minister. The default arrangement is for the workshop to be held from 10 am to 3 pm on Wednesday, 13 February 2008. However, some industry participants have requested a postponement to Friday 15 February. A firm date will be confirmed in mid January 2008.

1.10 The purposes of the workshop will be to:

- enable Gas Industry Co and industry participants to work through the implementation implications of the proposed rules; and
- provide a forum for working through the technical details in the rules from the point of view of their completeness and workability, with the possibility of determining minor technical amendments or extensions of wording that will enhance the workability of the rules.

1.11 The value of the workshop will be maximised if those attending on behalf of industry participants are able to actively engage in discussions on the technical details in the rules. The aim is to determine any amendments on the day.

- 1.12 A follow up email will be sent in January 2008, but it would be appreciated if industry participants could advise Bas Walker (bas.walker@gasindustry.co.nz) whether they will be participating in the workshop and who their participants will be, by Friday, 18 January 2008.
- 1.13 A suggested programme for the workshop will also be emailed out in late January 2008. To assist in developing the programme and ensure the best use of the time is made at the workshop, Gas Industry Co would welcome email communication beforehand that identifies particular proposed rules or issues on which discussion is sought. If it was thought to be helpful, Gas Industry Co would be glad to receive marked up amendments to the rules. For convenience, a Word version of the draft rule will be made available separately on the Gas Industry Co website so that stakeholders can provide such feedback.
- 1.14 The Updated Proposal will form the basis of the Recommendation to the Minister and this document will be worked up over the period through to the date of the workshop. The Recommendation will be amended as appropriate immediately after the workshop, and provided to the Gas Industry Co Board for approval at its meeting on Thursday, 28 February 2008.

2 Key Issues and Gas Industry Co's Response

- 2.1 This section of the paper explains only the key changes to the rules that have been made, either in response to submissions or to other issues that have emerged more recently. A number of minor changes (to wording, layout etc) have been made which are not dealt with here but are referenced in section 3 below.
- 2.2 It is stressed that the responses set out below accord with Gas Industry Co's current analysis and view on the most appropriate approach to adopt. In many areas, in particular the detailed methodology for global allocation of UFG, the intention is to monitor the actual implementation of the rules to ensure that in practice they deliver the required outcomes. It is anticipated that, as with reconciliation rules in other jurisdictions and industries, improvements will be made over time.

Issue 1: Dealing with the transition to the 'go-live' date for the gas registry

- 2.3 The Statement of Proposal proposed a "go-live" date of 1 October 2008 for the reconciliation rules which, amongst other things, coincided with the start of a gas year.
- 2.4 An important issue that has surfaced since then has been the extent to which the implementation of the reconciliation rules should be integrated with the implementation of the gas registry under the switching rules. This is because both processes use information from the gas registry. The indicated go-live date for the gas registry is now 1 March 2009, although it might be possible to bring this forward if implementation goes well.
- 2.5 Although there was no specific consultation question in the Statement of Proposal on how to address the time period prior to the implementation of the gas registry, industry participants were generally aware of the issue. Three of the submissions favoured changing the reconciliation go-live date to coincide with that for the gas registry, while one favoured changing the transitional arrangements to accommodate the temporary lack of a registry rather than delaying implementation. Other submissions (mainly from non-incumbent retailers who on the face of it are the most affected) are silent on the issue.
- 2.6 Several options for dealing with this situation have been considered. The option selected by Gas Industry Co is to implement the proposed reconciliation rules, including global allocation, from 1 October 2008, but with transitional provisions to allow for the gas registry not being ready until 1 March 2009. The "reserve" option is to delay go-live until 1 March 2009 to coincide with go-live for the registry.
- 2.7 The reasons for this choice are as follows:
- in respect to the logistics of implementation, 1 October 2008 is tight but achievable;

- early implementation will allow progress to be made in dealing with a number of problematic elements of the current voluntary arrangements. Matters in this category include the appointment of an allocation agent with rules-based powers, the implementation of the general governance arrangements in the rules, and improved information quality measures. Early implementation will also support the efforts the industry is making in addressing the causes of UFG;
- action will be occurring in parallel with preparing for the implementation of the gas registry, and this will include work by industry participants to clean up ICP data. There are likely to be significant improvements in the quality of ICP data by 1 October 2008 and advantage should be taken of this; and
- the downsides of the reserve option (delay until 1 March 2009) will be avoided including the extra work created in implementing two substantial arrangements on the same date (gas registry and reconciliation), the transactional costs of starting reconciliation part way through a gas year, and the delay in realising the benefits assessed in the cost-benefit analysis for the reconciliation rules.

2.8 The proposed transitional provisions for the pre-registry period will:

- provide for distributors' databases to be the primary source of ICP related information including especially the identification of the responsible retailer. Gas Industry Co understands that this is the situation under the current voluntary arrangements;
- if this information is disputed, provide for the allocation agent to make a determination on the matter for the purposes of allocation in accordance with the rules, after consulting with all of the affected parties; and
- provide for the information related obligations on industry participants in the rules to only apply to the extent that information is available as set out immediately above. The very clear intention is to avoid industry participants having to make special arrangements for providing information during the pre-registry period.

Issue 2: Dealing with the allocation of gas between TOU and non-TOU customers, especially during the transitional period

2.9 An issue discussed extensively this past year, and for which several solutions have been proposed and discussed, is that of managing the allocation of gas between TOU and non-TOU customers. This is both a technical and a commercial issue. The technical issue is the contention that TOU meters are fundamentally more accurate, and that therefore excessive UFG is more likely to be due to non-TOU meters. The commercial issue is that TOU customers are larger and the contractual arrangements (particularly for charging) more constrained. The contention is that inappropriate allocation of UFG could have significant competitive implications.

2.10 Submissions on this issue tend to be polarised depending on the makeup of the retailer's customer base. Based on the submissions on the Statement of Proposal and other information obtained, Gas Industry Co considers that there is no strong evidence that TOU meters contribute less on average to UFG than non-TOU meters. Excess UFG is quite likely to be caused by factors that have nothing to do with meter

accuracy including meters that are not being read at all (especially following a switch of the customer), and the wrong interpretation of metering data in the billing process. Commercial issues may nevertheless provide a counter view favouring special treatment of TOU customers. For example, informal information indicates that where high UFG is an issue at present, and the option is available, some retailers have responded by allocating a set level of UFG to TOU customers and allocating the rest to non-TOU customers. The Statement of Proposal continues this approach.

- 2.11 On balance Gas Industry Co considers that in the long term there is most merit in continuing to allocate a more stable level of UFG to TOU customers, as set out in the Statement of Proposal. As discussed in Section 4 below, this should produce a fair result which meets the regulatory objective for both TOU and non-TOU customers, especially once UFG has stabilised at the gas gate.
- 2.12 Different circumstances apply in the short term. The new system will not produce sufficient data on gas gate UFG until the third allocation year. Also excess and variable UFG may continue to be a significant factor during the transition from the current industry arrangements. Without a measured transition, there could also be relatively rapid variations in UFG allocations as a result of the change from the difference to the global methodology. This is more likely to occur at gas gates currently recording untenable UFG levels. If those variations were directly reflected in prices, some submissions have expressed concern that this might lead to so-called "rate shock". The actual extent of "rate shock" will however depend on a number of factors including how retailers (especially those who are currently non-incumbents) reflect UFG allocations in their billing, and the nature of each retailer's distribution arrangements.
- 2.13 The Statement of Proposal deals with the transition by calculating an average historical UFG factor across the whole system based on information provided to the current allocation agent, and applying this to TOU meters. Non-TOU meters then get allocated the residual UFG. This would cap the potential UFG increase for TOU customers but would leave non-TOU customers exposed if the UFG at a particular gas gate is very high. Assuming the national average is fairly stable year on year, the information in the Maunsell report suggested that, based on information for the gas year ended 30 September 2006m for the first year of the transitional arrangements the annual UFG would be set at approximately 2.45%.
- 2.14 The submissions indicate strong but varying views on the underlying issue of whether TOU allocations should be preferentially fixed, at a relatively low level, during the transitional period. One submission rejects any differential treatment altogether and 2 submissions suggest that UFG should be managed down to acceptable levels before the global methodology is introduced. The persistence of the problem of excess UFG suggests that the latter approach is simply not practicable. More broadly there is some acceptance that a compromise is necessary in order to make progress.
- 2.15 A specific concern raised in 3 submissions is over the use of a national average UFG for TOU meters, and one submission raises concerns over the length of time it is proposed to apply that national average. These submissions suggest that a gas gate, network or a regional approach is preferred to the national average approach.

- 2.16 A major factor influencing the adoption of a national average of UFG for the transitional period in the Statement of Proposal was Gas Industry Co's understanding that the current information is too uncertain for it to be used to set a regional or gas gate UFG factor. However, information quality issues notwithstanding, some industry submissions contend that it is fairer to have a per gas gate factor using the available information rather than smearing a national average across all gas gates.
- 2.17 Gas Industry Co agrees with these submissions, and the revised proposal is to use gas gate data. However, the use of gas gate data will not obviate the problem of insufficient information being generated by the new arrangements until February in the second gas year, so in this sense a 2 year transitional period is still appropriate.
- 2.18 The rules attached to this Updated Proposal thus adopt a per gas gate UFG factor for use in the transitional period. The revised rules provide for this to be achieved by :
- mandating a process (which for the first gas year will rely on per gas gate information from the gas year ended 30 September 2007) to set per gas gate annual UFG factors to be applied to the TOU meters at that gas gate separately, with a national average only applied if gas gate data is not available (for example, on gas gates that are not shared and not covered by the current reconciliation arrangements); and
 - applying a UFG cap of approximately 3.5% (a factor of 1.035) and a collar of approximately -1.5% (a factor of 0.985) on the application of the annual UFG factor to TOU meters to directly limit the change in TOU UFG, while also providing some limitation of flow on effects for non-TOU meters, of excessively high levels of UFG:
- 2.19 The cap and collar will be implemented as follows:
- where the annual UFG factor lies within the cap and collar limits, UFG will be allocated to TOU meters using the annual UFG factor, and the residual to non-TOU meters, i.e. the long term solution applies immediately;
 - where the annual UFG factor lies outside the cap and collar limits, the allocations to TOU meters will be at the cap or collar level; and
 - where the cap and collar approach is ineffective i.e. the allocation to non-TOU meters is still unreasonably large compared to the previous period, there will be the possibility of dealing with the issue using the transitional exemption provisions in the rules.
- 2.20 Other circumstances which Gas Industry Co anticipates might lead to exemption applications include gas gates currently adopting the 1 month UFG global method of allocation, gas gates that are not currently shared and interconnected gas gates. Exemptions are discussed in the next section.

Issue 3: Exemptions from the rules

- 2.21 An important adjunct to the proposed transitional arrangements is the ability for Gas Industry Co to grant exemptions. This avoids having to persist with clearly unfair or

unsustainable situations. As indicated above, exemptions may be especially important during the transitional period.

- 2.22 Although submissions generally supported the need for exemptions, there were strong calls for more details on the process and a better assurance that exemptions would be applied in a way that did not unfairly advantage individual parties.
- 2.23 In response to industry submissions, the process in the updated rules has been expanded. For example, the updated rules now require that Gas Industry Co may only grant an exemption following consultation with substantially affected persons and if satisfied the granting of an exemption will better achieve the purposes of the reconciliation rules.
- 2.24 No specific changes to the rules have been made to address concerns regarding the ability for exemptions to be granted in relation to a specific consumer installation. Gas Industry Co continues to consider that there may well be instances where narrow exemptions are required, for example in relation to those gas gates which are currently adopting the 1 month UFG global methodology or where 1 or 2 large TOU customers are responsible for the huge majority of the load at a gas gate.
- 2.25 The concerns raised by submitters would be legitimate if narrow exemptions were granted which solely served the interests of the applicant, or were, for example, seeking to limit the UFG allocated to a particular consumer installation to a level below the annual UFG factor at a gas gate. Gas Industry Co expects to develop operating guidelines which take account of these kinds of circumstances.

Issue 4: Status of gas standard NZS 5249:2004

- 2.26 The rules proposed in the Statement of Proposal use NZS 5259:2004 as the reference standard for metering. Submissions were generally concerned about this, given that the 1997 version of the standard is that used in the Gas Regulations 1993, and meters already installed will be compliant with the standards in force at the time.
- 2.27 On the face of it this concern has merits. However, Gas Industry Co considers that the concerns about regulatory inconsistency are overstated as the reference to the standard is only to specific obligations.
- 2.28 MED has also advised that it is intending to have the Gas Regulations 1993 amended to refer to the 2004 standard, and that this change is intended to have been made before or shortly after the go-live date for reconciliation, thus achieving the desired consistency.

Issue 5: Introduction of standardised billing methodology

- 2.29 While there has been persistent support from some industry participants for the rules to mandate the introduction of a standardised billing and estimation methodology, other retailers are opposed to it. The rules proposed in the Statement of Proposal do not include this requirement.

- 2.30 Although standardised billing has attractions, Gas Industry Co's view is that its development would be a major distraction to the implementation of the core reconciliation proposals, and should be left aside for reconsideration in the future.

Issue 6: Funding options and allocation of costs

- 2.31 The rules proposed in the Statement of Proposal required retailers to fund ongoing allocation costs under a specific funding process detailed in the rules, rather than via the annual levy. Seven submissions supported direct funding through the rules, with the other two submissions not making a direct comment on this point. There is broad support for a separate funding regime, and it has been retained in this Updated Proposal. This conforms to Gas Industry Co's general policy to fund rules or regulation implementation through dedicated fees, rather than the annual levy.
- 2.32 In relation to costs, the rules proposed in the Statement of Proposal allocated costs to retailers based on allocated volumes. As with submissions on previous consultation papers, submissions on this approach were mixed. Three submissions supported the approach, while three other supported cost allocation based on ICP numbers. Nova suggested that costs should be allocated between TOU and non-TOU customers on a causer pays basis, and Genesis suggested that a set proportion (half) should be divided equally between all retailers and then the remainder allocated on the basis of volumes.
- 2.33 It is relevant to note that the current allocation agent, Tom Tetenburg, supports funding by volume. Informal discussion with Tom has indicated that a substantial proportion of his time is spent tracking and checking TOU information to ensure that consumption from TOU customers is correctly recorded and reported. This confirms that processing time and effort is linked to by volume. A volume-based approach is also supported by the reality that, all things being equal, the larger the volume the larger the potential contribution to UFG.
- 2.34 Accordingly, Gas Industry Co has taken the submissions received into account but has continued with the proposal to allocate costs based on volume.

Issue 7: Cost-benefit of rules compared to pan-industry agreement

- 2.35 Many submitters (especially those in favour of delaying implementation until the commencement of the gas registry) expressed doubt that a regulatory arrangement was preferable to a pan-industry agreement given the need to delay implementation. It was submitted that the potential for a pan industry agreed solution should be further investigated by Gas Industry Co.
- 2.36 In the cost-benefit analysis attached to the Statement of Proposal many of the relative benefits of a regulated arrangement (as opposed to a pan-industry agreement) arise from the ability to start a regulated arrangement one year earlier than a pan-industry agreement. As Gas Industry Co is not changing the implementation date of the proposal, the cost-benefit analysis does not need to be revised.

- 2.37 In any event Gas Industry Co no longer considers that a pan-industry agreement could be operational by 1 October 2009. A date of 1 October 2010 is now more realistic. This date has been generated by using the same assumptions set out in the January 2007 Discussion Paper, but re-working the detailed timing for each step of the process working from today (December 2007) as the starting point.
- 2.38 Other submissions on the cost-benefit analysis (including Genesis' suggestion that the analysis should look at policy packages and Genesis' concern with Gas Industry Co's approach of dismissing non-intervention as the baseline) have been taken into account. However, Gas Industry Co continues to consider that its analysis, including the cost benefit analysis, supports the proposed approach as the best reasonably practicable means of meeting the policy aims.

Issue 8: Need for further Formal Consultation

- 2.39 Three submissions specifically stated that a further round of consultation was required to better resolve technical issues. The submission that provided the most detailed technical comment (Contact) took the opposite view of wanting to proceed as soon as possible.
- 2.40 It is noted that extensive consultation has already occurred, starting with the GART in 2006. Since then there have been two discussion papers issued for comment in addition to the Statement of Proposal. Gas Industry Co has also held a number of workshops and extended time periods for the making of submissions to maximise the opportunity for industry feedback. Over this period of time most options for dealing with issues have been canvassed. Accordingly Gas Industry Co does not consider that a further formal round of consultation is required.
- 2.41 Having said that, Gas Industry Co accepts that the approach to dealing with the transition has evolved further since the Statement of Proposal, and there is merit in the suggestion that further discussion on some of the underlying technical issues would be mutually valuable. This has led to the decision to hold a workshop in February 2008, as set out in this Updated Proposal.

Issue 9: Allocation agent process

- 2.42 Some submissions suggested that the proposed rules in the Statement of Proposal did not sufficiently well prescribe either the process for appointing the allocation agent or the process that the allocation agent must follow. It was suggested that:
- the appointment of the allocation agent should follow a contestable process which allows for industry involvement;
 - the performance standards of the allocation agent would be better prescribed in the rules rather than left to be contractually agreed with Gas Industry Co;
 - the allocation agent should maintain a website for the purpose of publishing information;
 - the process in relation to corrections should be tightened;

- it was crucial for the allocation agent to perform the allocation, even if it was missing information from retailers; and

2.43 Gas Industry Co has made a number of changes to the rules in response to submissions in this area. In particular changes have been made to address the last three bullet points above. In relation to the appointment terms and process, the proposal is unchanged. Gas industry Co considers it appropriate that the rules maintain flexibility on these items. However, to the extent practicable, Gas Industry Co agrees that it should seek industry views on both the process and terms of the allocation agent's appointment in a similar manner to the Registry Establishment Team's role in the appointment of the registry operator.

Issue 10: Process for audits

2.44 A number of submissions commented on the proposed audit arrangements, including submissions on the need for the process and scope of these arrangements to be bolstered. One particular issue is the extent to which auditors should have access to all systems, including billing systems. Some submissions, e.g. Powerco, stressed that the audit arrangements need to give the auditor access to all retailer systems and processes, including metering and billing set-ups and the processing of billing and submission data. However, other submissions seek to limit the auditor's potential scope. For example Genesis is adamant that any auditors appointed under the regime should be restricted from examining a retailer's billing systems and supporting ring fencing of auditor powers in the rules to avoid future scope creep.

2.45 Gas industry Co considers it appropriate for the potential scope of audits to be at the broad end of the spectrum and to include the ability to audit certain aspects of the billing system. This is particularly relevant, for example, to any event audit regarding a retailer's compliance with rule 50.2 which requires each retailer, for the purpose of annual reconciliation, to provide to the allocation agent the total energy sales quantity by gas gate calculated from the quantities billed to each consumer during the previous gas year.

2.46 Under the proposed regime, Gas Industry Co will ensure that audits are appropriately scoped and that scope creep does not occur.

Issue 11: Timing Issues in regard to Implementation of allocation process

2.47 In his submission, Tom Tetenburg noted that in some instances the allocation agent would be required to produce reports prior to the necessary input data being available and also queried whether the proposed timeframes, particularly in relation to the interim and final allocation processes, needed to be as urgent as those proposed. Gas Industry Co has reviewed all of the time frames in the rules and suggested a number of changes. Revised time frames for events occurring at scheduled times during a month (either every month or in specific months) are set out in the table below.

Business day during month	Monthly tasks	Periodic (annual) tasks
Day -1	Retailers notify Allocation Agent (“AA”) of all changes to “retailer makeup” at each gate, to enable AA to start preparing spreadsheets for month’s allocations (Rule 37.1)	Oct: GIC to publish % accuracy criteria for forward estimates to apply to next gas year.
Day 1	By 0800: Each retailer to provide GIC report on proportion of historic estimates (Rule 38.1) for previous month’s allocations By 1200: AA to publish seasonal adjustment daily shape values (Rule 51.1) GIC (or through AA) to invoice ongoing costs (rule 16.3)	July: AA to publish Annual UFG factor to apply for next gas year (Rule 44.4.2) Approx 1 July: GIC and AA to agree performance measures and each year AA to report against these (Rule 11).
Day 4	By 0800: Retailers to provide initial allocation information to AA (Rule 30) By 0800:TSOs to provide daily injection quantities for previous month (Rule 39)	
Day 5	By 0800: AA to publish applicable monthly UFG factor, perform initial allocation and provide reports (Rules 46.2 and 44.4.1)	Nov: Report on accuracy between initial and final allocations (Rule 51.3).
Day 6 by 1730	AA can correct initial allocation up to this time (Rule 42.3)	
Day 9 by 0800	Retailers to provide interim allocation information to AA (Rule 31)	
Day 10 by 0800		By 1700 in March: AA to publish comparison of retailer sales v consumption info (Rule 50.2.3). By 1200 in Oct: Each retailer to provide GIC report on frequency of validated register readings during previous year (Rule 38.2).
Day 11 by 0800	AA to publish applicable monthly UFG factor, perform interim allocation and	

	provide reports (Rules 47.2 and 44.4.1)	
Day 12 until 1730	AA can correct interim allocations up to this time (Rule 42.3)	
Day 14 by 0800	Retailers to provide final allocation information to AA (Rule 31)	
20 th calendar day	Due date for payment of ongoing cost invoices (Rule 16.5)	
Day 16 by 0800	AA to publish applicable monthly UFG factor perform final allocation and provide reports (Rules 48.2 and 44.4.1)	
Day 17 until 1730	AA can correct final allocations up until this time (Rule 42.3)	
Last day	By 0800; AA to publish initial, interim, final and special data on quantities, allocations and UFG AA to prepare self review (Rules 12 and 13)	By 1700 in Jan: Each retailer to provide total energy sales quantity by gas gate (rule 50.2.1). By 1200 in Feb: AA to compare sales with consumption info (Rule 50.2.2).

Issue 13: Protection of confidentiality

- 2.48 Some of the submissions did not consider that the rules went far enough to protect confidentiality.
- 2.49 As a general principle, Gas Industry Co is in favour of improving information availability in this area, as the current lack of objective information is of concern. So it is possible that, in practice, there may be instances where the rules do require publication of data. If participants consider this to be an issue, it may be an area where an exemption is appropriate.

Issue 14: Application of profiles and seasonal adjustments

- 2.50 The submissions from Contact and Genesis suggested that the term “seasonal adjustment” needed definition. Genesis queried whether Gas Industry Co would adopt a 12, 24 or 36 month data set and Contact suggested a 24 month period. The Updated Proposal includes a definition based on the previous 24 months of data. The application of the seasonal adjustments is less prescribed than the recent amendments to the equivalent provisions in the electricity rules and, as methodologies become better developed over time, further revisions may required in the future.

- 2.51 Contact's submission suggested a number of changes to the "historic estimates with seasonal adjustments" rule (now rule 34) to better take into account the process that retailers should follow in relation to consumer installations with a static or dynamic deemed profile. Following consideration of Contact's submission, a number of changes have been made in the rules.
- 2.52 In response to submissions, Gas Industry Co has also made some changes to the process for the approval of profiles. Because of their technical nature, it is proposed to include a discussion on rules relating to profiles and seasonal adjustments at the workshop on 13 February.

3 The Proposed Rules

- 3.1 Appendix B comprises the proposed rules, amended to reflect the policy proposals in this paper.
- 3.2 These amendments are not separately identified as it is important that the rules in their totality are considered. However, if any industry participant wishes to have a version of the rules with the changes specifically marked, please contact Gas Industry Co.
- 3.3 Gas Industry Co urges participants to read the proposed rules carefully and identify any issues or concerns they have regarding the operation of the rules. Gas Industry Co notes that the workshop is likely to be the final occasion that participants will be able to comment on the proposed rules and encourages participants to notify Gas Industry Co of any such issues or concerns.
- 3.4 At the workshop in February 2008, Gas Industry Co intends to work through the detail and workability of many of the operative provisions in the rules. In particular, Gas Industry Co would like participants to familiarise themselves with, and review, the following parts of the rules:
- historic and forward estimates and the application of profiles and seasonal adjustment daily shape values (rules 33 to 36);
 - the process set out in the rules for the application of global methodology and the calculation of the annual and monthly UFG factors (rules 43 and 44);
 - the timing of various information, quantities and reports (r30-32, 37-40, 47-50); and
 - the transitional provisions relating to the annual UFG factor for TOU allocations (and its subsequent effect on non-TOU allocations) and the provision of information prior to the gas registry going live (r70-78).
- 3.5 A summary explanation of the rules follows, focusing on changes made since the Statement of Proposal.

Purpose and Outline

- 3.6 Rule 2 sets out the stated purpose of the rules, which is to establish a set of uniform processes that will enable the fair, efficient and reliable allocation and reconciliation of downstream gas quantities. Rule 3 identifies key components of the rules including especially the appointment of an allocation agent and the description of the allocation process to be managed by the allocation agent. This rule has been amended to elaborate on the processes provided for in the rules.

Commencement

- 3.7 Rule 4 sets out the dates on which the rules will come into force. The key date is the “go-live” date which is now set in the rules as 1 October 2008. Thus;

- the rules governing the appointment, general governance of the allocation agent and the transitional provisions will come into force 28 days after the rules are notified in the Gazette. This date is expected to be no later than June/July 2008 and will determine when the appointment of the allocation agent can formally occur;
- rules governing the provision of consumption and injection information and general allocation and reconciliation processes come into effect on the go-live date;
- rules governing interim and final allocations come into effect either 4 months after or 13 months after the go-live date.

Interpretation

- 3.8 New definitions or substantive revisions have been proposed for the following terms – allocation results, annual reconciliation, annual UFG factor, consumer installation, distributor, gas gate, gas year, ICP, monthly UFG factor, publish, responsible retailer, seasonal adjustment daily shape values, static deemed profile, transmission system owner, and UFG.

Definition of allocation groups

- 3.9 Only minor drafting changes have been proposed to the definition of allocation groups. The allocation groups allow TOU and non-TOU meters to be treated separately and distinguish how consumption information is to be provided, and global allocation processes carried out, for the different allocation groups.

Allocation agent

- 3.10 Rules 7 to 14 set out the arrangements for the appointment and governance of the allocation agent. Rule 9 is new and requires the allocation agent to have a website operating at the go-live date for the publication of reports. Revision of clause 13.3 provides for Gas Industry Co to exclude confidential information from the publication of any reports received from the allocation agent.

Funding

- 3.11 Rules 15 to 17 provide for the estimation, publication and invoicing of ongoing allocation costs. These rules have had some of the timing provisions amended, and rule 15 has also been revised to provide greater clarity on the nature of the ongoing costs being recovered.

Exemptions

- 3.12 Rules 18 to 21 provide for exemptions from the application of the rules to be granted by Gas industry Co. Exemptions can apply to allocation participants, gas gates or the allocation agent. Clause 18.2 now sets a threshold for the granting of exemptions i.e. the exemption must be desirable to better achieve the objectives set out in 43ZN of the Act and the purpose of the rules. Rules 18 and 19 also more explicitly prescribe the processes relating to consultation on, and publication of, an exemption application

or an urgent exemption. Rule 20 has also been amended to require participants to notify Gas Industry Co of any errors or changes in circumstances relating to an operating exemption.

Notices and receipts of information

- 3.13 Rules 22 to 24 deal with notices and information exchange file formats. Clause 24.1 has been revised to provide for Gas Industry Co to prescribe information exchange formats by notice rather than being only published on Gas Industry Co's website.

General obligations of allocation participants

- 3.14 The general obligations are to act reasonably, provide good quality information and act to positively address the issue of excess UFG. Clauses 25.2 and 25.3 are revised to better specify these requirements.

Meter owners obligations

- 3.15 Rule 26 primarily covers the required accuracy of metering equipment consistent with NZS 5259:2004 (see paras 2.26 to 2.28).

Retailer obligations

- 3.16 Rules 27 to 38 cover the obligations of retailers and include clauses dealing with general obligations, metering interrogation requirements, general requirements for retailer consumption information, provision of consumption information for initial allocations, interim allocations and final allocations, historic and forward estimates for consumer installations with non-TOU meters, notice to the allocation agent of change of responsible retailer, and retailer reporting requirements. Significant changes are summarised below:

- Rule 27 has been revised to ensure retailers must convert measured volume in a manner consistent with NZS 5259:2004 and to require consumption information to be kept or archived by retailers for 30 months. Rule 28 has had a minor amendment to address the assignment of consumer installations to allocation groups 5 and 6.
- Rule 34 (historic estimates with seasonal adjustments) has been substantially revised to better prescribe the process for historic estimates. The rule now clarifies in what circumstances, and how, a registered deemed profile, gas gate residual profile or seasonal adjustment daily shape value is to be applied to estimates for non-TOU consumption information.
- Rule 35 now sets out certain matters the Gas Industry Co must have regard to when setting the accuracy percentage for forward estimates after consulting with participants.
- Rule 37 now provides for notices regarding any change of retailer for a consumer installation to be given to the allocation agent on the final business day of the month in which the change occurs (rather than the previous 5 business day period).

Transmission system operator obligations

- 3.17 Rules 39 and 40 deal with the provision of daily injection information, and have been amended so that estimated daily energy quantities are notified at 10am rather than 1pm.

Allocation agent obligations

- 3.18 Rules 41 to 51 set out the obligations of the allocation agent, and are at the core of the functioning of the global allocation methodology. These clauses deal with the use of estimates, the correction of allocations, the global method of allocation, the calculation of annual and monthly UFG factors, force majeure events affecting the annual UFG factor, initial, interim and final allocations, special allocations, annual reconciliation and allocation agent reports. It is noted that all of the transitional arrangements for gas years 2008/9 and 2009/10 are dealt with in a separate part of the rules (see below). Significant changes are as follows:

- Rule 41 provides for the allocation agent to estimate injection quantities as well as consumption information if that information has not been submitted by participants. As previously, rule 42 provides for late corrections to be implemented in a subsequent allocation or if need be by a special allocation directed by Gas Industry Co.
- Rule 43 details how global allocation is to occur for each allocation. This rule has been substantially revised to better express, using formulae, how global allocation is to occur for each allocation group and to calculate the gas gate residual profile. Rule 44 does something similar for the calculation of annual and monthly UFG factors, and changes the timing of publication of those factors.
- Rule 45 is a new provision designed to address situations where an unforeseen event, such as an oil contamination, affects the injection or consumption information so that an annual UFG factor would no longer be an accurate UFG reflection at a gas gate.

- 3.19 There are also changes to timings in clause 51 dealing with allocation agent reports.

Approval and Registration of deemed profiles

- 3.20 Rules 52 to 58 cover the approval and registration of static and dynamic deemed profiles, review requests, challenging of deemed profiles, removal of deemed profiles from the register, and cost. The main changes are to the timing of events and clarifying the process for registration, review and challenge.

Audits

- 3.21 Rules 59 to 60 cover the commissioning of performance and event audits, time restrictions, provision of information, confidential information, the preparation and publication of draft and final audit reports, and costs. The only substantive changes are to allow audits to be carried out for allocation processes for a gas gate and to rule 63 to enable the auditor to request access to a participant's processes, systems and data.

Transitional provisions

This part of the rules (rules 70 to 78) is substantially new or revised. The section includes:

- Rule 70 provides for allocations of consumption prior to the go-live date to occur under existing arrangements.
- Rules 71 to 73 deal with the calculation of annual UFG factors during the transitional period and all clauses have been substantially rewritten. Given that the information required to calculate the annual UFG factor for the 2008/9 and 2009/10 gas year will not have been provided under the proposed rules, rule 72 provides for the allocation agent to use information submitted under the existing allocation arrangements to calculate the annual UFG factor for those years. Rule 73 sets out the standard formulae for using that information to calculate the annual UFG factor – in the same manner as the long-term method set out in rule 44. However, clause 73.3 provides for the cap and collar factors to apply during the transitional period when the calculated annual UFG factor is outside the prescribed limits. Rule 74 also provides for Gas Industry Co to commission an event audit in situations where the cap and collar provisions have been triggered. Rule 75 provides for transitional exemptions to address transitional issues concerning the application of the regulatory regime during that period.
- Rules 76 to 78 set out the arrangements for access to ICP information during the pre-registry period, i.e. before the gas registry is established and in operation. Rule 77 recognises that the obligations on allocation participants should reflect the availability of information. Rule 78 sets out how ICP information is to be determined, based on distributors ICP databases consistent with the current practice under existing allocation arrangements, and the resolution of disputes by the allocation agent.

Schedule

- 3.22 The schedule sets out different types of metering errors and how inaccurate meter information is to be corrected under the rules. Further feedback from participants at the workshop is also expected to update the technical details outlined in the schedule.

4 Implications of the Updated Proposal: An analysis for industry information

4.1 This section of the Updated Proposal sets out Gas Industry Co's assessment of the implications of the currently proposed rules for industry information. The material looks at the rules in their totality, not just the currently proposed changes, to give a comprehensive view. It is stressed that this material is for information only and is Gas Industry Co's assessment. Most industry participants will have made or will want to make their own assessment of the implications. The material is **not** presented in justification of the changes. Reasons for changes are covered in Sections 2 and 3 of this document.

4.2 Implications are considered under the following topic headings:

- The impact on retailers of moving from the current difference method to the global allocation methodology.
- The differential impact on TOU v non-TOU meters and customers of the longer term implementation of the approach set out in the rules i.e. after the completion of the transitional period.
- The impact on industry participants of the transitional arrangements to cover the absence of a gas registry for an initial period.
- The impact of the transitional arrangements covering allocations of UFG to TOU v non-TOU meters.
- Management of work flows so as to meet timing requirements.

4.3 For purposes of calculating some of the quantitative implications, the data set out in the Maunsell report is used. While this data has been disputed by some industry participants, it is the only comprehensive set immediately available and the conclusions drawn are unlikely to be dramatically different using any other plausible set of data. For some issues the limited set of data provided in the Contact submission is more relevant and is thus used.

The impact on retailers of moving from the current difference method to the global allocation methodology

4.4 Implications in this area have been comprehensively set out in previous documents so this is just a summary and update.

4.5 The current difference method uses a fixed UFG factor, which in many cases is outdated, to allocate UFG to non-incumbent retailers. Data from Tom Tetenburg indicates that this fixed factor ranges from -0.72% to +3.16%, while actual gas gate UFG, as indicated by the Maunsell report, ranges from about -83% to +20%. This has the following general effects:

- In terms of the equitable allocation of UFG, it disadvantages the incumbent when the actual UFG is excessively high (about 21% of gas gates in the Maunsell

report) and advantages the incumbent when UFG is very negative (about 26% of gas gates in the Maunsell report).

- It requires the incumbent to manage the effects of levels of UFG which vary markedly from the fixed UFG factor.

4.6 The impact of changing to the global method is that all retailers are treated the same. The exact impacts of this at each gas gate will vary depending on a wide number of factors including the level of actual UFG, the current fixed UFG factor applied to non-incumbent retailers, the split of TOU and non-TOU customers for each retailer, and the market share of each retailer. To the extent that retailers are selling gas at more than one gas gate, the overall impact on any retailer will be reduced from the extreme gas gate cases by the averaging effect. Each retailer will thus need to carry out their own assessment of impacts in this regard.

4.7 Purely for illustrative purposes two gas gate examples are set out below. The examples are hypothetical but have been designed on the basis of the Contact data. A crucial factor is the market share of the incumbent versus the non-incumbents. This is commercially sensitive information and thus not available for publication in this document. To cover for this the data in the table below look at two levels of market share. For simplicity the calculations assume that each retailer has the same proportion of TOU v non-TOU meters which will not be correct for many individual cases.

% actual UFG	Fixed % UFG currently allocated to non-incumbents	% market share of non-incumbents	Calculated % UFG to incumbents under current method
5.0	0.5	30	6.6
		60	11.1
-4.0	-0.7	30	-5.7
		60	-9.4

4.8 The first case is the more conventional one of actual UFG being higher than the fixed allocation to non-incumbents. In this case, and for a 30% market share, the non-incumbents' share of UFG increases from 0.5% to 5.0%. Conversely the incumbent's share decreases from 6.6% to 5.0%. The favourable impact on the incumbent increases if the non-incumbents have a higher market share.

4.9 The second case is representative of those where UFG is negative. In this case the non-incumbents' share of UFG effectively decreases, from negative 0.7% to negative 4%. There is a corresponding unfavourable impact on the incumbent as shown in the table.

Differential impact on TOU v non-TOU customers of the longer term implementation of the global methodology

- 4.10 In the long term the only difference between TOU allocations and non-TOU allocations is that the former uses an average for the gas gate based on the previous year, while the latter uses the difference between this and the actual monthly UFG at the gas gate. This will have both short term and long term effects.
- 4.11 The short term effect is that UFG for TOU meters will be stable, while UFG allocations for non-TOU meters will fluctuate. This impact will tend to dissipate (but not entirely) as initial allocations are replaced by interim and final allocations.
- 4.12 In the long term the impact will depend on the stability of annual UFG. If UFG is being well managed and accurately measured, then it should be stable, i.e. with little variation from one year to another. Under these conditions the long term impact on TOU customers will be very similar to that for non-TOU customers, i.e. neither group is advantaged or disadvantaged. This is the desirable outcome which should be aimed for. If UFG is unstable from year to year then the impact will vary depending on the direction of variation. Thus:
- if UFG decreases from one year to the next, then TOU customers will be relatively disadvantaged by having a higher UFG allocation than is correct for the current year; and
 - if UFG increases from one year to the next, then non-TOU customers will be relatively disadvantaged by having a higher residual allocated than they should, because of an unduly low allocation of UFG to TOU customers. (It is noted that at a workshop in February 2000, industry participants indicated that this was preferable to introducing another delayed wash-up.)
- 4.13 No data are available to Gas Industry Co on which to base quantitative illustrations of the above impacts.

The Impact on Industry participants of having transitional arrangements in place to cover the absence of the gas registry for an initial period

- 4.14 The intention of the rule changes proposed for the pre-registry period is to avoid any undue difficulty or cost for industry participants. Hence the emphasis on using data already available (and used in the present voluntary arrangement) and on requiring best endeavours rather than strict compliance with the rules. An improvement over the current situation is the ability of the allocation agent to mandate a resolution to disputes over the appropriate data to use, for the purpose of making allocations.

The impact of the transitional arrangements covering allocations of UFG to TOU v non-TOU meters

- 4.15 Two elements of the transitional arrangements need to be looked at from the point of view of impact – the estimation of annual UFG factors to apply to TOU meters for the two transitional years, and the application of the cap and collar to the UFG factors for TOU meters.

- 4.16 The proposed rules place the onus on the allocation agent to develop annual UFG factors for each gas gate (for TOU meters) for the two transitional years, based on the best available information. Where no such information is available or the allocation agent cannot adequately estimate such information, the use of the annual average across all gas gates is a sensible “fall back” position.
- 4.17 The first impact of the application of the cap of about +3.5% and the collar of about -1.5% is that there will effectively be no transition for gas gates that have annual UFG factors within these limits. For these gas gates the annual gas gate UFG will be applied to TOU and the residual to non-TOU meters. If the Maunsell data is used as a guide, noting that this data applies to the 2006 year which is a year too early, then near enough to 50% of the gas gates will fall into this category. If UFG is aggressively addressed by the industry over the period ahead the percentage could well be higher than this in the second transitional year.
- 4.18 The extent to which non-TOU allocations for this group of gas gates will change from the present difference method can be illustrated using the information in the Maunsell report, as illustrated by the limited set of data provided in the Contact submission.
- 4.19 If the 2006 annual gas gate UFG levels are compared to existing loss factors for the gas gates presented in the Contact submission, for all UFGs within the -1.5 to +3.5% range, then the calculated difference ranges from 0.28 to 2.6% with an average of 1.4%. This is a relatively small difference and should not cause sufficient difficulties for any retailer or create tangible “rate shock” issues. It is however, cautioned that if annual UFG is unstable, then the differences will be larger than this.
- 4.20 For situations where the cap or collar has to be applied the outcomes will be ameliorated, compared with having a fixed TOU UFG factor for all gas gates, but are nevertheless potentially wide ranging. This is principally because the impact of the cap or collar depends on the proportion of total gas flow through that gas gate going to TOU customers. To illustrate the effects, some of the data in the Contact submission has been worked through as set out in the table below.

Gas gate	% UFG at gas gate	% gas to TOU meters	% existing allocation to non-incumbent (current loss factor)	Proposed % cap on TOU UFG	Resulting %UFG to non-TOUs	% change in UFG for non-incumbent non-TOUs
Belmont	4.97	28	0.5	3.5	5.5	5.0
Gr Hamilton	3.8	33	2.4	3.5	3.9	1.5
Gr Mt Maunganui	-3.95	80	-0.7	-1.5	-13.75	-13.1
Waitang	-4.96	16	0.5	-1.5	-5.6	-6.0
Tawa A	7.88	31	2.5	3.5	9.8	7.1
Palm North	4.22	25	0.42	3.5	4.46	4.0
Longburn	5.0	86	0.42	3.5	14.2	13.7

- 4.21 The percentage change in UFG to the incumbent non-TOU customers will depend on the amount of TOU load serviced by the incumbent retailer. However, where the percentage change in UFG to non-TOU customers is high, incumbent retailers (including their non-TOU customers) will have been allocated very high UFG under the current arrangement.
- 4.22 Where UFG is negative, non-TOU meters are generally advantaged relative to the previous difference approach. The outcomes are also within acceptable limits where the proportion of gas going to TOU meters is relatively low, whether UFG is positive or negative.
- 4.23 The outcomes become more problematical as the proportion of gas going to TOU meters increases. For example, the one clearly unacceptable result in the table above is for Longburn where TOU meters account for 86% of the gas flow. Based on this information, Gas Industry Co considers it plausible that Longburn would be a candidate for an exemption from the rules, on the grounds that any excessive UFG is highly likely to be attributable to the TOU meters.

5 Conclusions

- 5.1 The updated proposed rules for downstream allocation and reconciliation, contained in this document, are based on a go-live date of 1 October 2008. Although allocation by the global methodology is proposed to apply as from this date, transitional provisions are proposed to cover the absence of a gas registry until 1 March 2009, and to cover the period through to 30 September 2010 when comprehensive annual gas gate UFG information will be available.
- 5.2 The workshop planned for February 2008 will provide an opportunity to explain the updated rules to industry participants, and to obtain industry feedback on the technical detail. After consideration of this feedback, a recommendation to the Minister will be presented to the February 2008 meeting of the Gas Industry Co Board for its approval.
- 5.3 The currently proposed rules represent Gas Industry Co's view on the most appropriate approach to adopt, based on the whole stream of work to this point in time. Operation of the rules in practice will be monitored, and adjustments made, to correct any problems or better achieve desired outcomes, as and when necessary. Experience elsewhere indicates that this process could extend over several years.
- 5.4 A key task for industry is to address the issue of excess UFG. The improved information base provided by the proposed new arrangements should assist the industry in this task. Conversely, if UFG can be managed down (or up) to more acceptable and stable levels, this will considerably assist the smooth operation of the new arrangements.

Appendix A - Analysis of submissions on the Statement of Proposal

Appendix A - Analysis of submissions on Statement of Proposal

Gas Industry Co wishes to thank the nine participants that made submissions on the Statement of Proposal paper, namely Powerco, Vector, Genesis, Contact, GasNet, Nova Gas, Tom Tetenburg, Energy Direct NZ (“EDNZ”) and E-Gas. A number of the submissions presented new analysis and information. Gas Industry Co wishes to acknowledge and thank submitters for the time spent preparing their submissions.

This Appendix summarises the submissions. Not all submitters commented on every issue and this document does not capture every point made. For further details refer to the submissions posted on Gas Industry Co’s website.

Issue	Page(s)
• Should commencement be delayed until central registry implemented?	2
• Are the proposed transitional arrangements appropriate?	3-5
• Gas Industry Co’s process (including submissions regarding whether a further round of consultation is required)	6
• Choice of policy instrument (regulatory arrangement or pan-industry agreement)	7
• Upstream/downstream alignment (including submissions on the analysis/findings in the Energy Acumen report)	8-9
• Standards (including submissions on NZS 5259: 2004 and the need for a standardised billing methodology)	10-12
• Choice of allocation methodology (including submissions on the proposed global methodology)	13-15
• Exemption arrangements	16-18
• Cost-benefit analysis	19-20
• Is the funding proposal appropriate?	21
• Cost allocation methodology	22-23
• Other detailed submissions on the proposed rules	24-32
• Comments on the proposed compliance regulations	33

Issue – Should commencement be delayed until central registry implemented?

Summary of submissions	Individual submissions
<p>There was no specific consultation question on the proposed commencement date, but a number of submitters expressly commented on the impact of the central registry being delayed.</p> <p>The submissions of Powerco, Vector and Nova favoured delaying implementation of the reconciliation arrangements until at least the central registry go-live date. Genesis also noted the close dependencies between reconciliation and registry/switching arrangements.</p> <p>Contact on the other hand much preferred changing the transitional arrangements to accommodate the lack of a central registry (and not delaying the reconciliation implementation date).</p>	<p>Powerco Very strong linkage between implementation of central registry and adoption of reconciliation changes. Inappropriate for reconciliation rules to take effect before commencement of central registry as, prior to the adoption of the rules, a significant clean up of ICP data and ICP switches needs to be done before the UFG figures (as calculated by the Allocation Agent) should be applied. Inappropriate to implement transitional arrangements until the registry is live in March 2009.</p>
	<p>Vector Critical that registry be fully operational prior to the onset of any revised reconciliation arrangements. Gas Industry Co needs to co-ordinate its work streams and identify issues that may arise across existing arrangements as a result of industry change. Important that precise implementation dates for both gas registry and allocation and reconciliation arrangements are established ASAP by GIC. Transitional arrangements simpler if implementation aligned with registry implementation, as from day one the allocation agent can match each participant's submission data to the ICPs that they are responsible for, against an established database of record.</p>
	<p>Contact While the registry will in due course provide a more reliable database of record for establishing retailer responsibility, and will help improve the transfer of metering set up data between retailers, there is no explicit linkage (like there is for electricity) that would require the registry to go live at the same time or prior to the new allocation arrangements. As there are several references to the Gas (Switching Arrangements) Rules and terms used in those rules in the Gas (Downstream Reconciliation) Rules, Contact suggests that these references be reviewed with a view to inserting a transitional rule to deal with the misalignment of go live dates. This is much preferred by Contact to the option of delaying the go live date for the gas allocation arrangements past 1 October 2008.</p>
	<p>Nova Important there is alignment with the switching and registry arrangements. Gas Industry Co needs to take into account overall industry framework, including bilateral and multilateral contracts and maintain consistency between industry arrangements (both contractual and regulatory) as change occurs. Introduction of the new reconciliation rules before the central registry will introduce compliance risk for retailers. Given the nature of the change to a global reconciliation methodology, the added comfort of a registry system to capture responsibility for ICPs is an important aspect of the compliance process.</p>
<p>Genesis Proposal has close dependencies on the registry and switching arrangements. Given the inherent uncertainty around implementation timeframes for regulatory projects, Genesis suggests that project inter-dependencies should be avoided where possible to limit the potential for delays in one project to disrupt other projects.</p>	

Issue – Are the proposed transitional arrangements appropriate?

Summary of submissions	Individual submissions																		
<p>The submissions raise numerous concerns with the proposed transitional arrangements. In particular:</p> <ul style="list-style-type: none"> the use of a national average (e.g. Contact, Tom Tetenburg and Powerco) or concerns over the length of time the national average calculation is applied (e.g. Vector). These submissions seemed to instead favour a gas gate specific or perhaps regional transitional arrangement; GIC relying on the Allocation Agent's data (see Powerco in particular – although Contact submission notes it is the best information available); rate shock issues (e.g. Contact and Tom Tetenburg); and the lack of detail surrounding proposed process (e.g. see Genesis for need for compensation provisions). 	<p>Powerco</p> <p>Does not support any allocation of UFG based on a national average when actual data will be available in mid 2008 to calculate interim UFG percentages by gas gate. Has real concerns with the UFG calculations in Maunsell Report, which are based on information provided by the Allocation Agent. These calculations are materially different from Powerco's own calculations. Wide variance in figures. In 2006 Powerco undertook a calculation of non-technical losses across its networks for the period 1 October 2004 to August 2005 and compared these with the allocation agent as follows:</p> <table border="1" data-bbox="611 574 1281 776"> <thead> <tr> <th><u>Network</u></th> <th><u>Powerco</u></th> <th><u>Allocation Agent</u></th> </tr> </thead> <tbody> <tr> <td>Taranaki</td> <td>8.23%</td> <td>1.61%</td> </tr> <tr> <td>Hutt Valley, Porirua</td> <td>3.74%</td> <td>4.78%</td> </tr> <tr> <td>Hawkes Bay</td> <td>2.82%</td> <td>3.50%</td> </tr> <tr> <td>Manawatu</td> <td>6.13%</td> <td>4.39%</td> </tr> <tr> <td>Wellington</td> <td>4.24%</td> <td>7.77%</td> </tr> </tbody> </table> <p>To reconcile the differences Powerco compared Allocation Agent's count of ICPs at each gas gate with numbers of ICPs Powerco was billing, the number of ICPs provided to Allocation Agent was understated in comparison to the numbers reported by Powerco.</p> <p>Suggests that the GART group is reconvened to discuss transitional arrangements further.</p> <p>Contact</p> <p>Transitional arrangements a key concern. Transitional proposal is fundamentally flawed and will not meet regulatory objective, in particular the use of a national average UFG% for UFG allocation will not result in fairer allocation of the amount of UFG. GIC should use individual gas gate UFG% instead of the national average UFG% to allocate UFG during and after the transition period. – i.e. use UFG% as calculated by the allocation agent for years ending September 2007 and September 2008 for TOU customers for each gas gate for the transition years beginning 1 October 2008 and 1 October 2009 respectively.</p> <p>Contact's submission provides 10 detailed points in support of its approach, points include:</p> <ul style="list-style-type: none"> Contact has asked GIC to take a lead facilitating initiatives to identify and fix root cause of abnormal UFG at some gas gates before go live date of the new arrangements. GIC supports provided 1/10/08 go live target not put at risk. Accordingly, Contact putting together voluntary industry programme. Contact and other incumbent retailers have been submitting both TOU and non-TOU sales data to the allocation agent, though not strictly required, which enables calculation of actual UFG% by gas gate. 	<u>Network</u>	<u>Powerco</u>	<u>Allocation Agent</u>	Taranaki	8.23%	1.61%	Hutt Valley, Porirua	3.74%	4.78%	Hawkes Bay	2.82%	3.50%	Manawatu	6.13%	4.39%	Wellington	4.24%	7.77%
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At many of the worst affected gas gates, TOU load dominates throughput e.g. 86%, 73%, 92% and 80% and abnormal UFG almost certainly driven by TOU, not non-TOU. <p>Table 3 – showing the distortion created by using a national average UFG% for the transition period.</p> <p>UFG Analysis for TOU vs non-TOU (gas gates > 250TJ) as at 30/9/06</p> <table border="1"> <thead> <tr> <th>Gas Gate</th> <th>Network</th> <th>Inc Retailer</th> <th>AQ (GJ)</th> <th>TOU%</th> <th>non-TOU%</th> <th>UFG (GJ)</th> <th>UFG% (A) Actual from Maunsell report</th> <th>UFG% (B) Existing Non-Incumbent Allocation</th> <th>UFG% (C) GIC Proposal - TOU Allocation</th> <th>UFG% (D) GIC Proposal - Non-TOU Allocation</th> </tr> </thead> <tbody> <tr><td>Wanganui</td><td>GNET</td><td>WANG</td><td>791,106</td><td>54%</td><td>46%</td><td>-4,431</td><td>-0.56%</td><td>2.00%</td><td>2.45%</td><td>-4.09%</td></tr> <tr><td>Belmont</td><td>POWG</td><td>GENE</td><td>1,611,906</td><td>28%</td><td>72%</td><td>80,096</td><td>4.97%</td><td>0.50%</td><td>2.45%</td><td>5.95%</td></tr> <tr><td>Gr Hamilton</td><td>NGCD</td><td>GENE</td><td>1,451,599</td><td>33%</td><td>67%</td><td>55,107</td><td>3.80%</td><td>2.40%</td><td>2.45%</td><td>4.46%</td></tr> <tr><td>Taupo</td><td>NGCD</td><td>GENE</td><td>950,577</td><td>87%</td><td>13%</td><td>11,891</td><td>1.25%</td><td>0.00%</td><td>2.45%</td><td>-6.77%</td></tr> <tr><td>Gr Mount Maunganui</td><td>NGCD</td><td>GENE</td><td>799,926</td><td>80%</td><td>20%</td><td>-31,610</td><td>-3.95%</td><td>-0.72%</td><td>2.45%</td><td>-29.56%</td></tr> <tr><td>New Plymouth</td><td>POWG</td><td>GENE</td><td>752,192</td><td>31%</td><td>69%</td><td>23,694</td><td>3.15%</td><td>1.60%</td><td>2.45%</td><td>3.46%</td></tr> <tr><td>Hawera</td><td>POWG</td><td>GENE</td><td>424,291</td><td>75%</td><td>25%</td><td>-373</td><td>-0.09%</td><td>1.60%</td><td>2.45%</td><td>-7.70%</td></tr> <tr><td>Cambridge</td><td>NGCD</td><td>GENE</td><td>408,898</td><td>89%</td><td>11%</td><td>-842</td><td>-0.21%</td><td>0.95%</td><td>2.45%</td><td>-21.69%</td></tr> <tr><td>Rotorua</td><td>NGCD</td><td>GENE</td><td>408,439</td><td>32%</td><td>68%</td><td>19,584</td><td>4.79%</td><td>-0.70%</td><td>2.45%</td><td>5.90%</td></tr> <tr><td>Gisborne</td><td>NGCD</td><td>GENE</td><td>372,522</td><td>57%</td><td>43%</td><td>9,722</td><td>2.61%</td><td>1.14%</td><td>2.45%</td><td>2.82%</td></tr> <tr><td>Waitangirua</td><td>POWG</td><td>GENE</td><td>280,593</td><td>16%</td><td>84%</td><td>-13,908</td><td>-4.96%</td><td>0.50%</td><td>2.45%</td><td>-6.37%</td></tr> <tr><td>Whakatane</td><td>NGCD</td><td>GENE</td><td>278,013</td><td>92%</td><td>8%</td><td>-5,336</td><td>-1.92%</td><td>-0.16%</td><td>2.45%</td><td>-52.17%</td></tr> <tr><td>Tauranga</td><td>NGCD</td><td>GENE</td><td>252,692</td><td>19%</td><td>81%</td><td>4,492</td><td>1.78%</td><td>3.16%</td><td>2.45%</td><td>1.62%</td></tr> <tr><td>Tawa A</td><td>POWG</td><td>CTCT</td><td>1,809,410</td><td>31%</td><td>69%</td><td>142,534</td><td>7.88%</td><td>2.50%</td><td>2.45%</td><td>10.32%</td></tr> <tr><td>Gr Auckland</td><td>UNLG</td><td>CTCT</td><td>11,866,717</td><td>54%</td><td>46%</td><td>307,531</td><td>2.59%</td><td>2.31%</td><td>2.45%</td><td>2.76%</td></tr> <tr><td>Hastings</td><td>POWG</td><td>CTCT</td><td>1,655,266</td><td>73%</td><td>27%</td><td>64,453</td><td>3.89%</td><td>0.65%</td><td>2.45%</td><td>7.80%</td></tr> <tr><td>Palmerston North</td><td>POWG</td><td>CTCT</td><td>973,486</td><td>25%</td><td>75%</td><td>41,120</td><td>4.22%</td><td>0.42%</td><td>2.45%</td><td>4.82%</td></tr> <tr><td>Feilding</td><td>POWG</td><td>CTCT</td><td>335,360</td><td>72%</td><td>28%</td><td>5,436</td><td>1.62%</td><td>0.42%</td><td>2.45%</td><td>-0.51%</td></tr> <tr><td>Levin</td><td>POWG</td><td>CTCT</td><td>312,513</td><td>47%</td><td>53%</td><td>20,453</td><td>6.54%</td><td>0.42%</td><td>2.45%</td><td>10.18%</td></tr> <tr><td>Longburn</td><td>POWG</td><td>CTCT</td><td>254,190</td><td>86%</td><td>14%</td><td>12,711</td><td>5.00%</td><td>0.42%</td><td>2.45%</td><td>20.67%</td></tr> </tbody> </table> <p>+ve = loss -ve = gain</p> <p>Note: Contact's has derived the UFG% for Tawa A gas gate as 5.27%, otherwise the differences between Maunsell and Contact derived UFG% data are immaterial.</p>	Gas Gate	Network	Inc Retailer	AQ (GJ)	TOU%	non-TOU%	UFG (GJ)	UFG% (A) Actual from Maunsell report	UFG% (B) Existing Non-Incumbent Allocation	UFG% (C) GIC Proposal - 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Summary of submissions	Individual submissions
	<p>Nova Gas Transitional issues fall away if all classes of consumer are treated equally. Instead of focusing on reducing rate shock, focus on identifying and resolving UFG before the implementation date. Focus on few areas where there are large volumes traded and high levels of UFG reported. As transitional measure bolster Reconciliation Code so audit rights can be enforced. Nova notes that there are similar issues in relation to switching that could benefit from a similar approach.</p>
	<p>Vector Reconvene GART to discuss transitional arrangements and the rules in general. Vector willing to assist GIC with this approach. In all circumstances, Vector suggests UFG calculations should be gas gate, network or region specific inclusive of the transitional period. Assuming the timeframes for proposal do not change, enough data should be available by mid-2008 to set interim UFG percentages by gas gate, network or region. This may be fairer than smearing a national UFG % across gas gates/areas that may not be contributing to this issue.</p>
	<p>GasNet No view on transitional arrangements.</p>
	<p>E-Gas Suggests alternative transitional arrangements. Initial focus should be reducing UFG to acceptable levels (during this period existing UFG practices should continue), followed later by activation of the new UFG methodology. This approach avoids harsh financial and competition impacts of current proposal, and permits GIC to make substantial enhancements to allocation arrangements.</p>
	<p>Tom Tetenburg When using the national average UFG, there will be “rate shock” for TOU sites for many regions, e.g. Manawatu goes from 0.42% to 2.45%; many old NGC Network areas will go from 0.00 to 2.45%. At the end of the 2 year transitional period, if nothing has been done about investigating and resolving the high UFGs at some networks, there will still be “rate shock”, e.g. TawaA goes from 2.50% to 2.45 to 7.88%. Tom Tetenburg suspects gate specific rather than national average UFGs should be used across the transitional period, however further intensive calculations are required to confirm this theory. Also, as incumbent retailers have expressed hurt at currently being dealt larger portion of UFG, there needs to be a method where they don’t have to wait till 2010 for relief. Is it possible to use consumption data from incumbents now to begin deriving the new transitional UFG%s to apply in the 2008/2009 gas year?</p>
	<p>Genesis Potential for transitional exemptions to result in increased costs for non-exempted parties. There should be a mechanism for exempted parties to compensate other allocation participants for any increases in allocation volume (e.g. one-off payment or increased UFG allocation). Compensation would ensure that participants faced incentives to achieve compliance with the allocation and reconciliation regime promptly.</p>

Issue – Gas Industry Co’s process (including submissions regarding whether a further round of consultation is required)

Summary of submissions	Individual submissions
<p>No concerns voiced regarding process Gas Industry Co has followed to date. Submissions note that the process has been comprehensive (e.g. EDNZ) and allowed a wide period for consultation (e.g. Tom Tetenburg)</p> <p>Three submitters (Powerco, Vector and E-gas) state that a further round of consultation is required prior to any recommendation being made to the Minister. Their submissions focus on technical and implementation details that require further development. Powerco and Vector suggest that GART or some other technical body should be convened to assist GIC with this.</p>	<p>Vector Supports work to date and GIC desire to resolve issues. Proposal important step but requires further discussion, in particular on technical issues and implementation/change management processes. Scope to further improve industry outcomes/efficiencies and address anomalies. Further work required prior to a recommendation to Minister being made, including at least one further round of formal consultation. Agrees with GIC Board (in Annual Report) that “a decision made based on quality analysis... potentially can be more beneficial to the industry, than a decision made on insufficient analysis, but delivered within the set timeframes.” Allocation and reconciliation by nature complex and needs careful consideration - electricity sector took around five years. Quality outcome reliant on sufficient expertise / skill base working through remaining issues - GIC should consider using GART. Also, may be of use for rules to be benchmarked against practices for reconciling energy quantities across other utility sectors. Vector willing to support GIC with such an approach.</p>
	<p>EDNZ No concerns with process, which has been both comprehensive and exhaustive.</p>
	<p>Tom Tetenburg Proposal goes a long way to addressing the issues raised in previous discussion documents. The process has allowed for a wide period of consultation and industry input/feedback.</p>
	<p>E-Gas Commends GIC for progress made in short time frame. Proposal & process to date has conformed to legislative requirements but development (and therefore consultation) process incomplete. Proposal does not fulfil regulatory objectives. In particular, development required to reasonably ensure fairness, reliability, transparency and competition facilitation objectives are attained and substantial development required to reach legislative compliancy. E-Gas asks GIC to undertake an investigation of UFG performance enhancement measures that can be deployed, as a basis for further industry consultation. These investigations combined with further industry consultation will enable specific measures to be determined and incorporated in the new arrangements. GIC should also benchmark against Electricity reconciliation rules.</p>
	<p>Genesis As a general comment, Genesis Energy does not believe that it is appropriate to consult on substantial matters of policy concurrently with draft versions of rules or regulations. This problem is particularly acute where the rules are very detailed and technical or procedural. One way around this problem could be to make more use of a hierarchy of tiered regulatory instruments – that is, higher-level ‘enabling’ provisions are established first, with procedural and technical details deferred and promulgated through supporting instruments.</p>

Issue – Choice of Policy Instrument (regulatory arrangement or pan-industry agreement)

Summary of submissions	Individual submissions
<p>Powerco, Vector, E-Gas and Genesis all support further efforts towards a pan-industry agreement (for all or parts of the proposal). Their submissions suggest that the delayed implementation of the central registry and significant industry progress both support further efforts towards a pan-industry arrangement. Genesis notes that agreement may well be possible for the technical / procedural aspects of the proposal.</p>	<p>Powerco Given the delay (due to the need to tie implementation to the central registry), there is a strong argument that a pan industry agreement will provide greater net present value over rules and regulations (see also submissions on cost / benefit analysis below). Strong interest continues within industry for pan industry agreement, so once rule drafting is complete opportunity should be afforded to allow the proposed rules to be voluntarily adopted.</p>
	<p>Vector Given need to delay implementation due to central registry implementation date, pan-industry agreement may provide more benefit to industry and, given general industry agreement, should be investigated further.</p>
	<p>E-Gas Supports in principle the adoption of new allocation arrangements but in the form of a Pan-industry agreement. Level of progress achieved to date justifies agreement approach. Only if on completion of suitable process, insufficient stakeholders agree should the new allocation arrangements be moved to be promulgated legislatively.</p>
	<p>Genesis Not convinced strong case exists for dismissing pan-industry agreements as potential vehicle for at least portions of proposal. In spirit of 'co-regulation', industry (including GIC) should consider the delivery mechanism for each aspect of the proposal, starting with a presumption in favour of industry-based agreement. Genesis expects that there would be aspects of the proposal for which that presumption would be over-turned, but there is no reason that the presumption shouldn't hold for many of the more technical or procedural aspects of the proposal. With the benefit of successful experience over time, Genesis would like to think that the locus of industry organisation could move further towards industry agreement over time, rather than towards greater use of statutory regulation.</p>

Issue – Upstream/downstream alignment (including submissions on the analysis/findings in the Energy Acumen report)

Summary of submissions	Individual submissions
<p>There is strong support from submitters for the findings in the Energy Acumen report (e.g. support from Powerco, Contact, EDNZ, Nova, Vector and Tom Tetenburg). However, submitters commented on some factual inaccuracies in the report. For example, Nova, EDNZ and Vector all highlight that the report overstates the extent to which wash-up information will be used for the purpose of reallocating balancing charges.</p> <p>Powerco, EDNZ, Nova and E-Gas all note the ongoing need to align downstream and upstream reconciliation practices. GIC is urged to consider this further as part of its upstream work.</p>	<p>Powerco Supports Energy Acumen piece of work and its findings and is hopeful that the GIC would act on any material issues raised by gas retailers relating to the intended dislocation between upstream and downstream reconciliation and settlement arrangements.</p>
	<p>Contact Agrees with the analysis and findings in the Energy Acumen report, although notes that:</p> <ul style="list-style-type: none"> • upstream linkages may need to be revisited as upstream arrangements are progressed; • a centralised dataset of gas gate and large customer daily data for all retailers would enable more accurate data to be made available to mass market retailers to improve the quality of nominations and decrease exposure to balancing costs.
	<p>EDNZ In general agreement with conclusions of the Energy Acumen report. But report may have underestimated the impact of the wash up process in terms of the time and effort required to correct shippers' delivered volumes and therefore transmission invoices.</p>
	<p>Nova Agrees with Energy Acumen's conclusion (that downstream allocation washups do not have a direct link back to upstream allocations). Only link is indirectly through the reallocation of balancing charges between shippers. But, regular downstream wash ups will be prevented from having effect with respect to balancing costs allocated under the VTSA's currently being negotiated. Vector has signalled it will only use washup information in the recalculating of transmission charges, and not the reallocating of balancing charges. Instead, shippers will be allocated balancing costs on the basis of the initial downstream allocated quantities only and any subsequent adjustments will be rolled into the current month's positions of each shipper. This will result in cross subsidies between shippers and create perverse incentives for shippers re meter reading and estimation practices.</p> <p>Upstream washups is the equitable outcome. Washups will deter shippers from seeking to benefit from inaccurate estimations and will spur them to improve customer demand forecasting and estimation processes to reduce the effects of washups. Washups will also create an incentive for parties to participate in balancing markets. Inequitable to only allocate balancing charges based on initial allocation. Party's initial allocation not only determined by own estimates, but also estimates of others and resulting UFG. This means regardless of a party's accuracy, they may bear costs associated with another retailer's inaccuracy. Such an outcome can only create perverse incentive for retailers.</p>

Summary of submissions	Individual submissions
	<p>Vector Supports commissioning of Energy Acumen report and the report's findings. However, GIC should note that Vector transmission's arrangements with its shippers do not allow for the ability to re-allocate balancing costs in the event of a wash-up. This concept of re-allocation only applies to transmission costs.</p> <p>The report also suggests that any wash-ups resulting from downstream allocations can be easily accommodated by subsequent adjustments in upstream allocations. In practice, upstream shippers will have already taken action based upon their position prior to wash-ups. This cannot always be rectified after subsequent wash-ups and these consequences may not always be negated through the settlement process.</p> <p>GasNet No view - did not review the Energy Acumen report.</p> <p>E-Gas GIC should retain an objective (include in its 2007 GPS) to align upstream and downstream reconciliation activities into one overarching arrangement. The GIC should resume work on this once the review of transmission arrangements has been completed; that review should facilitate alignment.</p> <p>Tom Tetenburg A count back on corrections written shows 86% where the gate volume is unchanged (i.e. only 14% where gate volume changes). So the comments regarding most issues involving the redistribution of charges is correct, with the quantum of mismatch or balancing gas remaining unchanged.</p> <p>Genesis No comment.</p>

Issue – Standards (including submissions on NZS 5259: 2004 and a standardised billing methodology)

Summary of submissions	Individual submissions
<p>Most submitters expressed concern with the proposal to mandate NZS5259:2004, given that NZS 5259:1997 is the defined standard under the Gas Regulations. GIC should avoid regulatory duplication.</p> <p>However, Vector supports (and Contact seems to) that participants should be working towards the 2004 standard.</p> <p>Submitters have mixed views on the need for a standardised billing methodology. Some participants support standardisation (Powerco, EDNZ, Vector and GasNet); some submit that it shouldn't be mandated (Contact, Nova and Genesis); Tom Tetenburg notes that introduction of a standardised process would probably achieve little and E-Gas's submission is silent on this point.</p>	<p>Powerco Defined standard under Gas Regulations 1993 is 5259:1997, not 5259:2004. 5259:2004 inappropriate for the proposed rules.</p> <p>Supports Maunsell's recommendation that standard way of converting meter readings to energy quantities (based on the conversion calculations in NZS 5259) is desirable for reducing UFG. This process should be included in the rules. Agrees with Maunsell's findings that temperature correction factors need to be seasonally and regionally adjusted where direct measurement of the gas temperature is not practicable. Continuing to use a reference temperature of 15°C is appropriate, as it is an industry standard temperature, but a correction factor for gas metered at temperatures other than 15°C needs correction. Implicit in Maunsell's findings is the suggestion that ground temperatures are closely linked to ambient air temperature, and this is unlikely to be correct. Also agrees with the need for pressure correction. The applied correction factors (for both pressure and temperature) should account for changes in gas compressibility based on typical NZS 5442 gas compositions.</p>
	<p>Contact Agrees that it is inappropriate to introduce a standard billing methodology and agrees that compliance with NZS 5259 should be mandated in the downstream allocation and reconciliation rules. Gas Regulations already require compliance with NZS 5259 and that compliance is subject to audits by the Energy Safety group who are part of Business Services Branch of the MED. On surface, inappropriate for both the proposed rules and the Gas Regulations to require compliance. But, compliance with NZS 5259 is one of the key elements affecting UFG. Accordingly, compliance audits under the rules must be able to include compliance with NZS 5259.</p>
	<p>EDNZ May be necessary for GIC not only to mandate a standardised conversion process but also an estimating process. One major problem is different estimating processes being applied by different retail companies. Compliance with NZS 5259 is mandatory but there are subjective aspects to the application of this standard that result in discrepancies in the conversion process between retailers.</p>
	<p>Nova Gas Agreed that, if 5259 2004 is mandated, inappropriate at this time to introduce standardised billing methodology.</p>
	<p>Vector Supports proposal to mandate the conversion of measured volumes to standard values of energy in NZS 5259. References to 5259 need to extend to owners of metering equipment, in addition to retailers. Compliance with 5259:2004 may provide scope for differences in application (such as what temperature profile a retailer applies).</p> <p>Supports that industry participants should comply with NZS 5259:2004 as matter of best practice and most GMS</p>

Summary of submissions	Individual submissions
	<p>installations will comply. But, there may be circumstances where GMS equipment (especially that installed prior to 2004) may not comply with NZS 5259:2004, as GMS providers only required to comply with prevailing standard. As applicable standard under Gas Regulations is NZS 5259:1997, GIC may find it difficult to mandate a requirement for all GMS owners to be compliant with NZS 5259:2004 without also seeking an amendment to the Gas Regulations 1993. Vector has previously raised this issue with the Energy Safety Service.</p> <p>Compliance with NZS 5259:2004 should not preclude introduction of a standardised billing methodology. A standardised billing methodology would improve the quality of data and lead to improvements in UFG accuracy. The introduction of standardised billing methodologies may also be appropriate if audits reveal wide discrepancies between retailers' practices. Data used by retailers for billing purposes should align with data supplied to the allocation agent and network owners. A standardised billing methodology would assist in this regard.</p> <p>GIC may also wish to ensure that metering provisions included within the proposal do not conflict with those stipulated under the MPOC and VTC.</p> <p>GasNet Disagrees with analysis. Gas Regulations 1993 state NZS 5259:1997, not 2004.</p> <p>For consistency, also need standardised methodology. NZS5259 good reference point but not definitive solution as it does not adequately cover all elements in conversion of a metered quantity to energy. It should not take much more effort to develop supplementary standard methodology, using NZS5259 as base reference document. Supplementary document could additionally provide guidance (or compliance) on acceptable methodologies for forward estimation. As an example, GasNet's submission explained how NZS5259 only specifies an accuracy of measurement of Calorific Value (CV) and does not specify how daily CV readings are to be applied to the calculation at a consumer remote from the injection point over the billing period. A simple statement in an industry methodology would eliminate the uncertainty of billing components such as these.</p> <p>E-Gas The 2004 standard cannot be mandated as it is not the version used for regulatory compliance purposes. GIC's proposal essentially duplicates existing regulatory compliance requirements and should not proceed. Application of the 1997 standard to allocation data should be investigated and discussed with stakeholders.</p> <p>Tom Tetenburg Supports mandating compliance with the conversion processes of NZS5259. This along with improved frequency of meter reads, should in itself see improvement in the UFG% levels. Queries the extent of MED's audits of retailer compliance with NZS5259. Audits for compliance need to be able to cover retailers and the equipment at the end consumer's premises (i.e. frequency of meter accuracy testing, the pressure regulator settings and maintaining those settings). Introduction of standardised billing methodology may achieve very little in the way of any improvement in UFG%s.</p>

Summary of submissions	Individual submissions
	<p>Genesis Inappropriate to introduce a standardised billing methodology. GIC should not become involved in the specifics of the methodologies that retailers use to bill their customers. The only matter of public policy interest is that customers are not being billed for more than a retailer is purchasing through the market. The proposal will increase transparency in this regard without needing to delve into billing methodologies. The proposal will in effect provide a 'score card' comparison of end-consumer billed volumes against submitted market volumes. It is the accurate and timely reconciliation of volumes in the market that is of joint concern to market participants.</p> <p>The draft rules impose a requirement for metering equipment to comply with NZS 5259:2004 (Gas Measurement) and clause 25.2 automatically updates the rules to refer to any subsequent replacement standard. Gas Regulations 1993 cite NZS 5259:1997. As a matter of principle, Genesis Energy suggests that:</p> <ul style="list-style-type: none"> • At a minimum, all delegated legislation under the Gas Act 1992 should be consistent. Not good practice to have divergent or conflicting requirements. If rules most appropriate location for establishing measurement requirements, then Gas Regulations should be amended to avoid overlapping provision. • Not good practice to include a 'blank cheque' provision delegating regulation of gas measurement to Standards New Zealand. The gas measurement standard cited in the rules should be static, such that amendment would require industry agreement. This would provide an appropriate check, albeit at a lower threshold for amendment than provided by regulations.

Issue – Choice of allocation methodology (including submissions on the proposed global methodology)

Summary of submissions	Individual submissions
<p>As with the submissions on previous reconciliation discussion papers, there are divergent views on the most appropriate methodology for allocating UFG. Some support for the proposed approach, but numerous submissions are strongly opposed to it. Contact and EDNZ seem willing to accept the arrangement as a compromise.</p> <p>Regarding allocation of UFG to TOU devices, some submissions stress TOU devices are more accurate (e.g. GasNet) but others are not convinced (e.g. Contact asserts volatility of UFG is not solely caused by estimation errors).</p> <p>Due to a typo in the paper, there was some confusion regarding GIC's proposed approach (i.e. whether proposal was to fix or cap UFG). The following concerns were raised with both approaches:</p> <ul style="list-style-type: none"> • capping or fixing TOU will lead to gaming by mass market retailers and does not sufficiently incentivise industry 	<p>Powerco Powerco supports proposal to allocate some UFG to TOU ICPs on each gate based on data for the preceding twelve month period. It would be inequitable to exclude an allocation of UFG to TOU customers. But Powerco would like to see allocation capped to stop gaming occurring through value transfers or through lack of incentives on retailers to improve their mass market data.</p> <p>Agrees that technical losses (network shrinkage) negligible for gas. Losses prior to multiple retailer trading generally around +/- 0.005% including meter accuracy effects. Powerco can recall nothing suggesting increase since then. Only appropriate losses are non-technical losses which the retailers need to be responsible for.</p> <p>Powerco notes that the proposal states that the GIC might initiate additional measures to reduce UFG if it is found that distributors are not taking steps to minimise network losses. Powerco queries, in absence of major event or network changes, how GIC would determine cause was contributable to technical losses.</p>
	<p>Contact Contact fundamentally disagrees with the fixing or capping of the UFG% allocation to any allocation group (including TOU). New global electricity reconciliation arrangements sets default UFE% allocation the same for TOU and non-TOU, and the same arguments exist for gas.</p> <p>Proposal to fix UFG for TOU customers at 'the annual UFG per gas gate' is essentially a compromise. One of the key assumptions made is that monthly volatility in UFG is due to mass market estimation inaccuracy. Since compromise was mooted, Contact has undertaken analysis which suggests monthly volatility not due to estimation accuracy. The analysis is presented in Contact's submission and analyses the last 3 years at the Tawa gas gate (see in particular, tables 1 and 2 attached to Contact's submission). Contact's analysis suggests that the majority of the monthly UFG volatility is more likely due to reasons other than estimation accuracy – e.g. wrong number of dials or meter multipliers associated with meter set-ups for larger sites. Despite this, Contact is prepared to accept fixing the UFG% allocation to TOU for each gas year provided it is reset annually to reflect the actual recent UFG% trend for each gas gate.</p>
	<p>EDNZ Not convinced artificial application of an arbitrary proportion of UFG real solution but accept, in order to progress these matters, compromise was required between predominantly mass market and predominantly TOU retailers. Important to have an ongoing review of this issue, rather than continuing the argument.</p>
	<p>Nova Gas UFG should be allocated among all consumer classes on the basis of volumes until such time as evidence shows</p>

Summary of submissions	Individual submissions
<p>to put into place TOU devices;</p> <ul style="list-style-type: none"> • insufficient evidence to support any capping/fixing to TOU customers; • insufficient incentives (and details on proposed process) for distributors to reduce technical losses; • E-Gas claims the proposal would seriously damage its financial situation and submit that GIC need to fix information quality before changing the allocation methodology; • Genesis suggests there needs to be a process to investigate or 'freeze' UFG allocated to TOU groups where UFG is found to have increased without clear cause. 	<p>that a particular consumer class has a higher propensity for error. Nova does not support capping UFG to any particular consumer group, as no justifiable rationale. Only reason presented is 'rate shock'. But if introduce a cap then UFG above level is shifted to non TOU consumers who are then equally exposed to rate shock. If auditors of all consumer groups have checked and validated their data, made sure all sites accounted for, meters working accurately and processes have not failed, then it cannot be right that one class of consumer receives a benefit on basis of size. Also, capping UFG to TOU customers would reduce incentives on retailers to TOU consumers from identifying and reducing UFG.</p>
	<p>Vector Vector prefers 'fixing UFG' option to other alternatives proposed by GIC. Accepts inequitable for UFG to only be allocated across retailers in the mass market (i.e. groups 5 & 6). The setting of an annual UFG percentage appears to provide greater certainty for all participants and overall is supported by Vector. But, this option does not provide sufficient incentives for retailers to improve the quality of consumption data from Group 5 & 6 customers and places an unfair burden on TOU customers.</p> <p>Maunsell Report acknowledges that, on average, TOU sites contribute less to overall UFG in percentage terms. As a remedy, Vector suggests that it may be appropriate to apply a cap on the maximum level of UFG that can be attributed to retailers of TOU customers at any given gas gate. Suggests maximum level should be set at 2.45% (the aggregate national average as indicated by Maunsell).</p> <p>The current proposal could lead to gaming by some participants and provides no incentive for participants to invest in smarter technology (e.g. advanced meters) that will ultimately improve consumption data and lead to overall reduction in UFG. While there may be a consumption level at which advanced metering is uneconomic, roll-out of advanced electricity meters at the residential level cautions against artificially foreclosing the options for gas.</p>
	<p>GasNet Has fundamental concerns with GIC's position that there is no difference between UFG caused by TOU and non-TOU. While TOU quantities greater in quantum, UFG is not equal to non-TOU in percentage terms. TOU devices and the measured quantities derived from them are more accurate. Equal UFG allocation to TOU and non-TOU sends the wrong message and removes any incentive to improve metering quantities by installing more TOU devices.</p> <p>Maunsell report contains statements that mislead reader to believe that TOU devices are no more accurate than non-TOU devices. This is clearly not the case. GasNet's submission highlights a clear inaccuracy in the report (which is referred to in the Statement of Proposal paper) regarding pressure variations. Fundamental errors in the report were highlighted to GIC by GasNet at the meeting on 9 August 2007 and for the errors to remain (both in the Maunsell report and the Statement of Proposal) undermines the credibility of both documents.</p>

Summary of submissions	Individual submissions
	<p>GasNet is surprised at the limited analysis on this matter. While retailers may have not provided evidence to substantiate their arguments, this does not mean that there is not a good case for considering TOU to be vastly better in accuracy (in percentage terms). Although, a cap on allocation groups 1 & 2 would result in different UFG allocations to TOU and non-TOU, this is only to provide certainty to TOU consumers. The fundamental belief that both should be the same needs to change.</p> <p>E-gas Does not agree with GIC's proposals. Proposal re allocation of UFG would damage E-Gas' ongoing business operations. E-Gas customers receive monthly billings based on actual meter readings that take place at or near month end. E-Gas consistently achieves a monthly meter read rate of over 90 percent of its customer base. This means quantity data submitted for allocation as a rule contains a very small estimation component. Accordingly, E-Gas' submits its contribution to UFG is negligible.</p> <p>The proposal to redistribute aggregated UFG to all retailers, due to its present large quantum, would have a material adverse financial impact on E-Gas's business, affecting its ability to compete. Thus the proposals are likely to have the effect of lessening market competition and at the same time are unlikely to generate any consumer benefit. In contrast to the Commerce Commission's requirements in respect to distribution network price reductions, the GIC's proposals do not embrace a pass-back to consumers by those retailers that would be financially advantaged by the Allocation rule changes. The issues are additionally exacerbated by the intention to cap UFG allocated to the largest gas consumers which in turn unnecessarily further accentuates the impact on E-Gas' business.</p> <p>Tom Tetenburg Proposal seems to be for fixing at previous year's interim allocation rates to Feb, in July of that year. Fixing approach seems to be the best approach to avoid the UFG% being too much in the past and unrelated to the current situation.</p> <p>Genesis Fixing UFG over a 12-month period for groups 1 and 2 would be beneficial for retailers (ease of pricing) and consumers (price certainty). Proposal appears to be based on an assumption of decreasing UFG across all gas groups. There does not appear to be a process proposed for investigating or 'freezing' UFG for groups 1 and 2 customers where UFG is found to have increased without clear cause.</p> <p>Genesis has reservations around weak incentives on distributors to monitor and maintain technical losses at low levels. Would be appropriate to require distributors to report on technical losses on an annual basis.</p>

Issue – Exemption arrangements

Summary of submissions	Individual submissions
<p>Submissions generally support inclusion of exemption provisions, but strong concerns are expressed about the specific exemption provisions proposed. In particular:</p> <ul style="list-style-type: none"> • Contact and Nova make strong submissions against awarding an exemption for a particular customer / allocating no UFG to a customer; • numerous submitters suggest the exemption process needs more detail and clarity (i.e. Powerco, Contact, Vector, GasNet, E-Gas and Genesis). <p>Submissions suggest participants will apply for exemptions if the proposed provisions are retained, with decisions being commercially based.</p>	<p>Powerco</p> <p>Proposed exemption provisions are inappropriate. Rule exemptions very important. Powerco requests:</p> <ul style="list-style-type: none"> • Rules are made clearer that they take effect notwithstanding anything to the contrary in any agreement to which an allocation participant is a party. • Exemption provisions clarify their effect and not just timing (draft clause 18). In particular, rules need to make clear extent compliance with contractual provisions will be endorsed - Powerco's concern is to avoid confusion as to when existing contractual provisions inconsistent with the rules may apply. • Allocation Agent should not be eligible for exemptions, as its performance is pivotal. • If included, structure/process (i.e. process for determining terms and duration of exemptions) needs to be clearly prescribed within the rules, including provision for industry submissions and consultation. Process needs to take into account all material considerations and confirm regulatory objectives will be maintained by granting exemption.
	<p>Contact</p> <p>Exemption arrangements are inappropriate and a key concern. No issue with general provision for exemptions, as long as exemptions are used for other purposes and not for exempting certain sites from the standard UFG% allocation. Contact strongly opposed to use of exemptions to pick winners in allocation of UFG. Exemption provision should be strictly limited to purposes other than giving special treatment to allow non-standard UFG allocation at certain TOU (or non-TOU) metered sites.</p> <p>Granting an exemption to a specific site would be fundamentally flawed and would not meet the key principles of the regulatory objective - particularly fairer allocation of UFG and will be problematic to manage. Contact's submission sets out numerous points re why a particular site should not be given an exemption, key points include:</p> <ul style="list-style-type: none"> • Numerous examples are presented to establish that proving accuracy is difficult. • Theft can occur at a TOU metered site by temporarily disengaging the corrector from the meter. • Contamination of the gas stream can affect performance of both gas gate metering and customer metering (e.g. oil contamination in the transmission system has resulted in abnormal UFG). • The difference allocation at several gas gates with a dominant TOU customer and abnormal UFG could only be attributed to the gas gate and/or customer TOU metered data. As a consequence "1 Month UFG" methodology applied at these gates. It is certain that the same TOU issues are occurring at other gas gates with multiple TOU customers; however it is impossible to prove.
	<p>EDNZ</p>

Summary of submissions	Individual submissions
	<p>No concerns with regards to application of an exemption where the gate is dominated by one or two TOU customers. EDNZ has argued in the past that given that there are large differences in the nature of customers at some gates and that different methodologies are required to accommodate these differences.</p> <p>Questions are raised by suggestion that exemptions can be provided to TOU customers who can demonstrate that their TOU metering is accurate to an acceptable level. If TOU metering in general was proven to provide a degree of accuracy that would allow an exemption, then what is the impact on the proposed methodology? That said, EDNZ will as responsible retailer be investigating this exemption option as soon as possible.</p>
	<p>Nova Gas</p> <p>Proposed exemptions inappropriate. Even with check meters and other verification means, meters have a tolerance of +/- 2% so it cannot be said that a site's contribution can be nil. Gate meters themselves are subject to error and metering tolerances that are difficult if not impossible to calculate. Therefore even a customer meter proven to have no error should be allocated a proportion of UFG arising from error at the gas gate level. Each site with multiple meters as the basis for an exemption should then at least be allocated some level of UFG reflecting the consumer meter's tolerance range as well as the gate meter tolerance range.</p> <p>That said, Nova is likely to take advantage of the exemption process if it was available. Most likely that will be a commercial decision based on a cost/benefit analysis on a case by case basis.</p>
	<p>Vector</p> <p>Exemption provisions are inappropriate. Concept of an exemption process is sound but GIC should elaborate further on the precise detail of the proposed exemption processes. Further clarification on transparency and criteria for seeking exemptions is important, especially if GIC to avoid becoming the 'meat in the sandwich' in disputes that may arise between industry participants.</p> <p>Number of scenarios against which industry participants should be able to apply for exemptions. Until descriptive nature of exemption process known, difficult to estimate extent exemption process could be used. Possible examples of exemptions that could be applied for may include those installations where correction devices have been installed or for TOU sites that are located immediately adjacent to a gas gate (i.e.: supplied with network pressure >7bar and/or within 300m of a gas gate).</p>
	<p>GasNet</p> <p>Exemption provisions would seem sensible and reasonable, but GasNet questions reality - how it would operate, who would make the decision, and whether exemption would be given where a case has a high degree of confidence but where the consequence results in unacceptably high UFG allocation to the residual consumers? Without the detailed requirements and process to support the exemption provisions not possible to comment on</p>

Summary of submissions	Individual submissions
	<p>practicality or suitability of provisions.</p> <p>Impression is that exemption is avenue to be taken as exception and a path which is not necessarily an easy one or does not necessarily have any degree of certainty. A party would presumably only seek an exemption if the allocation for a specific consumer is higher than they consider it should be, so the result of an approved exemption would be detrimental to the residual consumers, putting even greater pressure on exemptions being approved by exception.</p> <p>E-gas Draft provisions require further development prior to implementation. Transparency of both process and decision making essential.</p> <p>Tom Tetenburg Exemption provisions are appropriate. From an Allocation Agent perspective, would seek exemptions and provide supporting evidence in cases where existing method is unfair or inequitable.</p> <p>Genesis Would be useful for GIC to carry out further work around the exemption proposal. Need further information on proposed process and criteria for granting an exemption. Process needs to notify all participants at a gas gate and give them opportunity to provide evidence for or against the exemption application.</p> <p>Exemptions should only apply to the current gas year and should be reviewed at year end. No site should be granted an exemption for more than two gas years and any such site should be subject to an audit during that period.</p> <p>It is not clear how gas gates that are granted an exemption from fixed-level UFG (para 6.68) would be treated. Would these gates default to global allocation, or would a different fixed percentage be applied? Sites that have been granted an exemption should not be permitted to retain that exemption if downgraded from group 1 or 2. Any such downgrade should be accompanied by a reversion to normal allocation of UFG.</p> <p>Genesis anticipates that it would only seek an exemption where it was efficient to do so. That is, where the published fixed UFG would result in inequitable allocation and the costs of gaining an exemption wouldn't outweigh the benefits of reduced allocation.</p>

Issue – Cost-benefit analysis

Summary of submissions	Individual submissions
<p>Many submitters (especially those in favour of delaying implementation until commencement of the central registry) express concerns about timing effects being overstated in the cost benefit analysis.</p> <p>Some concerns are expressed on the detail of the analysis (e.g. Genesis considers the analysis should look at policy packages and is concerned about Gas Industry Co's approach of regularly dismissing non-intervention as the baseline).</p>	<p>Powerco Key difference between cost benefit analysis (“CBA”) of Pan Industry Agreement and Rules is one year timing difference and this is unlikely to materialise (given central registry delay). High level of support for pan industry outcome continues. It appears voluntary industry adoption of the proposed rule provisions will be forthcoming and need for legislative Rules will be unnecessary.</p>
	<p>Contact No comment.</p>
	<p>EDNZ Not reviewed in detail, but EDNZ does have a fairly sceptical opinion about the NZIER type of analysis which apply “average” industry costs that never appear to bear any relationship to our real costs.</p>
	<p>Nova Gas No comment.</p>
	<p>Vector From the cost-benefit analysis, it is not clear that the Proposal offers maximum net benefit to the industry. CBA indicates that assumed net benefits achieved only as a result of timing effects. Under certain circumstances, more appropriate solutions may be realised by the industry via the attainment of pan-industry agreement(s). Not realistic for Proposal to be implemented and operational by October 2008. Therefore prudent to assume that any new arrangements will become effective from March 2009 at the earliest (to coincide with the implementation of the gas registry) and the CBA should be based upon this date.</p> <p>The Proposal places requirements upon transmission pipeline owners to provide certain information to industry participants. GIC should be cognisant that this will entail additional cost to some industry participants and this needs to be reflected in the cost-benefit analysis.</p>
	<p>GasNet No view - did not review.</p>
	<p>E-Gas Little accurately measurable difference in net cost/benefit position between pan industry agreement and rules, given further development of the allocation arrangements, under both alternatives, is necessary. No measurable delay or cost incurred in providing industry opportunity to adopt arrangements, once completed, as a pan industry agreement. Differences resulting from timing differences have been incorrectly assessed. Full opportunity should be afforded to stakeholders to adopt voluntary arrangements.</p>
	<p>Tom Tetenburg On page 11 of NZIER report, under productive efficiency, their calculations apply to 48 PJs, but in reality 31.5 PJs</p>

Summary of submissions	Individual submissions
	<p>are being allocated and reconciled annually (as not all gates are shared, and many gates have just one large customer).</p> <p>Genesis Most of the difference between the two scenarios (pan-industry and 'regulated') stems from the differences in assumed timing. As such, it would be useful for the sensitivity analysis to examine the effect of variations in timing. In theory, much of the benefit of a successful pan-industry approach would be an improvement in the quality of the technical arrangements (for example, reduced regulatory error, rejection of non-Pareto efficient measures, etc). As such, it would be useful for the CBA to include a break-even analysis quantifying by what percentage the efficiency benefits of the pan-industry approach would need to exceed the efficiency benefits of the regulatory approach to achieve parity of outcome.</p> <p>Section 2.2. ("Proposals") provides a good summary of the substantive content of the allocation and reconciliation proposal. Genesis Energy agrees that it would not be feasible to analyse the effect of policies and policy combinations at this level of disaggregation. Genesis Energy suggests that it would be useful to analyse policy at an intermediate level of aggregation, where individual options are aggregated into "policy packages". This could provide insights that are not available at the level of full aggregation at which the CBA was conducted. The structuring of the policy packages would be critical to such an exercise, and would best be constructed during policy formulation, rather than as part of the CBA.</p> <p>The CBA continues to follow an increasingly familiar GIC approach of dismissing the counter-factual of non-intervention as a baseline for analysis. Genesis is concerned that there is not sufficient justification for this departure from standard analytical practice.</p>

Issue – Is the funding proposal appropriate?

Summary of submissions	Individual submissions
<p>The proposed rules would require retailers to fund ongoing allocation costs under a specific funding process detailed in the reconciliation rules, rather than via the levy.</p> <p>Seven submissions supported direct funding through the rules. Neither GasNet nor Genesis made a direct comment (although Genesis' comments on cost-allocation arguably implicitly support having a separate funding regime, rather than using the levy system).</p>	<p>Powerco Supports funding proposals.</p>
	<p>Contact Supports funding proposals. Agrees that the development and establishment costs should be funded through the retail levy, and ongoing allocation costs should be funded by retailers based on allocated quantities.</p>
	<p>EDNZ Supports funding proposals. Whilst network operators will benefit from a more accurate allocation process any increase in their operating costs are ultimately passed onto the retailers. Therefore yes we agree with the funding option proposed by the GIC.</p>
	<p>Nova Gas Supports funding proposal.</p>
	<p>Vector Supports funding proposal. Vector agrees with the proposed funding options proposed by GIC relating to both establishment and ongoing costs.</p> <p>If development and implementation costs are to be funded via the GIC Levy, it will be important for GIC to detail what these costs will be in advance. It will also be important for GIC to efficiently manage this project against these costs and ensure that the budgeted target is not exceeded. Vector would not consider it desirable for GIC to seek further funding from either industry participants and/or gas consumers for additional project overruns. For these reasons, Vector considers it important that industry participants are actively engaged by GIC throughout the entire process of implementing the preferred solution. As an example, industry participants should be involved in the appointment process for any third party service provider agreements.</p>
	<p>GasNet No comment – GasNet considers it inappropriate to comment on the funding arrangements as this is a matter for its customers, the retailers, to offer their view.</p>
	<p>E-gas Supports funding proposal.</p>
	<p>Tom Tetenburg Supports funding proposal.</p>
	<p>Genesis No direct comment, but implicit approval based on suggestion of alternative cost allocation methodology.</p>

Issue – Cost allocation methodology

Summary of submissions	Individual submissions
<p>As with previous submissions, views on the appropriate methodology to allocate the costs of the reconciliation regime between retailers were mixed.</p> <p>The proposed approach was to allocate costs to retailers based on allocated volumes. Contact, Powerco and Tom Tetenburg supported this approach. However, EDNZ, Vector and E-Gas support cost-allocation by ICP numbers. Two other proposals were also suggested:</p> <ul style="list-style-type: none"> • Nova - split costs between TOU and non TOU based on causer pays principle; • Genesis - share proportion of monthly costs (say half) between all retailers and then allocate remainder on basis of volumes. (Otherwise, Genesis agrees volume based cost allocation appears more equitable than allocation based on ICP numbers). <p>Gas Net – did not comment as it sees this as an issue for retailers.</p>	<p>Powerco Supports proposed cost allocation methodology.</p>
	<p>Contact Supports proposed cost allocation methodology.</p>
	<p>EDNZ Still considers that the most equitable allocation of costs would be by ICP numbers. The biggest problems and work loads associated with the month end allocation is with the mass market. EDNZ hold this view even though EDNZ anticipates that the GIC proposal would be to its financial advantage.</p>
	<p>Nova Gas More analysis of costs should be performed before a final decision is made. Nova believes costs should be identified with the two types of customer (TOU and non TOU) and then allocated on a volume basis between those classes. This will prevent cross subsidisation between TOU and non TOU customers. The following factors suggest this approach would be more reflective of causer pays principle:</p> <ul style="list-style-type: none"> • different processes for TOU and non TOU data • TOU data provided to allocation agent on site by site basis as opposed to aggregate basis • while non TOU sites are on an aggregate basis, there is the activity associated with the creation of seasonal profiles to consider.
	<p>Vector Does not support proposed cost allocation. Allocation of costs should be attributed based on number of ICPs rather than quantities of gas, as this would be a fairer reflection of the effort involved in performing allocation and reconciliation activities that are not driven by gas volumes. In Vector’s view, allocation by number of ICPs will meet the criteria of economic efficiency, simplicity and equity. ICP approach was identified, by the majority of industry participants, as the preferred mechanism for the allocation of costs in previous submissions.</p>
	<p>GasNet No comment - GasNet considers it inappropriate to comment on cost-allocation arrangements as this is a matter for its customers, the retailers, to offer their view.</p>
<p>E-gas Does not support proposed cost allocation. Allocation operational costs are ICP based, not volume dependent. The number of digits associated in reporting a customer’s quantity has an infinitesimal influence on processing requirements. Allocation agent costs should be apportioned essentially on an ICP count basis. Any other appointment basis is manifestly inequitable.</p> <p>Allocation of costs based on retailer ICP is supported by the majority of stakeholders and conforms to Government</p>	

Summary of submissions	Individual submissions
	<p>cost apportionment guidelines. The GIC proposal unreasonably places the cost burden on large consumption sites.</p> <p>Tom Tetenburg Agrees that costs should be apportioned by volume, rather than by number of ICPs.</p> <p>Genesis Of the two options proposed, volume-based funding appears most equitable, but further option should be considered:</p> <ul style="list-style-type: none"> • A proportion of monthly costs is shared equally amongst all retailers (say half); and • The remainder is shared on the basis of allocated volumes. <p>This approach would acknowledge that all retailers (regardless of volume and ICP numbers) intrinsically benefit from the allocation agent services and access to the compliance regime.</p> <p>Also, where a participant initiates an audit resulting in no fault being determined, the initiating party should bear the cost of the audit. This would deter excessive audit activity.</p>

Other detailed submissions on the proposed rules

Submitter	Detailed comments
Powerco	<p>Allocation Agent: Accuracy and care arrangements should apply to all allocation data providers; a responsibility to:</p> <ul style="list-style-type: none"> • Supply accurate and complete data, to minimise UFG variances and comply with data submission timetables (initial, interim and final); • Not mislead or provide any information or data that is known to be inaccurate, incomplete or defective or misleading or is likely to mislead. <p>Performance and conduct standards for Allocation Agent’s responsibilities should be prescribed, and subject to industry body surveillance. Powerco would also like to see the Allocation Agent maintain a website for purposes of publishing information required to be published under the rules, as suggested in this submission (operational information, breach information etc).</p> <p>The Allocation Agent is responsible for correcting allocations where gas gate metering discrepancies are reported the by Transmission Owner or in circumstances where the Distributor reports a force majeure event (or say oil contamination etc). This process should be:</p> <ul style="list-style-type: none"> • Advise Retailer(s), transmission owner or distributor (as in the case may require) of the nature and effect; • Outline proposal to deal with quantity adjustment (including the quantum of the adjustment). • Provide opportunity for parties affected to consider; Allocation Agent to reasonably consider all proposals received relevant to the issue; may perform temporary Allocation if necessary as an interim measure) • Allocation Agent (or GIC) to make a determination required to advise affected parties with reasons and allocation methodology. <p>Thereafter the Allocation Agent to correct errors/and or omissions when discovered and advise affected parties as soon as practicable of effects. If material or requested by any affected retailer, Allocation Agent shall perform a special allocation or advise when the error will be corrected (interim or final).</p> <p>Definitions: <i>UFG</i> needs to be comprehensively defined to cover unaccounted for gas resulting from all causes (i.e. physical losses such as network leakages as well as quantity calculation variances that result from metering and data errors.</p> <p><i>Balancing Area</i> methodology needs to be included which changes Gas Gate to Distribution Network this is required to both overcome the balancing issues present under the current proposals with interconnected gates and to reflect existing industry practice.</p>

Gas Gate The defined term Gas Gate is still needed as there is a requirement on distributors to advise Retailers and Allocation Agents of Gas Gates attached to each distribution network under their ownership, including changes thereto.

Gas Gates with one Retailer trading needs to be excluded from the rules through definition.

Retailer Obligations:

Powerco proposes the inclusion of additional provisions providing for the submission of ICP days reporting by the Retailer for each allocation group. This information could be downloaded from the Gas Registry when it comes into effect in March 2009. In addition there is a need to improve clarity that notwithstanding the 10TJ/yr threshold requirements. The rule should state that all TOU ICP s irrespective of metered quantity should be included in groups 1 or 2 data submissions.

Interim and Final Revisions:

The data file for the interim and final allocations should be a complete file (i.e. not just changes which have occurred between the original file and the revision). The Allocation Agent should also publish the quantity variances between the initial, interim and final submission by retailer, by network on its website.

Standing Data Formats Group:

The Gas Standard Data format Group (GSDFG) should be convened as soon as possible to recommend changes to the current reporting regime. The file formats should include a mechanism which allows retailers to report compliance with the meter reading rule.

Reconciliation Framework - Electricity:

Significant work has been performed in the Electricity industry to improve the accuracy, transparency and processes for performing reconciliation. Some of the initiatives which they have introduced have included:

- ICP day data;
- ICP s with zero reads;

ICP days data should be downloaded monthly from the registry by the Allocation Agent in respect of each Retailer Distributor network. This can then be compared with the data submitted by the retailer. ICP s with zero consumption not reported in the month by the Retailer should have an allocated a standard default quantity of volume (similar to in electricity). Any ICP with a consistent zero read should be investigated with the Retailer to establish why consumption is not being provided.

We recommend that the Global Methodology once agreed, should be included as a schedule to the reconciliation rules to facilitate subsequent revision and modification.

Application of Deemed Profiles:

The accuracy requirements set out by the GIC for meeting the regulatory objectives (+/-2%) necessitates the application of standardised residual profiles by all retailers for Allocation estimates (profiles for each distribution network). The use of individual

Retailer profiles will produce inconsistent results and a significant exposure to inequitable UFG allocations. The approach to profiling, with appropriate changes reflecting physical and technical differences, should be consistent with the arrangements being adopted for electricity reconciliation. This is an important consideration in the accurate measurement and management of UFG.

There are alternative approaches available to derive a standard residual profile what would meet the regulatory objectives. The mechanism adopted needs to be easily calculated and administered; further industry consultation is desirable. A suggested deemed profile structure is-

- The profile is applied to all groups 4, 5 and 6 ICP s that have not been read in a reporting period.
- The residual profile would be calculated using the preceding year's reconciled data.

Reporting of Breaches:

It is proposed that the Allocation Agent publish breach events, including (as for Electricity Reconciliation Rules)-

- Late or incomplete data submissions (for any Allocation)
- Non compliant format or inaccurate data submissions (including profiling variances);
- Data submissions or data that compromises Allocation Agent reliability;
- Meter reading thresholds not met.

Further known or likely affects of breaches to be published but confidential information not disclosed full report to the industry body: Gas (Compliance) Regulations 2007 may require minor modifications to interface with breach reporting.

There should also be a provision for self-reporting breaches for all participants.

Audits:

Audit scope lacks the specificity found in the Electricity Reconciliation Code; suggested scope needs to be class specific:

1. Allocation Agent

Powerco suggests that an annual audit of the Allocation Agent activities is mandated with the Audit report published either on the GIC's or the Allocation Agent's website where all parties can view it. The audit should include statements addressing the Allocation Agent's:

- Compliance with the Rules;
- The accuracy of Allocations performed;
- Correctness of published data (ICP days/ UFG and standard and residual profiles etc);
- Correctness of breach reporting.

2. Retailers

	<ul style="list-style-type: none"> • Gathering recording accuracy and safeguarding raw ICP quantity data; • Processing and systems for preparing the data for submissions to the Allocation Agent, including altitude, calorific value, pressure and temperature adjustments. Calorific value and temperature should be reconciled with corresponding gas gate conditions and altitude and pressure with the registry records. <p>In the statement of proposal it is noted that if no material issues are identified that costs will be apportioned between the parties. In relation to distributors, as they are suppliers of information it is assumed that they will not receive an allocation of costs?</p> <p>Audit arrangements for the industry need to allow the auditor access to retailer systems and processes around metering and billing set-ups and the processing of billing and submission data.</p> <p>In a letter written by Contact Energy in September 2007 they referred to the historical problems that they had getting meaningful audits and Contact went on to recommend that prior to Global Reconciliation go-live there is an opportune time for a coordination of a program whereby GMS owners could provide relevant and up to date metering/billing information set up which the retailers could check. We would be pleased if the GIC was willing to undertake this initiative.</p>
Contact	<p>A redlined version of the rules (with extensive comments) was included with Contact's submission.</p> <p>The key changes suggested are:</p> <ol style="list-style-type: none"> 1. Include notional gas gate under definition of "gas gate" to cover interconnected networks (e.g. Greater Auckland, Greater Hamilton) where the UFG factor can only be based on the notional gas gate. 2. Inserted definition of "GMS" as "metering equipment" too narrow in terms of compliance with NZS 5259. Also amended Meter Owner and Retailer obligations (clauses 25&26) to be more relevant to the split in obligations as Contact sees it. 3. Changed requirement for meter reads in allocation groups 3 and 4 to monthly instead of close to month end. The change to historic and forward estimates, and 3 and 12 month revisions, means that there is no longer a need to read at month end but it is recognised that monthly reads have do ensure higher accuracy of historic estimates. 4. As we are moving away from deeming reads close to month end deemed as month end, it is appropriate to allow in the context of historic estimates for allocation groups 3 and 5 to be treated the same as allocation groups 4 and 6. The only difference is that the shape values to be used to allocate read-read quantities to calendar months for groups 3 and 5 are determined by the approved SDP or DDP, whereas the seasonal adjustment shape values for groups 4 and 6 are determined by the GRP allocated quantities (also refer inserted clause 33.3). 5. The global methodology in clause 42 does not appear to give the required outcome, so has been amended. 6. Clause 43 has been amended to align with Contact's submission on the transitional annual UFG factor(s), i.e. there should be individual UFG factors by gas gate for the first 2 years but based on a different data set, and not a single national UFG factor for each transition year. 7. As there are several references to the Gas (Switching Arrangements) Rules and terms used in those rules in the Gas (Downstream Reconciliation) Rules, Contact suggests that these references be reviewed with a view to inserting a transitional rule to deal with the misalignment of go live dates. This is much preferred by Contact to the option of delaying the go live date for the gas allocation arrangements past 1 October 2008.

EDNZ	Did not review draft rules. But EDNZ has stated in previous submissions that there could be some significant improvements in the overall accuracy of the allocation process if the threshold for TOU metering was reduced. EDNZ has no firm view on what that lower threshold should be as it does not have access to the data to make that decision. EDNZ doe believe that this is a lost opportunity within this proposal.
Nova Gas	Insufficient time has been made available to review the draft rules. Given go-live date no earlier than 1 October 2008, there is sufficient time for a more detailed review of the rules. Beneficial for a review closer to go-live date to address issues identified during implementation phase.
Vector	<p>Vector observes that there appear to be a number of inconsistencies between the rules and the purpose of the Proposal. Vector would suggest GIC consider asking members of GART to address these and other 'technical' issues that currently exist with the Proposal. It may also be useful for the current Proposal to be benchmarked against practices for reconciling energy across other utility sectors. Vector would support GIC in adopting such an approach prior to further consultation on this issue.</p> <p>Ideally, Vector would have accepted GIC's invitation to mark-up proposed changes to the rules. However, the tight timeframe for responding to the Proposal has meant that this has not been practical.</p> <p>Vector suggests static and dynamic profiles supplied by retailers to the allocation agent and added to a register should be published. The rationale for not publishing profiles is not clear to Vector at this time.</p> <p>GIC may wish to further consider the appropriateness of the audit and exemption provisions contained within the rules. For instance, it is not clear to Vector what criteria will be applied by GIC when instigating audits and/or exemptions? It will be important for all industry participants to understand the exact criteria to be applied by GIC in these circumstances. Vector suggests GIC elaborate further on these as part of the rules rather than applying its sole discretion in such cases. In our view, this would assist in achieving consistent, transparent and enforceable processes as part of the regulatory objective.</p> <p>Vector notes that the rules generally do not appear to address any issues around the commercial sensitivity of data relating to, and being exchanged by, industry participants. GIC may find it beneficial to consider this further.</p> <p><i>Comments on allocation agent requirements:</i> Vector believes it important that future allocation and reconciliation services should be delivered via a contestable process. Vector's preference would be for this to be achieved via a competitive tendering process that is fully inclusive of industry participants in deciding a future service provider.</p> <p>Vector also considers it desirable that performance measures should apply to the allocation agent to execute their task(s) efficiently. We do not consider that the Proposal is currently robust enough in this regard.</p> <p>Vector also notes that the allocation agent will be required to publish information on gas energy injected. This may present confidentiality issues as information on OATIS is tightly controlled by subscriptions where there are fewer than three parties</p>

	<p>consuming gas at any given gas gate. Vector suggests that the rules would benefit through more clarity around responsibilities for handling confidential data in general.</p> <p>GIC should remain cognisant that an essential function of any allocation agent must be to perform an allocation, irrespective of the reliability of the data submitted by industry participants. This is a critical requirement for Vector's transmission invoicing purposes.</p> <p>Vector suggest GIC consider making the installation of correctors, incorporating pressure (essential for all installations) and temperature correction as a minimum, mandatory for all sites consuming >10TJ p/a. Retailers should also be encouraged to install correctors at other sites consuming <10TJ p/a. As greater use of such technology is likely to reduce unit costs over time, GIC should also consider phasing-in this approach across installations consuming >5TJ p/a. Ultimately, Vector believes that correctors should be installed on all installations consuming >1TJ p/a.</p> <p>Vector observes that the Proposal does not identify how more sophisticated (or 'advanced') meters will be classified under the new arrangements? Vector suggests that GIC be mindful that the use of such meters is likely to increase over time and the Electricity Commission has recently consulted with industry on this issue. Vector assumes that, where an advanced meter has been installed, this will be considered the same as a TOU meter. It would be useful for GIC to clarify this point in any future consultation.</p>
GasNet	<p>GasNet has not reviewed the rules so does not have any comments. But:</p> <p>Re clause 8.15 (reducing TOU threshold from 10TJ to 5TJ) - Following the earlier comment on UFG allocation to TOU and non-TOU, what incentive is there in reducing the threshold for TOU? A retailer would be better to maintain 5-10TJ consumers as non-TOU and physically read their meters monthly for accurate month end data than install a TOU device, at greater cost, for no UFG benefit over non-TOU. If a retailer would benefit from daily data from a TOU for managing its gas contracts and upstream commitments then it would install a TOU device whether required to or not.</p> <p>Clause 8.18 - GasNet considers the maximum interval of 12 months for meter readings too long and should be no greater than 6 months. When reading a meter the retailer not only gathers data but also performs safety and billing checks such as evidence of tampering, theft and damage.</p>
E-Gas	<p>Yes, significant further development of current proposals is essential.</p> <p>Specific measures that E-Gas proposes are in part based on standardisation with electricity rules; E-Gas is of the view that consistency within the energy industry on reconciliation arrangements is desirable if not essential for an internationally recognised stable market environment. Variances based on industry size, technical and physical differences should govern the acceptability of departures from the electricity reconciliation rules.</p>

	<p>E-Gas proposes the inclusion of provisions addressing the following specific matters:</p> <ol style="list-style-type: none"> 1. Obligations on all data submitters to supply compete and accurate data – extending to include data submission dates, compliance with industry information (data) exchange protocols, correction & reporting of errors, etc. 2. Transparency & disclosure - Allocation agent to maintain a web site with both public and Industry (i.e. password controlled) sections. Summarised, non stakeholder specific information disclosed on public pages only; Industry pages to report & maintain up-to-date performance measures (see below), breach reports, audit reports, etc. 3. Performance reporting - Statistics of ICP/days (comparing retailer submitted data with equivalent registry reports), Reconciliation of quantity data accuracy (measuring & reporting variances between the three data submission files – month/network/retailer), meter read performance (comparison with 90% within 4 month & 100% within 12 month meter reading requirements), comprehensive UFG statistics reporting covering all three same month data submissions within Allocation period; also the development of comparable performance measurements in respect of Allocation agent’s operations – reported on proposed Allocation agent web site (stakeholder section with retailer specific disclosure). 4. Rule exemptions – Provision of a specified process that is transparent & equity based, including opportunity for stakeholder submissions and formal proceedings on which exemption determinations are derived. 5. Threshold for TOU devices – Installation of correction devices compulsory for all over 10 TJ/year sites, allowance for discretionary TOU installations for less than 10 TJ/year sites; if installed include in over 10 TJ/yr. Allocation groups. 6. Standardisation of estimated sites: Deemed profiles – for all estimated sites the provision of standardised estimation profiles with application requirements specified for part months; Allocation agent to calculate profiles applying agreed and published methodology – consideration of this to be applied by all retailers. (Profiles to be published on Allocation Agent’s proposed web site – Both distribution networks specific & seasonally adjusted). 7. Inclusion of additional data provider obligations - Transmission system owner to provide daily/monthly corrected gate station data to Allocation agent, together with calorific value - published on Allocation Agent’s web site (stakeholder section). Registry to provide ICP/days data, etc. 8. Transition provisions – Comprehensive transitional provisions addressing UFG as proposed herein. 9. Reporting of breaches – compulsory for Allocation Agent to report all detected breaches (include assessment of materiality e.g. minor (i.e. data correction required), medium or material (the latter two categories to include impact assessments)). 10. Audits – The sizable financial value of the Allocation Agent’s operations dictates mandatory annual independent audits, with the resulting audit report published (on proposed web site, public section). The audit report should verify the correctness of the allocation functions & compliance with the Allocation rules, etc.
<p>Tom Tetenburg</p>	<p>Still coming to grips with the timing of reports, and whether all the necessary input data is available beforehand and if there is sufficient time to produce and analyse the reports by the deadlines proposed. E.g. 50.1</p> <p>The proposed timeframes do not give the Alloc Agent any extra time to perform allocations. The initial allocation has to occur between 8am 4th business day and 8am 5th business day, i.e. within 24 hours, as under Rec Code. The interim and final allocations have to occur between 8am 10th business day and 8am 12th business day, which means 2 full re-allocations in 48</p>

	<p>hours. The urgency of the initial allocation comes from upstream billing requirements. Why the same urgency to interim and final allocations?”</p> <p>Tom Tetenburg’s submission also noted some minor errors in the Statement of Proposal paper, i.e.:</p> <ul style="list-style-type: none"> • Para 6.19 on page 37: - The current loss factors, which range from 0.00% to 3.16%... should be corrected to “The current UFG%s, which range from –0.72% to 3.16%...” • Para 6.19 Point 12, at the bottom of page 37: Three gates were shown with incorrect UFG%s. The first 3 below are gains, not losses, (and so have a negative sign). Belmont was not shown previously. Mt Maunganui (-0.72%), Rotorua (-0.70%), Whakatane (-0.16%), Belmont (0.50%)
Genesis	<p>Genesis Energy has not had the opportunity to thoroughly review the rules in full at this time. Genesis Energy recommends that a further opportunity to comment on draft rules should be provided once issues arising from this consultation round have been settled. Notwithstanding this, Genesis Energy offers the following comments on the draft rules as they stand:</p> <ul style="list-style-type: none"> • There is a lack of process detail in some areas: • What happens if retailer fails to submit a wash-up file? • What is the process that the allocation agent uses to assess whether a submitted profile is appropriate? (The draft specifies what data is required to be submitted, but doesn’t go into methodology or evaluation criteria for approving or declining the submitted profile). • Clause 14.1. Standard industry practice is to make and receive payments on the 20th of the month for invoices received before the 10th of the month. Genesis Energy suggests that this should be explicitly accommodated in the rules rather than simply requiring payment on the invoice due date. • Clause 15.2. Penalty arrangements would benefit from further development. For example, are penalties compounding? • Clause 26.3.2. ‘Inactive – Permanent’ ICP status should not be included here. • Clause 28.3.2. This suggests that submitting estimated data would be a breach of the rules, but does not specify the next step that the retailer should take. Is a self-reported breach required in this scenario? • Clause 41.3. It not clear whether there is an intention here for financially significant errors to be resolved through special audit or through bilateral negotiation. Genesis Energy suggests that special allocation would be the appropriate course. • Clause 41.4. The limitation of data correction to a period of 60 days seems inconsistent with the aim of providing the most accurate data possible. Genesis Energy suggests that data should be corrected back to the lesser of the origin of the error, or the audit time limit (that is, 3 years under the proposal, or 2 years as suggested by Genesis Energy in Q11). • Clause 41.5. The rules should specify what happens next. Special allocation? Breach? • Clause 48.3. Genesis Energy does not believe that it is appropriate for the rules to permit ad hoc special allocation procedures. It would be preferable for standard special allocation procedures to be included in the rules. • Clauses 50 and 50.3. Genesis Energy suggests that the reports should be made available to all participants. • Clause 50.1. The term ‘seasonal adjustment’ should be defined. Is the adjustment derived from a 12, 24, or 36 month dataset? • Audit scope Genesis Energy is adamant that any auditors appointed under the allocation and reconciliation regime should be

	<p>restricted from examining a retailer's billing systems. In Genesis Energy's view, ring-fencing of auditor powers should be explicitly set out in the allocation and reconciliation rules to avoid any confusion and to prevent future scope creep. Genesis Energy believes that there is no public policy interest in examining or standardising retailers' billing methodologies and systems. The only public policy interest in billing is in ensuring that customers are not being billed for more gas volume than retailers are purchasing through the market. This allocation and reconciliation proposal will improve transparency in this respect without there being a need to delve into billing systems.</p> <p>Genesis Energy offers the following additional comments on specific items in the statement of proposal:</p> <ul style="list-style-type: none">• Para 5.63. It is not clear what would happen if the allocation agent decided not to perform an allocation.• Para 6.66. "Gas Industry Co considers that it should be able to direct the allocation agent to take into account certain information or use different data..." Genesis Energy believes that the Gas Industry Company should be required to consult with the industry before exercising this power. At a minimum, consultation should include:<ul style="list-style-type: none">a. The reason for the proposed direction;b. The information/data which the Gas Industry Company proposes the allocation should use; andc. UFG calculations with both sets of data (default and proposed).• Genesis Energy suggests that the allocation agent would be well placed to provide:<ul style="list-style-type: none">a. An automated service notifying participants of sites for which the gas group should be upgraded or downgraded; andb. Notification to all participants of new gas (similar to the process operating in the electricity industry between EMS and retailers).
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Comments on the proposed compliance regulations

Submitter	Submission
Vector	<p>Vector considers that the compliance arrangements generally appear to fit for purpose. Vector has not undertaken a thorough review of the compliance arrangements at this stage as we believe that further work needs to be undertaken in establishing that a regulated solution provides the maximum net benefit for the industry.</p> <p>See comments above with regard to GIC's proposals concerning NZS 5259:2004.</p>
Tom Tetenburg	"Looks good."
Genesis	<p>Genesis Energy has engaged a public law expert to review the Gas Industry Company's generic compliance regulations and will advise the Gas Industry Company should any issues arise from that review.</p> <p>Notwithstanding the above, Genesis Energy offers the following comments:</p> <ul style="list-style-type: none"> • Clause 51 of the draft compliance regulations gives the ruling panel powers to make any order specified in section 43X(1) of the Act. Section 43X(1)(h) reads 'make an order terminating or suspending the rights of an industry participant under any gas governance regulation or rule'. The potential severity of an injunctive remedy under this clause could significantly exceed the limit imposed in the Act on pecuniary remedies. Given the broad scope of this clause and the potential severity of such an order, Genesis Energy strongly recommends that the rights to which such an order may pertain should be listed in full within the compliance regulations. • Clause 6(2)(a) restricts breaches to those that occurred within the previous three years. Genesis Energy suggests that this timeframe is excessive, and that a two year limitation would be more appropriate. A two year limitation would provide consistency with the electricity industry and would provide industry participants with greater certainty regarding liability exposure. Genesis Energy believes that it is appropriate that breaches dating back further than two years should be pursued via standard dispute resolution approaches rather than through the industry-funded compliance regime.

Appendix B – Proposed Rules

DRAFT GAS (DOWNSTREAM RECONCILIATION) RULES 2008

Pursuant to sections 43G, 43Q and 43S of the Gas Act 1993, the Minister of Energy, acting on the recommendation of Gas Industry Company Limited as the industry body appointed pursuant to s43ZL of that Act, makes the following rules.

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Schedule

1. Title

These rules are the Gas (Downstream Reconciliation) Rules 2008.

2. Purpose

The purpose of these rules is to establish a set of uniform processes that will enable the fair, efficient, and reliable downstream allocation and reconciliation of downstream gas quantities.

3. Outline

These rules provide for –

3.1 The appointment of an allocation agent; and

3.2 Processes for the:

3.2.1 provision of gas injection and consumption information; and

3.2.2 allocation by the allocation agent of daily gas quantities for each calendar month to retailers at gas gates; and

3.2.3 reconciliation of gas quantities; and

3.3 Mandatory information disclosure and reporting by the allocation agent, allocation participants, and the industry body; and.

3.4 Ancillary matters related to the process of allocation and reconciliation such as funding by industry participants and audits.

4. Commencement

4.1 Subject to rule 4.2, these rules come into force on the 28th day after their notification in the *Gazette*.

4.2 In these rules:

4.2.1 Rules 26 to 30, 33 to 46 and 49 to 69 come into force on the **go-live date**; and

4.2.2 Rules 31 and 47 come into force 4 months after the **go-live date**; and

4.2.3 Rules 32 and 48 come into force 13 months after the **go-live date**.

Part 1

General Provisions

5. Interpretation

5.1 In these rules, unless the context otherwise requires, a word or expression defined in the Act has the same meaning as it has in the Act.

5.2 In these rules, unless the context otherwise requires –

Act means the Gas Act 1992;

allocation agent means the service provider appointed in accordance with rule 7.1 to be the allocation agent;

allocation agent service provider agreement means the agreement between the industry body and the allocation agent that provides the terms of the appointment of the allocation agent;

allocation group means an allocation group as set out in rule 6;

allocation participant means a retailer, distributor, meter owner, or transmission system owner;

allocation results means:

- (a) the quantities determined by the allocation agent in accordance with rule 43 and allocated to allocation participants as initial, interim, final allocations under rules 46 to 48; and
- (b) includes any quantities allocated as a special allocation under rule 49;

annual reconciliation means the annual reconciliation carried out pursuant to rule 50;

annual UFG factor has the meaning given by rule 44.3.1;

business day means any day of the week except –

- (a) Saturday and Sunday; and
- (b) Any day that Good Friday, Easter Monday, ANZAC Day, the Sovereign's Birthday, Labour Day, Christmas Day, Boxing Day, New Year's Day, the day after New Year's Day, and Waitangi Day are observed for statutory holiday purposes; and
- (c) Any other day which the industry body has determined not to be a business day as published by the industry body;

consumer installation means one or more gas installations that have a single point of connection to a distribution system or transmission system and for which there is, or has previously been, a single consumer;

consumption period means a month during which gas is supplied to consumers;

distributor means a gas distributor as defined in the Act and, to avoid doubt, may include the owner of a transmission system to which a consumer installation is directly connected;

dynamic deemed profile has the meaning given by rule 54.1;

exceptional circumstances means circumstances which (in the opinion of the industry body) prevent a retailer from accessing a meter despite the best endeavours of the retailer;

final allocation has the meaning given by rule 48.1;

financial year means a 12-month period beginning on the date determined by the industry body and any anniversary of that date;

gas gate means the point of connection between –

- (a) a transmission system and a distribution system; or
- (b) a transmission system and a consumer installation; or
- (c) two gas distribution systems; or
- (d) a group of gas gates, as determined and published by the industry body, treated as a single gas gate for the purposes of these rules;

gas gate residual profile has the meaning given by rule 43.1;

gas year means the period from 1 October to 30 September;

GJ means gigajoule;

go-live date means 1 October 2008;

ICP means the installation control point, being the point at which a consumer installation is deemed to have gas supplied and which represents the consumer installation on the registry;

industry body means the industry body approved by the Governor-General by Order in Council under section 43ZL of the Act. In the event that the approval of the industry body is revoked under section 43ZM of the Act, all references to the industry body shall be replaced with references to the Commission;

initial allocation has the meaning given by rule 46.1;

interim allocation has the meaning given by rule 47.1;

meter means an instrument designed to measure the amount of gas passed through it;

meter owner means the person who owns or controls a meter used to measure gas consumption for a consumer installation;

metering equipment means any one, or a combination of, a meter, corrector, datalogger and the telemetry equipment used to measure or convey volume information related to an ICP;

monthly UFG factor has the meaning given by rule 44.3.2;

non-TOU meter means a meter which does not have an associated data logger to allow register readings or gas consumption to be recorded automatically at pre-determined intervals;

ongoing allocation costs has the meaning given by rule 15.3;

permanent estimate means a value sourced from an estimated reading that has passed the allocation participant's validation process and has been calculated from validated register readings. An estimated reading used as a switch reading between retailers and not subject to dispute by either retailer may be treated as a permanent estimate;

publish means –

- (a) In respect of information to be published by the industry body, to make such information available on the industry body's website; and
- (b) In respect of information to be published by the allocation agent to make such information available on the allocation agent's website; and
- (c) For all other information, to make available to the intended recipient in such manner as may be determined by the industry body from time to time;

register reading means the number displayed by, or estimated for, a meter register or corrector register at a particular date in time, and that represents the volume of gas recorded by the register over a certain period;

registry has the same meaning as in rule 5 of the Gas (Switching Arrangements) Rules 2008;

registered deemed profile means a static deemed profile or a dynamic deemed profile registered for use by a retailer under rules 52, 53 or 54;

responsible retailer means, for a particular ICP or consumer installation, the retailer whose retailer code is shown on the registry for all or part of a consumption period;

retailer means a gas retailer as defined in the Act;

rules means these Gas (Downstream Reconciliation) Rules 2008 as amended from time to time and includes every schedule to the rules, and every amendment to, deletion of, or addition to, any of the rules;

seasonal adjustment daily shape values means a gas consumption pattern published by the allocation agent in accordance with rule 51.1, based on the consumption at each gas gate, where the scale of the values are adjusted according to the best available consumption information for that gas gate for the 24 months previous to the relevant consumption period;

special allocation means an allocation performed in accordance with rule 49;

static deemed profile has the meaning given by rule 53.1;

TJ means a terajoule;

TOU meter means a meter which has an associated datalogger to allow register readings or gas consumption to be recorded automatically at pre-determined intervals;

TOU means time of use;

transmission system owner means any person or persons who own a transmission system or part of a transmission system and includes any agent of the transmission system owner;

UFG means unaccounted for gas, including technical and non-technical losses, being the difference between the amount of gas supplied to consumers at consumer installations through a gas gate and the gas injection amounts measured at the gas gate; and

validated register reading means a register reading or permanent estimate which has passed an allocation participant's validation process.

6. Definition of allocation groups

6.1 For the purposes of these **rules**, an **allocation group** means one of the allocation groups set out in rule 6.2 and to which each **consumer installation** is assigned by the **retailer** under rules 40 and 53 of the Gas (Switching Arrangements) Rules 2008.

6.2 The **allocation groups** are as follows:

6.2.1 Allocation Group 1: Assigned to **ICPs** that have a **TOU meter** with telemetry and where actual gas quantities are recorded daily:

6.2.2 Allocation Group 2: Assigned to **ICPs** that have a **TOU meter** without telemetry and where actual gas quantities are recorded daily:

6.2.3 Allocation Group 3: Assigned to **ICPs** that have a **non-TOU meter** and where the daily gas quantities are determined by application of an approved static deemed profile to monthly gas quantities taken from **register readings** at the month-end in accordance with rule 28:

6.2.4 Allocation Group 4: Assigned to **ICPs** that have a **non-TOU meter** and where the daily gas quantities are determined by application of the **gas gate residual profile** to monthly gas quantities taken from **register readings** at the month-end in accordance with rule 28:

6.2.5 Allocation Group 5: Assigned to **ICPs** that have a **non-TOU Meter** and where the daily gas quantities are determined by application of an approved dynamic deemed profile to monthly gas quantities taken from **register readings** that are not required under rule 28 to be recorded monthly:

- 6.2.6 Allocation Group 6:** Assigned to **ICPs** that have a **non-TOU Meter** and where the daily gas quantities are determined by application of the **gas gate residual profile** to monthly gas quantities taken from **register readings** that are not required under rule 28 to be recorded monthly.

Allocation agent

7. Appointment of allocation agent

- 7.1** The **industry body** will, from time to time, by agreement with a person appoint that person to act as the **allocation agent**.
- 7.2** The **allocation agent** has the functions, rights, powers, and obligations set out in these **rules**.
- 7.3** The **allocation agent** will be appointed for a term agreed by the **industry body** and the **allocation agent** and set out in the **allocation agent service provider agreement**.
- 7.4** The **industry body** may at any time terminate, re-appoint, or change the appointment of any person as the **allocation agent**, subject to the terms of the **allocation agent service provider agreement**.
- 7.5** The remuneration of the **allocation agent** will be agreed as between the **industry body** and the **allocation agent** in the **allocation agent service provider agreement**.
- 7.6** The **industry body** and the **allocation agent** may agree on any other terms and conditions, not inconsistent with the functions, rights, powers and obligations of the **allocation agent** under these **rules**.

8. Publication of allocation agent service provider agreement

The **industry body** must **publish** the **allocation agent service provider agreement**.

9. Allocation agent website

- 9.1** Prior to the go-live date, the **allocation agent** in consultation with the **industry body** must design a website for the purpose of **publishing** information under these **rules**.
- 9.2** The **allocation agent** website must be functional and available to the public on the **go-live date**.
- 9.3** The **allocation agent** must ensure the information on the website is accurate and up to date.
- 9.4** The **allocation agent** must **publish** on the allocation agent website all information provided to it by the **industry body** for the purposes of publication by the **industry body**. For the purposes of these **rules**, such information will be deemed to have been **published** by the **industry body**.

9.5 Notwithstanding anything else in these **rules**, the **allocation agent** must not **publish** any information that it considers is confidential or commercially sensitive.

10. Insurance Cover

The **allocation agent** must at all times maintain any insurance cover that is required by the **allocation agent service provider agreement**, on the terms and in respect of risks prescribed by the **industry body**, with an insurer approved by the **industry body**.

11. Performance standards to be agreed

The **industry body** and the **allocation agent** must, at the beginning of the term of the appointment and at the beginning of each **financial year**, seek to agree on a set of performance standards against which the **allocation agent's** actual performance must be reported and measured at the end of the **financial year**.

12. Self-review must be carried out by allocation agent

12.1 Each month the **allocation agent** must conduct a self-review of its performance.

12.2 The review must concentrate on the **allocation agent's** compliance in the month with –

12.2.1 Its obligations under these **rules**; and

12.2.2 The operation of these **rules**; and

12.2.3 Any performance standards agreed between the **allocation agent** and the **industry body**; and

12.2.4 The provisions of the **allocation agent's service provider's agreement**.

13. Allocation agent must report to the industry body

13.1 On the last **business day** of each month, the **allocation agent** must provide a written report to the **industry body** on the results of the review carried out under rule 12.

13.2 The report must contain details of -

13.2.1 Any circumstances identified by the **allocation agent** where it has failed, or may have failed, to comply with its obligations under these **rules**; and

13.2.2 Any area that, in the opinion of the **allocation agent**, a change to a **rule** may need to be considered; and

13.2.3 Any other matters that the **industry body**, in its reasonable discretion, considers appropriate and asks the **allocation agent**, in writing within a reasonable time before the report is provided, to report on.

13.3 As soon as practicable after receiving a report under rule 13.1, the **industry body** must **publish** that report, provided the industry body may exclude any information it considers to be confidential or commercially sensitive.

14. **Review of allocation agent's performance by the industry body**

14.1 At the end of each **financial year**, the **industry body** may review the manner in which the **allocation agent** has performed its duties and obligations under these **rules**.

14.2 The review must concentrate on the **allocation agent's** compliance with-

14.2.1 Its obligations under these **rules**; and

14.2.2 The operation of these **rules**; and

14.2.3 Any performance standards agreed between the **allocation agent** and the **industry body**; and

14.2.4 The provisions of the **allocation agent service provider agreement**.

Funding

15. **Ongoing fees**

15.1 The ongoing fees are monthly fees to meet the **ongoing allocation costs**.

15.2 For –

15.2.1 The **gas year** commencing on 1 October 2008, the **industry body** must determine the estimated **ongoing allocation costs** for that **gas year** as soon as practicable after this rule comes into force and no later than 10 **business days** before the **go-live date**,

15.2.2 Each **gas year** thereafter, the **industry body** must determine the estimated **ongoing allocation costs** for that **gas year** at least 2 months before the beginning of each **gas year**,

15.3 Subject to rule 15.4, the **ongoing allocation costs** are the ongoing costs related to allocation and reconciliation and will include –

15.3.1 The costs payable by the **industry body** to the **allocation agent** for the services provided under Parts 1, 2 and 5 in respect of that **gas year**; and

15.3.2 The costs of the **industry body** associated with allocation and its role under these **rules** during that **gas year**; and

15.3.3 Any other costs that form part of the **ongoing allocation costs**.

15.4 To avoid doubt, the **ongoing allocation costs** do not include –

- 15.4.1** The costs of the **allocation agent** for performing services under Part 3; and
- 15.4.2** The costs of performance audits and event audits under Part 4.
- 15.5** Once it has determined the estimated **ongoing allocation costs** for the **gas year**, the **industry body** must **publish** those costs (including a breakdown of the costs).
- 15.6** Every person who is a **retailer** on the 1st **business day** of a month is liable to pay ongoing fees for that month in accordance with these **rules**.
- 15.7** The ongoing fees payable by each **retailer** is calculated as follows:
- $$A = B \times (C/D)$$
- Where:
- A = the ongoing fees payable by **retailer A**; and
- B = the estimated **ongoing allocation costs** for the given month (month B); and
- C = the total quantity of gas allocated to **retailer A** by the **allocation agent** in the **initial allocation** under rule 46 across all **gas gates** in respect of the **consumption period** that is 2 months before month B; and
- D = the total quantity of gas allocated to all **retailers** by the **allocation agent** in the **initial allocation** under rule 46 across all **gas gates** in respect of the **consumption period** that is 2 months before month B.

16. How and when ongoing fees payable

- 16.1** The ongoing fees are payable to the payee specified on the invoice issued to **retailers** under rule 16.3.
- 16.2** As soon as practicable after publication of the estimated **ongoing allocation costs** for a **gas year**, the **industry body** must notify all **retailers** of the ongoing fees payable for that **gas year**.
- 16.3** On the first **business day** of each month, the **industry body** or the **allocation agent** if required to do so by the **industry body**, must invoice every **retailer** liable to pay the ongoing fees for that month calculated in accordance with rule 15.7.
- 16.4** As soon as practicable after the end of each **gas year**, the **industry body** must determine the actual **ongoing allocation costs** for that **gas year**. The **industry body** or the **allocation agent** must invoice or credit each **retailer** liable to pay ongoing fees during that **gas year** with the difference between the actual **ongoing allocation costs** and the amount of the estimated **ongoing allocation costs** paid by that **retailer**.
- 16.5** The due date for the payment of the ongoing fees is the 20th day of the month in which the **retailer** receives an invoice for that payment.

17. General provisions regarding fees

- 17.1** Any **retailer** who is liable to pay any ongoing fees under rule 15.6, and who fails to make payment of such ongoing fees on or before the date on which it falls due, is liable to pay an additional fee of 10% of the amount of the ongoing fees that are unpaid.
- 17.2** The additional fee becomes payable and due on the 10th **business day** after the date that the **industry body** notifies the **retailer** that an additional fee is payable.
- 17.3** The ongoing fees payable under rule 15.6 and any additional fee payable under rule 17.1 are exclusive of any goods and services tax payable under the Goods and Services Tax Act 1985, and goods and services tax on those fees will be added to the invoice issued to **retailers** under rule 16.3.

Exemptions

18. Industry body may exempt allocation participant

- 18.1** Subject to rule 18.2, on the application of an **allocation participant** or the **allocation agent**, the **industry body** may, in its discretion and upon the terms and conditions (if any) that it thinks fit, exempt any **allocation participant**, class of **allocation participants**, **gas gate** or the **allocation agent** from complying with all or any of these **rules**.
- 18.2** The industry body may only grant an exemption under rule 18.1 if it is satisfied that the exemption is desirable to better achieve:
- 18.2.1** the objectives set out in section 43ZN of the Act; and
- 18.2.2** the purpose of the **rules**.
- 18.3** Prior to granting an exemption, the **industry body** must -
- 18.3.1** **Publish** the application for the exemption, excluding any information it considers to be confidential or commercially sensitive; and
- 18.3.2** Consult with those persons it considers are representative of those classes of persons likely to be substantially affected by the granting of the exemption.
- 18.4** The **industry body** must publish an exemption, and the reasons for granting the exemption, as soon as practicable after the exemption is granted.
- 18.5** An exemption takes effect from the date specified in the exemption which may not be earlier than the date that it is **published**.

19. Urgent exemptions

- 19.1** The **industry body** may grant an exemption under rule 18.1 without complying with rule 18.3.2 if the **industry body** considers that it is necessary or desirable that the exemption applied for be made urgently.

19.2 In that case -

19.2.1 The exemption must state that it is made in reliance on rule 19; and

19.2.2 The exemption must state an expiry date, which must be a date that, in the opinion of the **industry body**, reasonably enables the **industry body** to consult with the persons specified in rule 19.2.3 about the exemption; and

19.2.3 The **industry body** must **publish** the exemption and consult with persons it considers are representative of those classes of persons likely to be substantially affected by the exemption; and

19.2.4 As soon as practicable after consulting in accordance with rule 19.2.3, the **industry body** must:

(a) determine whether or not to revoke, replace, or amend the exemption; and

(b) publish its determination in accordance with rule 18.4.

20. Variation or revocation of exemptions

20.1 An **allocation participant** or **allocation agent** granted an exemption under rules 18 or 19 must notify the industry body of any error or change in any circumstances material to the granting or continuing operation of its exemption as soon as practicable after it has become aware of that error or change.

20.2 An exemption may be varied or revoked, either on application by an **allocation participant**, **allocation agent** or on the initiative of the **industry body**.

20.3 Rules 18 and 19 apply as if the variation or revocation were the granting of an exemption and with all other necessary modifications.

21. List of exemptions

The **industry body** must **publish** a list of all current exemptions made under these **rules**.

Notices and receipt of information

22. Giving of notices

22.1 If these **rules** require any notice to be given, the notice must be in writing and be –

22.1.1 Delivered by hand to the nominated office of the addressee; or

22.1.2 Sent by post to the nominated postal address of the addressee; or

- 22.1.3 Sent by facsimile to the nominated facsimile number of the addressee; or
- 22.1.4 Sent by electronic transmission or any other similar method of electronic communication to the appropriate nominated electronic address of the addressee.
- 22.2 For the purposes of rule 22.1, the nominated office, postal address, facsimile number and electronic address of **retailers, distributors and meter owners** is the information provided to the **registry** under rule 7.2.2 of the Gas (Switching Arrangements) Rules 2008.
- 22.3 In the case of an emergency, a person may give notice other than in accordance with rule 22.1, but the person must as soon as practicable, confirm the notice in writing and by a method set out in rule 22.1.

23. When notice taken to be given

In the absence of proof to the contrary, notices are taken to be given,-

- 23.1 In the case of notices delivered by hand to a person, when actually received at that person's address;
- 23.2 In the case of notices sent by post, at the time when the letter would in the ordinary course of post be delivered, and in proving the delivery, it is sufficient to prove that the letter was properly addressed and posted;
- 23.3 In the case of notices sent by fax, at the time indicated on a record of its transmission;
- 23.4 In the case of notices sent by electronic transmission or any other similar method of electronic communication, at the time the -
 - 23.4.1 Computer system used to transmit the notice has received an acknowledgment or receipt addressed to the electronic mail address of the person transmitting the notice; or
 - 23.4.2 Person who gave the notice proves the notice was transmitted by computer system to the electronic address provided by the addressee.

24. Information exchange file formats

- 24.1 For the purposes of information exchanges between **allocation participants** and the **allocation agent** under one or more of these rules:
 - 24.1.1 the **industry body** may give notice to **allocation participants** specifying one or more information exchange file formats that **allocation participants** must provide information to the **allocation agent** in; and
 - 24.1.2 **allocation participants** must provide information to the **allocation agent** in the exchange file formats specified in the notice.

Part 2

Allocation process

General provisions

25. General obligations of allocation participants

- 25.1** Every **allocation participant** must act reasonably in relation to its dealings with the **allocation agent** and other **allocation participants** and, in doing so, must use its reasonable endeavours to co-operate with the **allocation agent** and other **allocation participants**.
- 25.2** Every **allocation participant** must provide the information required under these **rules** in a manner that:
- 25.2.1** is accurate and complete; and
 - 25.2.2** is not misleading or likely to mislead; and
 - 25.2.3** is timely.
- 25.3** Where an **allocation participant** is or becomes aware of a cause of **UFG** at a gas gate, it must use reasonable endeavours to remedy the cause of **UFG** or reduce the **UFG** occurring at the **gas gate**.

Meter owner obligations

26. Metering equipment accuracy

- 26.1** For the purposes of gas volume information required to be collected or provided under these **rules**:
- 26.1.1** every **meter owner** must ensure that all **metering equipment** used to collect that volume information complies with NZS 5259:2004;
 - 26.1.2** **metering equipment** which has a margin of error of less than the relevant margins of error specified in NZS 5259:2004 is considered to be accurate; and
 - 26.1.3** any verification of accuracy must be in accordance with NZS 5259:2004.

Retailer obligations

27. General obligations of retailers

- 27.1** Every **retailer** must ensure that **metering equipment** is installed and interrogated at each **consumer installation** to which that **retailer** is the **responsible retailer** in accordance with the requirements of the

allocation group to which the **consumer installation** has been assigned by that **retailer**.

27.2 Every **retailer** must ensure the conversion of measured volume to volume at standard conditions and the conversion of volume at standard conditions to energy complies with NZS 5259:2004 for **metering equipment** installed at each **consumer installation** for which the **retailer** is the **responsible retailer**,

27.3 Every **retailer** must supply consumption information in accordance with rules 28 to 38 for all **consumer installations** for which it was the **responsible retailer** to the **allocation agent**.

27.4 Every **retailer** must ensure that:

27.4.1 the consumption information supplied to the **allocation agent** in accordance with rules 28 to 38 is transferred and stored in such a manner that it cannot be altered without leaving a detailed audit trail; and

27.4.2 a copy of all **register reading** data is kept for a minimum period of 30 months and is made available to the **allocation agent**, **industry body** or the **auditor** on request.

27.5 For the purposes of these **rules**, a **retailer** continues to be responsible for gas supplied to all **consumer installations** during all or any part of the **consumption period** in respect of which it is the **responsible retailer**.

28. Retailer to ensure certain metering interrogation requirements are met

28.1 For **consumer installations** for which the rolling 12 months actual or expected consumption is greater than 10 **TJ**, every **retailer** that supplies those **consumer installations** must:

28.1.1 ensure a **TOU meter** is installed; and

28.1.2 assign them to **allocation groups** 1 or 2.

28.2 For **consumer installations** where the rolling 12 month actual or expected consumption exceeds 250 **GJ**, every **retailer** that supplies those **consumer installations** must either:

28.2.1 ensure a **TOU meter** is installed and assign them to **allocation groups** 1 or 2; or

28.2.2 ensure a **non-TOU meter** is installed and assign them to **allocation groups** 3 or 4.

28.3 For **consumer installations** which have not been assigned to **allocation groups** 1 to 4 under rules 28.1 and 28.2, every **retailer** that supplies those **consumer installations** must ensure a **non-TOU meter** is installed and assign them to **allocation groups** 5 or 6.

28.4 Every **retailer** that supplies a **consumer installation** must ensure that the **metering equipment** installed at those **consumer installations** is interrogated as follows:

28.4.1 All **consumer installations** with **TOU meters** must have **register readings** or consumption recorded for each **day** commencing at 0000 hours and ending at 2400 hours:

28.4.2 All **consumer installations** with **non-TOU meters** and an expected annual consumption of between 250 **GJ** and 10 **TJ** must have **register readings** recorded within 3 **business days** before or after the end of each month:

28.4.3 All **consumer installations** with **non-TOU meters** to which the **retailer** has continuously supplied gas for the previous 12 month period must have **register readings** recorded at least once every 12 months unless **exceptional circumstances** prevent such an interrogation.

28.5 Every **retailer** must ensure that a **validated register reading** is obtained at least once every 4 months for 90% of the **consumer installations** with **non-TOU meters** to which the **retailer** has continuously supplied gas for the previous 4 months.

29. General requirements for provision of retailer consumption information

29.1 For **consumer installations** with **TOU meters**, –

29.1.1 Daily consumption information submitted to the **allocation agent** must commence at 0000 hours and end at 2400 hours on that **day**.

29.1.2 Where a **consumer installation** is supplied by a **retailer** for a part month, the **retailer** is only required to supply consumption information to the **allocation agent** for the **days** that the **retailer** supplied that **consumer installation**.

29.2 For **consumer installations** with **non-TOU meters**, –

29.2.1 A **register reading** obtained during any **day** will be deemed to have been obtained at 2400 hours on that **day**.

29.2.2 Monthly consumption information submitted to the **allocation agent** must commence at 2400 hours on the last **day** of the previous month and end at 2400 hours on the last **day** of the month to which the consumption information relates.

29.2.3 Where a **consumer installation** is supplied by a **retailer** for a part month, the consumption information submitted to the **allocation agent** for that part month will be deemed to be the monthly consumption information for that month supplied by that **retailer** for that **consumer installation**.

29.3 If for any reason whatsoever a **retailer** is not able to comply with the requirement to provide actual daily energy quantities for a **consumer installation** with a **TOU meter**, –

29.3.1 The **retailer** must submit its best estimate of consumption information to the **allocation agent** and advise the **allocation agent** of the fact it is an estimate under this rule; but

29.3.2 Compliance with rule 29.3.1 does not mean that the **retailer** has complied with the requirement to provide actual daily energy quantities.

30. Provision of consumption information for initial allocation

To enable the **allocation agent** to perform an **initial allocation** for each **consumption period**, every **retailer** must provide, in respect of the **consumer installations** for which it is the **responsible retailer**, the following consumption information to the **allocation agent** by 0800 hours on the 4th **business day** of the month that immediately follows the **consumption period** to which the information relates:

- 30.1** Actual daily energy quantities for each **consumer installation** in **allocation groups** 1 and 2:
- 30.2** Estimated daily energy quantities for each **consumer installation** in **allocation group** 3:
- 30.3** The aggregate estimated daily energy quantities by **gas gate** by profile for **consumer installations** in **allocation group** 5 and the number of **consumer installations** included:
- 30.4** The aggregate estimated energy quantities by **gas gate** for all **consumer installations** in **allocation groups** 4 and 6.

31. Provision of consumption information for interim allocation

To enable the **allocation agent** to perform an **interim allocation** for each **consumption period**, every **retailer** must provide, in respect of the **consumer installations** for which it is the **responsible retailer**, the following consumption information to the **allocation agent** by 0800 hours on the 9th **business day** of the 4th month that follows the **consumption period** to which the information relates:

- 31.1** Actual daily energy quantities for each **consumer installation** in **allocation groups** 1 and 2:
- 31.2** Estimated daily energy quantities for each **consumer installation** in **allocation group** 3:
- 31.3** The aggregate estimated daily energy quantities by **gas gate** by profile for **consumer installations** in **allocation group** 5 and the number of **consumer installations** included:
- 31.4** The aggregate estimated energy quantities by **gas gate** for all **consumer installations** in **allocation groups** 4 and 6.

32. Provision of consumption information for final allocation

To enable the **allocation agent** to perform a **final allocation** for each **consumption period**, every **retailer** must provide, in respect of the **consumer installations** for which it is the **responsible retailer**, the following month end consumption information to the **allocation agent** by 0800 hours on the 14th **business day** of the 13th month that follows the **consumption period** to which the information relates:

- 32.1** Actual daily energy quantities for each **consumer installation** in **allocation groups** 1 and 2:
- 32.2** Estimated daily energy quantities for each **consumer installation** in **allocation group** 3:
- 32.3** The aggregate estimated daily energy quantities by **gas gate** by profile for **consumer installations** in **allocation group** 5 and the number of **consumer installations** included:
- 32.4** The aggregate estimated energy quantities by **gas gate** for all **consumer installations** in **allocation groups** 4 and 6.
- 33. Historic and forward estimates for consumer installations with non-TOU meters**
- 33.1** When providing consumption information to the **allocation agent** for **consumer installations** with **non-TOU meters**, every **retailer** must derive that consumption information from **validated register readings** using:
- 33.1.1** rule 34 to create historic estimates; or
- 33.1.2** rule 35 to create forward estimates, where applicable.
- 33.2** Consumption information for **allocation groups** 3 to 6 may contain a combination of historic and forward estimates provided that they are calculated in accordance with rules 34 and 35.
- 33.3** Every **retailer** must retain sufficient information to be able to clearly identify each estimate as being either a historic or a forward estimate, or a combination of both estimates, if requested to by the **allocation agent**.
- 34. Application of profiles and seasonal adjustments for historic estimates**
- 34.1** Historic estimates are derived by applying to the difference in gas quantities between two **validated register readings** for the relevant **gas gate** either:
- 34.1.1** the applicable **registered deemed profile**; or
- 34.1.2** if no applicable **registered deemed profile** exists:
- (a) the **gas gate residual profile** for the **consumption period** concerned; or
- (b) where a **gas gate residual profile** has not been created for that **consumption period** or part of a **consumption period**, the **seasonal adjustment daily shape values** for that **consumption period** or part of the **consumption period**
- 34.2** To avoid doubt, where rule 34.1.2(b) applies, a historic estimate may be derived by applying a combination of the:

34.2.1 gas gate residual profile for part of the **consumption period** (where a **gas gate residual profile** has been created for that part of the **consumption period**); and

34.2.2 seasonal adjustment daily shape values for the remainder of the **consumption period** (where a **gas gate residual profile** has not yet been created for that part of the **consumption period**).

34.3 The following methodologies must be used to calculate a historic estimate of consumption information for a **consumer installation**:

34.3.1 Where the period between any two consecutive **validated register readings** encompasses an entire **consumption period**:

$$HE_{CI} = GJ_P \times A / B$$

Where:

HE_{CI} is the quantity of gas in **GJ** allocated to a **consumption period** for a **consumer installation**

GJ_P is the gas quantity in **GJ** calculated from the difference between the last **validated register reading** prior to the **consumption period** and the first **validated register reading** after the **consumption period**

A is the sum of the applicable **registered deemed profile**, **gas gate residual profile** or **seasonal adjustment daily shape values** for the relevant **gas gate** during the **consumption period**

B is the sum of the applicable **registered deemed profile**, **gas gate residual profile** or **seasonal adjustment daily shape values** for the relevant **gas gate** during the same time period as is covered by GJ_P

34.3.2 Where a **validated register reading** falls within the **consumption period**:

$$HE_{CI} = GJ_{P1} \times A_1 / B_1 + GJ_{P2} \times A_2 / B_2$$

Where:

HE_{CI} is the gas quantity in **GJ** allocated to a **consumption period** for a **consumer installation**

GJ_{P1} is the gas quantity in **GJ** calculated from the difference between the last **validated register reading** prior to the **consumption period** and the **validated register reading** falling within the **consumption period**

A_1 is the sum of the applicable **registered deemed profile**, **gas gate residual profile** or **seasonal**

adjustment daily shape values for the relevant **gas gate** for the period from the first day of the **consumption period** to the day of the **validated register reading** falling within the **consumption period**

B_1 is the sum of the applicable **registered deemed profile, gas gate residual profile** or **seasonal adjustment daily shape values** for the relevant **gas gate** for the same time period as is covered by GJ_{P1}

GJ_{P2} is the gas quantity in **GJ** calculated from the difference between the **validated register reading** falling within the **consumption period** and the first **validated register reading** after the **consumption period**

A_2 is the sum of the applicable **registered deemed profile, gas gate residual profile** or **seasonal adjustment daily shape values** for the relevant **gas gate** for the period from the day of the **validated register reading** falling within the **consumption period** to the final day of the **consumption period**

B_2 is the sum of the applicable **registered deemed profile, gas gate residual profile** or **seasonal adjustment daily shape values** for the relevant **gas gate** for the same time period as is covered by GJ_{P2}

34.3.3 Where the period between any two consecutive **validated register readings** falls within but does not encompass an entire **consumption period**:

$$HE_{CI} = GJ_{P1-2} \times A_{P1-2} / B_{P1-2}$$

Where:

HE_{CI} is the quantity of gas in **GJ** allocated to a **consumption period** for a **consumer installation**

GJ_{P1-2} is the gas quantity in **GJ** calculated from the difference between the first **validated register reading** in the **consumption period** and the last **validated register reading** in the **consumption period**

A_{P1-2} is the sum of the applicable **registered deemed profile, gas gate residual profile** or **seasonal adjustment daily shape values** for the relevant **gas gate** during the **consumption period**

B_{P1-2} is the sum of the applicable **registered deemed profile, gas gate residual profile** or **seasonal adjustment daily shape values** for the relevant **gas gate** during the same time period as is covered by GJ_{P1-2}

34.4 If a **retailer** is preparing a historic estimate in accordance with rule 34.1.2(b) and the **seasonal adjustment daily shape values** for the relevant **gas gate** are not available for any part of the **consumption period**, the **retailer** must use the methodology set out in rule 34.3.1 and 34.3.2 (as applicable) but the **seasonal adjustment daily shape values** may be substituted by the **retailer** using its own methodology or prorated on a flat shape basis using the number of **days**.

35. Forward estimates

35.1 A **retailer** may only use a forward estimate to calculate the consumption information for a **consumer installation** with a **non-TOU meter** where it is not possible to calculate that consumption information using a historic estimate.

35.2 A **retailer** may determine the method used for calculating a forward estimate at its discretion provided that the accuracy of a forward estimate used to calculate the consumption information for an **initial allocation** submitted to the **allocation agent** under rule 30 must, when compared with the consumption information for a **final allocation** submitted to the **allocation agent** under rule 32, fall within the percentage of error determined and published by the **industry body** under rule 35.3.

35.3 Prior to the beginning of each **gas year**, the **industry body** must, after consulting with **allocation participants**, determine and **publish** the percentage of error for the accuracy of forward estimates to be used for the following **gas year** in accordance with rule 35.2..

35.4 In making its determination under rule 35.3, the **industry body** must have regard to the following matters:

35.4.1 the importance of ensuring all forward estimates submitted as consumption information for an **initial allocation** are as accurate as possible when compared with consumption information submitted for a **final allocation**; and

35.4.2 the extent to which **retailers** are able to comply with the percentage of error for the accuracy of forward estimates; and

35.4.3 any costs that would be reasonably incurred by **retailers** to achieve compliance with the percentage of error for the accuracy of forward estimates; and

35.4.4 any other matter it considers relevant to its determination.

36. Application of deemed profiles

36.1 A **registered deemed profile**, being either a **static deemed profile** or a **dynamic deemed profile**, must be used by each **retailer** to calculate daily consumption information for all **consumer installations** assigned to **allocation groups** 3 and 5.

36.2 A **retailer** may only use a **static deemed profile** or a **dynamic deemed profile** in relation to a **consumer installation** or class of **consumer installations** if that profile is a **registered deemed profile** (where it has been approved by the **allocation agent** and has been registered for use

by the **retailer** under Part 3 of these **rules**) in relation to that **consumer installation** or class of **consumer installations**.

36.3 If a **retailer** wishes to use a different deemed profile for a **consumer installation** to that previously used for the provision of consumption information under rules 30 to 32 to the **allocation agent**, the **retailer** must have that deemed profile registered as a **registered deemed profile** by the **allocation agent** in accordance with rule 55 before it may use that different deemed profile.

37. Retailer to give gas gate notice to allocation agent

37.1 A **retailer** must give notice to the **allocation agent** when the **retailer** –

37.1.1 Commences to supply gas to a **consumer installation** at a **gas gate** at which it has not previously supplied gas; or

37.1.2 Ceases to supply gas to any **consumer installations** at a **gas gate**.

37.2 The notice must –

37.2.1 Identify the **gas gate**; and

37.2.2 Specify either –

(a) The date on which the **retailer** will first supply gas at that **gas gate**; or

(b) The date on which the **retailer** will cease to supply gas at that **gas gate**; and

37.2.3 Be given no later than the final **business day** of the month in which the acts specified in rules 37.1.1 and 37.1.2, as applicable, occur.

38. Retailer reporting requirements

Each **retailer** must provide the following reports to the **allocation agent** –

38.1 By 0800 hours on the 1st **business day** of each month a report on the proportion of historic estimates contained within the consumption information provided by the **retailer** to the **allocation agent** for the previous **initial, interim and final allocation** in accordance with rules 30 to 32 for each **gas gate** for **allocation groups** 3 to 6.

38.2 By 1200 hours on the 10th **day** of October in each **gas year** a report on the dates, frequency and number of **validated register readings** obtained in accordance with rule 28.5 during the previous **gas year**.

Transmission system owner obligations

39. Provision of daily injection information

Every **transmission system owner** must provide to the **allocation agent** by 0800 hours on the 4th **business day** of the month that immediately follows a **consumption period** the actual daily energy quantities injected at each **gas gate** connected to its transmission system for that **consumption period**.

40. **Publication of estimated day-end volume injection quantities each day**

For each **gas gate** connected to its transmission system, a **transmission system owner** must give notice to each **retailer** receiving gas at a particular **gas gate** of the estimated daily energy quantities to be injected each day at that **gas gate** at 1000 hours on that day and at any other time on that day as required and notified by the **industry body**.

Allocation agent obligations

41. **Allocation agent may use estimates**

41.1 For the purpose of performing allocations under these **rules**, the **allocation agent** must estimate:

41.1.1 the consumption information if a **retailer** has failed to provide the consumption information for the relevant allocation by the times and on the days specified in rules 30 to 32; and

41.1.2 the actual daily energy quantities if a **transmission system owner** has failed to provide the actual daily energy quantities for the relevant allocation by the times and on the days specified in rule 39.

41.2 If, in accordance with rule 41.1, the **allocation agent** uses estimated information or quantities in the allocation process, the **allocation agent** must include a notation with the **allocation results** that the **allocation results** include information or quantities that have been estimated by the **allocation agent**.

41.3 For the purposes of rule 43, 44 and 73, any references to “actual daily energy quantities” and “consumption information” in those rules are deemed to include any necessary estimates by the **allocation agent** of such quantities or information made in accordance this rule.

42. **Correction of allocations by allocation agent**

42.1 Where an **allocation participant** discovers that consumption information previously provided to the **allocation agent** in respect of a shared **gas gate** included a material error, the **allocation participant** must immediately advise the **allocation agent** of the nature and extent of the error and provide the corrected consumption information.

42.2 Subject to rules 42.3 and 42.4, adjustments reflecting the correction of errors are to be included in the next allocation, being either an **interim** or **final allocation**, for that **consumption period**.

42.3 The **allocation agent** may amend any **allocation result** provided under these **rules** if, by 1730 hours on the next **business day** after the **allocation result** was provided, the **allocation agent** makes the

amendment and notifies all affected **allocation participants** of the amended **allocation result**.

42.4 If an error is subsequently discovered later than the deadline specified in rule 42.3, and the **allocation agent** acting reasonably considers that correction of that error would have resulted in a materially different allocation, then:

42.4.1 the **allocation agent** shall as soon as practicable pass the relevant information on to the appropriate **allocation participants** and the **industry body**; and

42.4.2 the **industry body** must consider whether or not to direct a **special allocation** in accordance with rule 49 to rectify the error.

42.5 Where any part of the **metering equipment** installed at a **consumer installation** is found to be in error, quantities measured during the period when the device is shown to have been in error are to be corrected in accordance with the Schedule to these **rules**. If no reliable data is available to confirm the period when the device was in error or the amount by which it was in error, the **allocation agent** must estimate the expected time of the error based on the best available information provided the estimated correction cannot extend back further than 13 months from when the error was first notified or detected.

43. Global method of allocation

43.1 In these **rules**, a **gas gate residual profile** means a profile that is created each month by the **allocation agent** in accordance with rule 43.2.5 as part of the allocation process.

43.2 The **allocation agent** must use the following global method of allocation in order to conduct an **initial allocation**, an **interim allocation**, and a **final allocation**:

43.2.1 Receive the actual daily energy quantities injected at each **gas gate** for each day for that **consumption period** provided by **transmission system owners** in accordance with rule 39; and

43.2.2 Receive the consumption information for each day for that **consumption period** provided by **retailers** in accordance with rules 30 to 32; and

43.2.3 Calculate the allocated quantities for each day in the **consumption period** for **allocation groups** 1 and 2 for each **gas gate** and **retailer** in accordance with the following formula:

$$AQ_{1\&2} = A_{UFG} \times CI_{1\&2}$$

Where:

$AQ_{1\&2}$ is the quantity of gas to be allocated to **allocation groups** 1 and 2 for the day

A_{UFG} is the applicable **annual UFG factor** calculated in accordance with rule 44

CI_{1 & 2} is the **consumption information for allocation groups 1 and 2** for the day provided in accordance with rules 30 to 32

- 43.2.4** Calculate the allocated quantities for each day in the **consumption period** for **allocation groups 3 and 5** for each **gas gate** and **retailer** in accordance with the following formula:

$$AQ_{3 \& 5} = M_{UFG} \times CI_{3 \& 5}$$

Where:

AQ_{3 & 5} is the quantity of gas to be allocated to **allocation groups 3 and 5** for the day

M_{UFG} is the applicable **monthly UFG factor** calculated in accordance with rule 44

CI_{3 & 5} is the **consumption information for allocation groups 3 and 5** for the day provided in accordance with rules 30 to 32

- 43.2.5** Calculate the **gas gate residual profile** for the **consumption period** for each **gas gate** in accordance with the following formula:

$$GRP_P = GRP_{d(1)}, GRP_{d(2)}, GRP_{d(3)}, GRP_{d(4)} \dots GPP_{d(final)}$$

Where:

GRP_P is the **gas gate residual profile** for the **consumption period**

GRP_{d(1,2...final)} is the **gas gate residual profile** quantity for a day in the **consumption period**, being EI_d - AQ_{1, 2, 3 & 5} where:

EI_d is the actual daily energy injection quantity provided by **transmission system owners** in accordance with rule 39 for the day

AQ_{1, 2, 3 & 5} is the sum of the daily allocated quantities for **allocation groups 1, 2, 3 and 5** for the day as calculated in accordance with rules 43.2.3 and 43.2.4

- 43.2.6** Calculate the allocated quantities for each day in the **consumption period** for **allocation groups 4 and 6** for each **gas gate** and **retailer** in accordance with the following formula:

$$AQ_{4 \& 6} = (M_{UFG} \times \sum CI_{4 \& 6}) \times (GRP_{d(1,2...final)} / \sum GRP_{d(1,2...final)})$$

Where:

AQ_{4 & 6} is the quantity of gas to be allocated to **allocation groups 4 and 6** for the day

M_{UFG} is the applicable **monthly UFG factor** calculated in accordance with rule 44

$\sum CI_{4 \& 6}$ is the sum of the **consumption information** for **allocation groups 4 and 6** for the **consumption period** provided in accordance with rules 30 to 32

$GRP_{d(1,2...final)}$ is the **gas gate residual profile** quantity for a day in the **consumption period** as per rule 43.2.5

$\sum GRP_{d(1,2...final)}$ is the sum of the **gas gate residual profile** daily quantities for the **consumption period**

43.2.7 Aggregate for each **retailer**, for each **gas gate** and for each **day**, the allocated quantities for each **allocation group** to produce total allocated quantities by **retailer** by **gas gate**.

44. Calculation of UFG factor

44.1 When performing an **initial allocation, interim allocation** or **final allocation**, the **allocation agent** must calculate the **UFG** factor in accordance with this rule.

44.2 The **allocation agent** must apply in accordance with rule 43 -

44.2.1 the **annual UFG factor** to **allocation groups 1 and 2**; and

44.2.2 the **monthly UFG factor** to **allocation groups 3, 4, 5 and 6**.

44.3 In these rules,

44.3.1 the **annual UFG factor** means the factor determined in accordance with the following formula:

$$A_{UFG} = \sum EI_A / \sum CI_A$$

Where:

A_{UFG} is the applicable **annual UFG factor** for the **gas gate** for the **consumption period**

$\sum EI_A$ is the sum of the actual energy quantities injected for a particular **gas gate** during the 12 months up to and including February of the previous **gas year**

$\sum CI_A$ is the sum of the best available consumption information for all **allocation groups** for the **gas gate** during the 12 months up to and including February of the previous **gas year**,

44.3.2 the **monthly UFG factor** means the factor determined in accordance with the following formula:

$$M_{\text{UFG}} = (\sum EI_m - \sum AQ_{1 \& 2}) / \sum CI_{3-6}$$

Where:

M_{UFG} is the applicable **monthly UFG factor** for the **gas gate** for the **consumption period**

$\sum EI_m$ is the sum of the actual energy quantities injected at a particular **gas gate** for the **consumption period** provided by the **transmission system owner** under rule 39

$\sum AQ_{1 \& 2}$ is the sum of daily allocated quantities of gas allocated to **allocation groups** 1 and 2 for the **gas gate** for the **consumption period** under rule 43.2.3

$\sum CI_{3-6}$ is the sum of the consumption information for **allocation groups** 3, 4, 5 and 6 for the **gas gate** for the **consumption period** provided in accordance with rules 30 to 32

44.4 The **allocation agent** must determine and **publish**:

44.4.1 the **monthly UFG factor** which will apply for each month

- (a) For **initial allocations** by 0800 hours on the 5th **business day** of each month
- (b) For **interim allocations** by 0800 hours on the 11th **business day** of each month.
- (c) For **final allocations** by 0800 hours on the 16th **business day** of each month; and

44.4.2 the **annual UFG factor** which will apply for each **gas year** by the 1st **business day** of July in the previous **gas year**.

45. **Force majeure event during consumption period**

45.1 In this rule, **force majeure event** means an event or circumstance;

45.1.1 beyond the reasonable control of an **allocation participant** and that was not reasonably foreseeable in the circumstances; and

45.1.2 which substantially affects the information relied on to set the **annual UFG factor** in rule 44 so that it no longer will result in a fair and representative calculation of the **annual UFG factor** for that **gas gate**.

45.2 No later than 10 business days prior to determining and **publishing** the **annual UFG factor** in accordance with rule 44.4.2, the **allocation agent** may give **notice** to the **industry body** that it considers that a **force majeure event** has occurred.

45.3 As soon as practicable after receiving such notice,

45.3.1 the **industry body** must determine an **annual UFG factor** which it considers will result in a fair and representative calculation of the **annual UFG factor** for that **gas gate** for the **gas year** and give **notice** to the **allocation agent** of that determination; and

45.3.2 the **allocation agent** must **publish** the **annual UFG factor** determined in accordance with rule 45.3.1 and include a notation that the **annual UFG factor** has been determined by the **industry body** under that rule.

46. Initial allocation

46.1 For the purposes of these **rules**, an **initial allocation** means, in relation to a **gas gate**, the allocation of gas quantities in accordance with rule 43 in the month immediately after the relevant **consumption period**.

46.2 By 0800 hours on the 5th **business day** of each month, the **allocation agent** must –

46.2.1 Perform the **initial allocation** with respect to each **gas gate**; and

46.2.2 Provide the following reports to each **retailer**:

(a) A report setting out the quantities of gas allocated to that **retailer** at each **gas gate** for the previous month; and

(b) A report of the **gas gate residual profile** calculated during the **initial allocation**.

47. Interim allocation

47.1 For the purposes of these **rules**, an **interim allocation** means, in relation to a **gas gate**, the allocation of gas quantities in accordance with rule 43 in the month that is 4 months after the relevant **consumption period**.

47.2 By 0800 hours on the 11th **business day** of each month, the **allocation agent** must –

47.2.1 Perform the **interim allocation** with respect to each **gas gate**; and

47.2.2 Provide the following reports to each **retailer**:

(a) A report setting out the quantities of gas allocated to that **retailer** at each **gas gate** for the month that is the subject of the **interim allocation**; and

(b) A report of the revised **gas gate residual profile** calculated during the **interim allocation**.

48. Final allocation

48.1 For the purposes of these **rules**, a **final allocation** means, in relation to a **gas gate**, the allocation of gas quantities in accordance with rule 43 in the month that is 13 months after the relevant **consumption period**.

48.2 By 0800 hours on the 16th **business day** of each month, the **allocation agent** must –

48.2.1 Perform the **final allocation** with respect to each **gas gate**; and

48.2.2 Provide the following reports to each **retailer**:

(a) A report setting out the quantities of gas allocated to that **retailer** at each **gas gate** for the month that is the subject of the **final allocation**; and

(b) A report of the revised **gas gate residual profile** calculated during the **final allocation**.

49. Special allocation

49.1 Within 12 months after a **final allocation** has been performed, the **industry body** may require the **allocation agent** to perform a **special allocation** for the relevant **consumption period** in addition to an **initial allocation**, **interim allocation**, or **final allocation** for that same **consumption period**.

49.2 Before the **industry body** makes a request under rule 49.1 –

49.2.1 The **industry body** must be of the opinion that the current allocation information or **allocation results** are sufficiently unfair that it is not appropriate to wait until the next (if any) scheduled **interim allocation**, or **final allocation** is performed; and

49.2.2 The **industry body** must balance the unfairness of the current allocation information or **allocation results** against any commercial reasons for retaining the current **allocation results**.

49.3 Subject to rule 49.1 and 49.2, the **industry body** may determine any specific procedures that will apply to a **special allocation**.

50. Annual reconciliation

50.1 The purpose of an **annual reconciliation** is to verify the performance of the allocation processes set out in rules 43, 46 and 47 for the previous **gas year** by comparing the consumption information provided to the **allocation agent** by each **retailer** during the previous **gas year** with the quantities billed to each consumer during that **gas year**.

50.2 For the purposes of an **annual reconciliation**:

50.2.1 Each **retailer** must, by 1700 hours on the last **business day** of January in each **gas year**, provide to the **allocation agent** the total energy sales quantities by **gas gate** calculated from the quantities billed to each consumer during the previous **gas year**.

50.2.2 The **allocation agent** must, by 1200 hours on the last **business day** of February in each **gas year**, compare the total energy sales quantities provided by each **retailer** for each **gas gate** in accordance with rule 50.2.1 with the sum of best available consumption information provided by each **retailer** in accordance with rules 30 to 32 for each **gas gate** during the previous **gas year**; and

50.2.3 The **allocation agent** must **publish** the results of the comparison performed under rule 50.2.2 by 1700 hours on the 10th **business day** of March in each **gas year**.

51. Allocation agent reports

51.1 By 1200 hours on the 1st **business day** of each month, the **allocation agent** must **publish** the **seasonal adjustment daily shape values** for the **consumption period** for every **gas gate**.

51.2 In respect of each **gas gate**, by 0800 hours on the last **business day** of each month, the **allocation agent** must **publish** the following reports for each **initial allocation**, **interim allocation**, **final allocation** or **special allocation** performed in that month:

51.2.1 The total actual daily energy quantities injected at each **gas gate** for the relevant **consumption periods** as provided by the **transmission system owner** under rule 39 (or, where necessary, estimated by the **allocation agent** in accordance with rule 41); and

51.2.2 The total **gas** allocated to each **retailer** in the previous month for the relevant **consumption periods** under rules 46 to 49; and

51.2.3 The total amount of, and the percentage of, **UFG** at each **gas gate** for the previous month and previous rolling 12 months.

51.3 By 1200 hours on the 5th **business day** of November in each **gas year** the **allocation agent** must for each **gas gate** provide a report to the **industry body** on the percentage of accuracy between:

51.3.1 the aggregated consumption information for **allocation groups** 3 to 6 provided, for the **consumption periods** during the **gas year** prior to the previous **gas year**, by each **retailer** to the **allocation agent** for **initial allocations** under rule 30; and

51.3.2 the aggregated consumption information for **allocation groups** 3 to 6 provided, for the **consumption periods** during the **gas year** prior to the previous **gas year**, by each **retailer** to the **allocation agent** for **final allocations** under rule 32.

Part 3

Approval and Registration of deemed profiles

52. Allocation agent to approve and register deemed profiles

52.1 The **allocation agent** must establish a register which records **static deemed profiles** and **dynamic deemed profiles** approved under these **rules** which may be used by **retailers** for the purpose of providing consumption information to the **allocation agent** in relation to **consumer installations** in **allocations groups** 3 and 5 respectively.

52.2 The **allocation agent** must not publish all or any part of the register established under rule 52.1 except where it has received notice from the **industry body** to do so.

53. Registration of static deemed profiles

53.1 For the purposes of these **rules**, a **static deemed profile** is a pre-determined estimate of daily gas quantities which is used to define the daily profile of consumption during a **consumption period** for the **consumer installation** or class of **consumer installations** to which it applies.

53.2 In order to register a **static deemed profile** for a **consumer installation** or class of **consumer installations**, the **retailer** must request that the **allocation agent** approve the **static deemed profile** and provide the following information to the **allocation agent**:

53.2.1 12 consecutive months of historic consumption information for that **consumer installation** or class of **consumer installations** and estimates of future variations in that information; or

53.2.2 In the absence of 12 consecutive months of historic consumption information –

- (a) Sample historic consumption information for that **consumer installation** or class of **consumer installations**, **consumer installation** operating information and estimated future variations; or
- (b) An estimated consumption profile based on **consumer installation** operating information, historic consumption information for that **consumer installation** or class of **consumer installations**, and estimated future variations; or
- (c) An estimated consumption profile based on a daily consumption profile for a similar type of **consumer installation** and available historic actual monthly consumption information; or
- (d) An estimated consumption profile based on **consumer installation** operating information or a daily consumption profile for a similar type of **consumer installation**; and
- (e) Any other information that the allocation agent reasonably requests.

53.3 The **allocation agent** must consider the information provided under rule 53.2 and determine whether the **static deemed profile** will be a reasonable representation of the actual consumption profile of the **consumer installation** or class of **consumer installations** to which it will apply.

53.4 As soon as practicable, and no later than 20 **business days**, after receiving a request for approval, the **allocation agent** must make its determination under rule 53.3 and notify the **retailer** of its determination. The **allocation agent** must either accept or reject the registration of the static deemed profile.

54. Registration of dynamic deemed profiles

54.1 For the purposes of these **rules**, a **dynamic deemed profile** is a consumption profile that changes in accordance with information obtained from **TOU meters** installed at one or more sample **consumer installations** that are representative of the daily consumption profile of the **consumer installation** or class of **consumer installations** to which it is applied.

54.2 In order to register a **dynamic deemed profile** for a **consumer installation** or class of **consumer installations**, the **retailer** must request that the **allocation agent** approve the **dynamic deemed profile** and provide the following information to the **allocation agent**:

54.2.1 Consumption information obtained during the **consumption period** from a **TOU meter** installed at the sample **consumer installation** or installations, as the case may be, that will provide the basis of the **dynamic deemed profile**; and

54.2.2 Sufficient detail of the **consumer installations** or class of **consumer installations** to which the **dynamic deemed profile** will apply to enable the **allocation agent** to verify that the **dynamic deemed profile** is appropriate for that **consumer installation** or class of **consumer installations**; and

54.2.3 Any other information reasonably requested by the **allocation agent**.

54.3 The **allocation agent** must consider the information provided under rule 54.2 and determine whether the **dynamic deemed profile** will be a reasonable representation of the actual consumption profile of the **consumer installation** or class of **consumer installations** to which it will apply.

54.4 As soon as practicable, and no later than 20 business days, after receiving a request for approval, the **allocation agent** must make its determination under rule 54.3 and notify the **retailer** in writing of its determination. The **allocation agent** must either accept or reject the registration of the **dynamic deemed profile**.

55. Certain retailers may request review of deemed profiles

55.1 Any **retailer** with a **registered deemed profile** (whether it is a **static deemed profile** or a **dynamic deemed profile**) may, by notice, request the **allocation agent** to:

- 55.1.1** review and amend that **registered deemed profile**; or
- 55.1.2** amend the characteristics of the **consumer installation** or class of **consumer installations** to which it applies.
- 55.2** In order to enable the **allocation agent** to carry out a review under rule 55.3, the **retailer** must provide the information referred to in rule 53.2 or rule 54.2, as applicable.
- 55.3** The **allocation agent** must consider the information provided under rule 55.2 and determine whether, if amended as requested by the **retailer**, the **registered deemed profile** is a reasonable representation of the actual consumption profile of the **consumer installation** or class of **consumer installations** to which it applies.
- 55.4** As soon as practicable, and no later than 20 business days, after receiving a request under rule 55.1, the **allocation agent** must make its determination under rule 55.3 and notify the **retailer** of its determination. The **allocation agent** must either accept or reject the amendment to the **registered deemed profile**.
- 56. Allocation participants may challenge deemed profiles**
- 56.1** Any **allocation participant** may challenge by notice to the **allocation agent** the use by a **retailer** of a **registered deemed profile** in respect of a **consumer installation** or class of **consumer installations**.
- 56.2** The **allocation participant** must include in the notice given under rule 56.1 the reasons for the challenge and any information available to it relating to the challenge of the **registered deemed profile**.
- 56.3** The **allocation agent** must provide the **allocation participant**, whose **registered deemed profile** is being challenged, the opportunity to:
- 56.3.1** respond to a notice given under rule 56.1; and
- 56.3.2** provide reasons why the **registered deemed profile** continues to be a reasonable representation of the actual consumption profile of the **consumer installation** or class of **consumer installations** to which it applies.
- 56.4** The **allocation agent** must determine whether the **registered deemed profile** continues to be a reasonable representation of the actual consumption profile of the **consumer installation** or class of **consumer installations** to which it applies in light of the information provided under rule 56.2 and 56.3.
- 56.5** The **allocation agent** must make its determination within 20 **business days** of receiving the notice under rule 56.1 and notify all affected **allocation participants** of its determination.
- 57. Removal of registered deemed profile from register**
- 57.1** If the **allocation agent** determines under rule 56.4 that a **registered deemed profile** is no longer a reasonable representation of the actual

consumption profile of the **consumer installation** or class of **consumer installations** to which it applies, the **allocation agent** must:

57.1.1 Remove the **registered deemed profile** from the register; and

57.1.2 Advise the **retailer** which registered the deemed profile of the date on which the deemed profile was removed from the register.

57.2 Where a deemed profile is removed from the register, the **retailer** which applied for approval of the profile under **rules** 53.2 or 54.2 must advise the **allocation agent** of the date on which the profile was removed from the register when next providing consumption information to the **allocation agent** in respect of the **consumer installation** or class of **consumer installations** to which that deemed profile applied.

58. Costs of deemed profile registration

58.1 The **retailer** which requests approval of a deemed profile under **rules** 53.2 or 54.2 must pay the **allocation agent's** costs of registering the deemed profile.

58.2 In relation to meeting the costs of the **allocation agent** for reviewing a **registered deemed profile** under rule 55, the **retailer** requesting the review must pay to the **allocation agent** the actual and reasonable costs of the review.

58.3 In relation to meeting the costs of the **allocation agent** for considering a challenge to the use of a **registered deemed profile** under rule 56 -

58.3.1 The **allocation participant** that made the challenge must pay to the **allocation agent** the actual and reasonable costs of the **allocation agent** if the **allocation agent** determines that the **registered deemed profile** is a reasonable representation of the actual consumption profile of the **consumer installation** or class of **consumer installations** to which it applies; and

58.3.2 The **retailer** that used the **registered deemed profile** must pay to the **allocation agent** the actual and reasonable costs of the **allocation agent** if the **allocation agent** determines that the **registered deemed profile** should be removed from the register.

Part 4

Audits

59. Industry body to commission performance audits

59.1 The **industry body** must arrange at regular intervals performance audits of the **allocation agent** and **allocation participants**.

59.2 The purpose of a performance audit under this rule is to assess in relation to the **allocation agent** or an **allocation participant**, as the case may be, -

59.2.1 The performance of the **allocation agent** or that **allocation participant** in terms of compliance with these **rules**; and

59.2.2 The systems of the **allocation agent** or **allocation participant** that have been put in place to enable compliance with these **rules**.

59.3 The **industry body** in its sole discretion will determine –

59.3.1 When a performance audit under this rule is to be conducted; and

59.3.2 The person who is to be audited; and

59.3.3 Subject to rule 62, who will be appointed as the auditor; and

59.3.4 Any terms and conditions for the performance audit.

60. Industry body may commission event audits

60.1 In addition to performance audits under rule 59, the **industry body** may cause to be conducted at any time an event audit of the **allocation agent, allocation participants** or allocation processes in respect of a **gas gate**.

60.2 The purpose of an event audit under this rule is to ascertain the cause or causes of any particular issue or event that has arisen in relation to the allocation of gas under these **rules**.

60.3 The **allocation agent** or any **allocation participant** may request the **industry body** to cause an event audit to be performed under rule 60.1.

60.4 If the **industry body** receives a request under rule 60.3, the **industry body** must, in its sole discretion, decide whether to grant or refuse the request. However, the **industry body** must not grant a request that, in the opinion of the **industry body**, is frivolous or vexatious or is not made in good faith.

61. Time restriction on audit material

In conducting an audit under rule 59 or 60, the auditor must not consider any action, circumstance, event, or inaction that occurred 30 months before the date the audit was requested by the **industry body**.

62. Who may be appointed as an auditor

62.1 In appointing an auditor, the **industry body** must appoint a person who is independent to and not in a position of conflict of interest with the **allocation agent** or the **allocation participant(s)**, as the case may be, that are to be audited.

62.2 No officer or employee of the **industry body** may be appointed as an auditor.

62.3 The party or parties that are to be the subject of the audit may recommend one or more auditors for the **industry body's** consideration.

63. Provision of information to auditor

63.1 In conducting an audit under rule 59 or 60, the auditor may:

63.1.1 request any information from the **allocation agent**, the **industry body** and any **allocation participant**; and

63.1.2 request to examine any processes, systems and data of the **allocation agent** and any **allocation participant**, provided such processes, systems and data are directly relevant to the performance of the **allocation agent** or the **allocation participant** in terms of compliance with these **rules**.

63.2 Any request under rule 63.1 must be reasonable and strictly for the purposes of the audit.

63.3 The **allocation agent**, the **industry body** and every **allocation participant** must comply with a request under rule 63.1 but nothing in this rule limits any claim for legal professional privilege.

63.4 In providing information to the auditor, an **allocation participant** or the **allocation agent** may indicate to the auditor where such information is considered to be confidential.

63.5 For the purposes of this Part 4 of the **rules**, information is confidential if the **allocation participant** or the **allocation agent**, who either owns or holds the information, considers that the information is commercially sensitive.

64. Auditor to prepare draft audit report

64.1 The auditor must prepare, in writing, a draft audit report on the conclusions reached and recommendations formulated as a result of conducting an audit under rule 59 or 60.

64.2 Subject to rule 66, the auditor must give a copy of the draft audit report to –

64.2.1 The party that was the subject of the audit; and

64.2.2 The **allocation agent**, if the **allocation agent** was not the subject of the audit; and

64.2.3 Any other **allocation participant** which the auditor considers has an interest in the report; and

64.2.4 The **industry body**.

64.3 In providing the draft audit report under rule 64.2, the **allocation agent**, the **allocation participants** referred to in that rule, and the **industry body**, have 10 **business days** from the date the report is received to provide the auditor with comments on the report.

65. Auditor to prepare final audit report

- 65.1** Before the auditor prepares a final audit report on the conclusions reached and recommendations formulated as a result of conducting an audit under rule 59 or 60, the auditor must take into account any comments received on the draft audit report.
- 65.2** The final audit report must be in writing and, if so requested by the party or parties that were the subject of the audit, must include as an appendix any comments from that party or parties on the draft audit report.
- 65.3** Subject to rule 66, the auditor must give a copy of the final audit report to—
- 65.3.1** The party that was the subject of the audit; and
 - 65.3.2** The **allocation agent**, if the **allocation agent** was not the subject of the audit; and
 - 65.3.3** Any other **allocation participant** which the auditor considers has a material interest in the report; and
 - 65.3.4** The **industry body**.
- 65.4** Once the auditor has given a final audit report under this rule, the report may not be altered in any way.
- 66. Confidential information in audit reports**
- 66.1** In providing a draft audit report or final audit report, the auditor must provide a complete version to the **industry body**.
- 66.2** However, at the discretion of the **auditor**, the versions of the draft audit report and the final audit report provided to any other person or **published** under these **rules** may exclude any confidential information obtained in the conduct of the audit.
- 67. Publication of final audit reports**
- Subject to rule 66, the **industry body** must **publish** all final audit reports.
- 68. Use of final audit reports**
- To avoid doubt, a final audit report may be used –
- 68.1** For the purposes of the Gas (Compliance) Regulations 2008:
 - 68.2** For the purposes of considering any amendments to these **rules**:
 - 68.3** By the **industry body** –
 - 68.3.1** Under rule 49 in considering whether to request the **allocation agent** to perform a **special allocation**;
 - 68.3.2** For the purpose of reviewing the performance of the **allocation agent** under the **allocation agent service provider agreement**;
 - 68.3.3** For the purpose of reviewing the performance of an auditor; and

68.3.4 For any other purposes that it considers necessary.

69. Responsibility for audit costs

69.1 In relation to an audit under rule 59, the party that is being audited must pay the costs of the auditor.

69.2 In relation to an audit under rule 60, the following provisions apply:

69.2.1 If the auditor concludes that a material issue has been raised in relation to compliance with these **rules** -

(a) The **allocation agent** or the **allocation participant** to which the material issue relates must pay the costs of the auditor, and if the material issue relates to more than one party, then the parties must pay the costs of the auditor in such portions that reflect their contribution to that material issue as determined by the auditor; and

(b) If the auditor concludes that no material issue has been raised in relation to compliance with these **rules**, the costs of the auditor must be apportioned between such of the **allocation agent** and the **allocation participants**, as the case may be, as the **industry body** determines in its sole discretion.

69.3 For the purposes of this rule, the costs of the auditor are those costs that have been agreed between the **industry body** and the auditor.

Part 5

Transitional provisions

70. Treatment of allocations for consumption prior to go-live date

Any allocations for **consumption periods** occurring prior to the **go-live date** are to be completed in accordance with any existing allocation agreements and by the incumbent person appointed to carry out allocation and reconciliation functions under those agreements.

Annual UFG factor during the transitional period

71. Transitional period

In rules 72 to 75, **transitional period** means the period commencing on the **go-live date** and ending on 30 September 2010.

72. Provision of information during transitional period

72.1 During the **transitional period**, the **allocation agent** may give notice to:

72.1.1 A **retailer** requiring it to provide, to the extent possible in the circumstances, the **allocation agent** with the consumption

information for a particular **gas gate** for the 12-months ending 30 September 2007 or ending 30 September 2008;

72.1.2 A **transmission system owner** requiring it to provide, to the extent possible in the circumstances, the **allocation agent** with the total energy quantities injected for a particular **gas gate** for the 12-months ending 30 September 2007 or ending 30 September 2008.

72.2 An **allocation participant** must comply with a notice issued under rule 72.1 within 10 **business days** of receiving such notice.

72.3 Except where rule 73.2.3 applies, if any of the information or quantities requested under rule 72.1 are unavailable or are unable to be provided by those **allocation participants** in the circumstances, the **allocation agent** must estimate that information or those quantities for the particular **gas gate** in accordance with rule 41,

73. **Calculation and application of annual UFG factors during transitional period**
S

73.1 Despite anything in rules 43 and 44, when performing an **initial allocation, interim allocation** or **final allocation** for a **consumption period** that falls within the **transitional period**, the **allocation agent** must:

73.1.1 calculate the **annual UFG factor** for a particular **gas gate** in accordance with this rule; and

73.1.2 for the purposes of rule 43.2.3, apply the **annual UFG factor** calculated in accordance with this rule.

73.2 Subject to rules 73.2.3, for the purposes of this rule, the **annual UFG factor** means –

73.2.1 For gas consumed during the 12-months ended 30 September 2009, the factor determined in accordance with the following formula:

$$A_{UFG} = \sum EI_{t1} / \sum CI_{t1}$$

Where:

A_{UFG} is the applicable **annual UFG factor** for the **gas gate** for the consumption period

$\sum EI_{t1}$ is the sum of the total actual energy quantities injected for a particular **gas gate** for the 12-months ended 30 September 2007

$\sum CI_{t1}$ is the sum of the best available consumption information for all **allocation groups** for the **gas gate** for the 12-months ended 30 September 2007

73.2.2 For gas consumed during the 12-months ended 30 September 2010, the factor determined in accordance with the following formula:

$$A_{UFG} = \sum EI_{t2} / \sum CI_{t2}$$

Where:

A_{UFG} is the applicable **annual UFG factor** for the **gas gate** for the **consumption period**

$\sum EI_{t2}$ is the sum of the actual energy quantities injected for a particular **gas gate** for the 12-months ended 30 September 2008

$\sum CI_{t2}$ is the sum of the best available consumption information for all **allocation groups** for the **gas gate** for the 12-months ended 30 September 2008

73.2.3 Where:

- (a) no actual energy quantities injected or no consumption information during the periods specified in rules 73.2.1 or 73.2.2 exist for a **gas gate**; or
- (b) such quantities or information are so incomplete that the **allocation agent** considers it is unreasonable to estimate such quantities or information in accordance with rule 41;

the factor determined in accordance with the following formula:

$$A_{UFG} = \sum EI_{all} / \sum CI_{all}$$

Where:

A_{UFG} is the applicable **annual UFG factor** for the **gas gate** for the consumption period

$\sum EI_{all}$ is the sum of the actual energy quantities injected for all **gas gates** (as used in rules 73.2.1 or 73.2.2) for the 12-months ended 30 September 2007 or 2008, as applicable

$\sum CI_{all}$ is the sum of the best available consumption information for all **allocation groups** for all **gas gates** (as used in rules 73.2.1 or 73.2.2) for the 12-months ended 30 September 2007 or 2008, as applicable

73.3 Where the **annual UFG factor** calculated in accordance with rule 73.2:

73.3.1 is less than 0.985, the **annual UFG factor** to be applied at that **gas gate** for the purposes of this rule is 0.985; or

73.3.2 exceeds 1.035, the **annual UFG factor** to be applied at that **gas gate** for the purposes of this rule is 1.035;

73.4 Despite anything in rule 44.4.2, during the **transitional period**, the **allocation agent** must determine and **publish** the **annual UFG factor** which will apply for gas consumed in the **gas year** beginning on –

73.4.1 1 October 2008 as soon as practicable after the date this rule comes into force and no later than 10 **business days** before the **go-live date**; and

73.4.2 1 October 2009 on the 1st **business day** of July 2009.

74. Industry body may commission event audit for capped gas gate

74.1 Where the **annual UFG factor** calculated in rule 73.2 for a particular **gas gate** would have been less than 0.985 or exceeded 1.035 but for rule 73.2.3:

74.1.1 the **allocation agent** must as soon as practicable give notice to the industry body; and

74.1.2 the **industry body** may commission an event audit under rule 60 to ascertain the cause or causes of the level of **UFG** at the **gas gate**.

74.2 If the **industry body** commissions an event audit under rule 74.1.2, it must give notice of the event audit to all affected **allocation participants** for the **gas gate**.

75. Transitional exemption

75.1 Despite anything in rules 18 and 19 the **industry body** may, in its discretion and upon the terms and conditions (if any) that it thinks fit, exempt any **allocation participant**, class of **allocation participants**, **gas gate** or the **allocation agent** from complying with one or more of these **rules** during the **transitional period**.

75.2 A transitional exemption applies for a period set out in the exemption and must set out alternative arrangements for complying with one or more of the **rules**.

75.3 The **industry body** may by notice require an **allocation participant** or the **allocation agent** to set out in detail any reasons why an exemption is needed, the period for which the exemption should be in effect, and what alternative arrangements should apply.

75.4 If the **industry body** is satisfied that a transitional exemption should be granted, the **industry body** may by notice grant the transitional exemption to the **allocation participant**, class of **allocation participants**, **gas gate** or the **allocation agent** which, in addition to stating the alternative arrangements that will apply, may be subject to such other conditions as the **industry body** thinks fit.

- 75.5** If the **industry body** grants a transitional exemption under rule 75.4. it must give notice of the exemption to the **allocation participants** affected by the exemption.

ICP information during the pre-registry period

76. Pre-registry period

In rule 77, **pre-registry period** means the period commencing on the **go-live date** and ending on the go-live date specified and defined in rule 5 of the Gas (Switching Arrangements) Rules 2008,

77. Allocation participant obligations during pre-registry period

For the purposes of rules 25, 27, 28 and 29, during the **pre-registry period**, the obligations on **allocation participants** set out in those rules apply but only to the extent those obligations are able to be complied with as a result of the application of rule 78.

78. Responsible retailer and associated information during the pre-registry period

Despite anything else in these rules, during the **pre-registry period** the following rules apply:

78.1 For the purposes of rule 27, **responsible retailer** means, for a particular **ICP** or **consumer installation**:

78.1.1 the **retailer** whose retailer code is shown on the **distributor's** ICP database for that **ICP** or **consumer installation** for all or part of a **consumption period**; or

78.1.2 in the event of a dispute under rule 78.2, the **retailer** determined as the **responsible retailer** by the **allocation agent**.

78.2 If an **allocation participant** disputes the retailer code shown on a **distributor's** database, then:

78.2.1 the **allocation participant** may give notice of that dispute to the **allocation agent**.; and

78.2.2 no later than 5 business days after receiving such notice, the **allocation agent** must:

(a) determine who is the **responsible retailer** for the purposes of allocations under these rules, after having regard to the views (if any) of the affected **retailers** and **distributors** concerned; and

(b) give notice of its determination to the affected **retailers** and **distributors** concerned.

78.3 The **allocation agent** may require a **distributor** to provide to the **allocation agent** any information relevant to ascertaining who is the

responsible retailer for an **ICP** or **consumer installation**, whether that information is held on the **distributor's** ICP database or otherwise,

78.4 For the purposes of rule 22.1:

78.4.1 the nominated office, postal address, facsimile number and electronic address of **retailers, distributors** and **meter owners** is the information provided to the **allocation agent** under rule 78.4.2; and

78.4.2 each **retailer, distributor** and **meter owner** must on the commencement date provide to the **allocation agent** its telephone number, physical address, facsimile number, email address, and postal address; and indicate whether they are a **retailer, distributor** or **meter owner**.

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Schedule

Metering errors

Rule 42.5

Metering error	Correction criteria
Minimum flow rate	<p>Meters are to be considered capable of measuring accurately down to the minimum flow rate for accurate measurement specified by the manufacturer, i.e. Qmin. While a meter will generally continue to register flow at flow rates less than Qmin, no corrections to volumes measured, where the meter was known to have been operating below Qmin, may be based on the performance of the meter at flows below Qmin. Any such corrections may only be applied if other suitable data is available.</p>
Meter equipment failure	<p>Where metering equipment has failed completely, the methods of calculating delivered volume, in order of preference, are:</p> <ul style="list-style-type: none"> • To use data from check metering; • To aggregate data from downstream metering equipment (with due allowance for UFG if applicable); • To base on historical consumption data; • To base on downstream consumer production figures.
Meter found to be in error	<p>If during as-found testing any test result is outside the allowable error limits, the meter is to be tagged to show that a correction may be required. The meter must not have its seals broken until such tests, as may be required, are completed.</p> <p>If the in-service operating range of the meter is known (for example, from TOU data or otherwise), correction is to be based on the error or errors applicable to that range. Generally, a volume-weighted error, or the error-versus-flow relationship established from testing across the range is to be used to determine the correction.</p> <p>If the in-service operating range of the meter is not known, the correction is to be based on the arithmetic average of the errors found from tests performed as specified above, i.e. at Qmin, 20%, 50% and Qmax.</p>
Corrector failure	<p>Where a corrector has failed completely, the corrected volume will be calculated from the uncorrected volume measured by the meter, using:</p> <ul style="list-style-type: none"> • An appropriate correction factor from a period when the corrector was functioning properly; or • Independent corrections for pressure and temperature and other factors (if applicable).
Corrector found to be in error	<p>Correctors generally operate within a narrow range in terms of correction factor, reading or output signal (as the case may be). If during as-found testing such instruments are found to be in error, corrections are to be based on adjustments for the difference between the as-found factor, reading or output and the normal or expected value of such factor, reading or output.</p>
TOU device or data logger failure	<p>Where a datalogger associated with TOU metering fails, and daily quantity data is not available, the methods of determining a correction, in order of preference, are:</p>

	<ul style="list-style-type: none">• To distribute the total volume for the period over the days in the period by applying a typical profile from a corresponding prior period; and• To use data from check metering where available.
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