



# Recommendation to the Minister of Energy on minor amendments to the Gas (Downstream Reconciliation) Rules 2008

July 2009







### **About Gas Industry Co.**

The 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 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**

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# Executive summary

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The Gas (Downstream Reconciliation) Rules 2008 (the 'Rules') came into full effect on 1 October 2008. The Rules are technically complex and need to provide for a range of circumstances, not all of which were able to be anticipated when the Rules were recommended and approved. It was thus expected that changes would be required to reflect experience and to ensure that the Rules were as effective as possible in achieving their purpose.

The purpose of this recommendation is to recommend a number of rule changes to enhance the operation and efficiency of the allocation and reconciliation of downstream gas quantities. The changes are all minor and non-controversial and, therefore, have been dealt with in accordance with the simplified approach for amendments of this nature, as provided for by the Gas Act 1992. A major policy review is planned by Gas Industry Co for mid-2010 from which more substantial and policy related amendments will be considered.

The proposals have come from a number of sources including proposals from allocation participants and proposals from Gas Industry Co. The amendments seek to:

- alter the scope of some of the Rules to align with current practice or intended best practice to ensure the effective operation of the allocation process for downstream reconciliation;
- clarify the scope of some of the existing provisions in the Rules and promote ease of understanding and interpretation; and
- resolve some minor drafting and wording issues or other minor matters, provide greater consistency within the Rules, and between the Rules and other gas governance regulations and rules.

The proposed rule amendments are set out in full in Appendix A and are summarised below:

- amendments to reflect the current operation of the allocation process (in light of existing exemptions) and to ensure that allocated quantities balance with injection quantities, including:
  - ensuring that all injected gas quantities are allocated in situations where no consumption information has been submitted, where no allocation group 4 or 6 consumption exists or where zero data has been submitted for allocation groups 4 and 6;
  - establishing a zero floor for gas gate residual profile values and the consequential scaling of daily allocations to match injected quantities;

- amendments so that Gas Industry Co is able to give notice of specified file formats for additional information exchanges required by the Rules (ie to those from the allocation agent and those to Gas Industry Co) and to enable the allocation agent to reasonably request additional information required to carry out its role under the Rules;
- amendments to several provisions to more accurately reflect the role transmission system owners, and associated transmission arrangements, have in the downstream allocation process;
- amendments to various submission and reporting deadlines in the Rules to improve the efficiency of the allocation and reconciliation process and reflect current best practice; and
- other minor amendments mainly comprising technical or drafting corrections and clarifications.

The following outcome set out in the Government Policy Statement is the regulatory objective applying to the proposed rule amendments in this recommendation:

‘Accurate and timely arrangements for the allocation and reconciliation of downstream gas quantities’

The amendments proposed seek to improve the operation and efficiency of the processes for ascertaining the quantities of gas that each retailers’ customers have consumed downstream of the connection to the transmission system.

Sections 43L, 43N and 43Q of the Act set out the requirements for making recommendations on gas governance regulations and rules (including changes to those regulations or rules). Section 43N(3) provides for a simplified process to apply if Gas Industry Co is satisfied that the effect of the recommendation is minor and will not adversely affect the interests of any person in a substantial way. All of the proposed rule amendments in this recommendation are considered to meet these requirements.

It is hoped that the proposed rule amendments can be approved, implemented and in effect by 1 October 2009, to coincide with the start of the next gas year.

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# 1

## Introduction

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### 1.1 Background

For a number of years, the industry arrangements for the allocation and reconciliation of downstream gas quantities were considered to be failing to deliver efficient outcomes. Those arrangements depended on bilateral enforcement of terms in contracts with other industry players and industry codes. Compliance with industry codes and protocols was largely poor and because enforcement was expensive and time-consuming such action was rarely taken.

Effective arrangements for the accurate allocation and reconciliation of gas quantities are a key component of an efficient gas market. Participants in the market need to know how much gas is going into the pipeline system, who is taking what gas out, how much gas is unaccounted-for, and how that unaccounted-for gas (UFG) will be allocated.

Accordingly last year, Gas Industry Co recommended to the previous Minister of Energy the making of governance rules for allocation and reconciliation of downstream gas quantities. The Gas (Downstream Reconciliation) Rules 2008 (the 'Rules') were approved by the Minister in May 2008.

The purpose of the Rules as set in rule 2 is to:

Establish a set of uniform processes that will enable the fair, efficient and reliable downstream allocation and reconciliation of downstream gas quantities

The Rules establish a framework for the downstream allocation and reconciliation of gas which includes provisions for:

- appointment of an allocation agent to carry out the allocation and reconciliation of gas. The current allocation agent is NZX Limited;
- monthly allocation of gas so that all of the gas quantities injected at each gas gate are allocated among the retailers who submit consumption quantities for that gas gate. For any consumption month there are initial, interim and final allocations;

- annual reconciliation of allocated gas quantities against billing information; and
- ancillary functions which include (amongst others) granting exemptions, directing special allocations and initiating performance and event audits.

The Rules seek to ensure UFG is more equitably allocated to retailers, thereby enhancing the competitiveness of the retail market. The improved arrangements also benefit consumers through a reduction in industry participants' operational costs and an increase in the potential for retail competition leading to greater productive, allocative and dynamic efficiency.

Rules 1 to 26 and rules 76 to 84 came into effect on 27 June 2008, and primarily related to the appointment of the allocation agent, the allocation agent website, and general provisions regarding funding, notices and exemptions. The remaining parts of the Rules came into effect on the go-live date of 1 October 2008, enabling the allocation and reconciliation framework to commence operation, including the provision of gas injection and consumption information and the allocation and reconciliation processes to be carried out by the allocation agent.

The Rules are technically complex and need to provide for a range of circumstances, not all of which were able to be fully anticipated when the Rules were developed and approved. Thus, Gas Industry Co's and industry's expectation was that it would likely be necessary to amend or extend the Rules over time – so as to take account of experience and to ensure that the Rules are as effective and as efficient as possible in achieving their purpose.

Under the Gas Act 1992 ('the Act'), a recommendation for rule changes is in the first instance subject to the same requirements and processes as apply to proposed new gas governance rules – as set out in section 43N(1). However, if the effect of the recommendation is only minor and will not adversely affect the interests of any person in a substantial way, the recommendation is not required to comply with the process requirements set out in section 43N(1). Gas Industry Co considers the proposed changes in this recommendation are minor and will not adversely affect the interests of any person in a substantial way.

This recommendation does not consider or include more substantial potential amendments to the Rules. Those more material or substantial possible amendments will be considered as part of a major policy review in respect of the Rules which is planned for mid-2010.

## **1.2 Objective**

The Government Policy Statement (GPS) sets out the Government's objectives and outcomes for governance of the New Zealand gas industry, and its expectations for industry action. Under section 43ZN of the Act, Gas Industry Co must have regard to the objectives and outcomes set out

in the GPS when making recommendations to the Minister for gas governance rules or regulations.

The Government's overall policy objective for the gas industry, as stated in the Act and the GPS, is:

To ensure that gas is delivered to existing and new customers in a safe, efficient, fair, reliable, and environmentally sustainable manner.

In regard to downstream reconciliation the GPS states the following outcome:

Accurate and timely arrangements for the allocation and reconciliation of downstream gas quantities.

Accordingly, this is the regulatory objective applying to all of the proposed rule amendments set out in this recommendation. The proposed amendments seek to improve the operation and efficiency of the processes for ascertaining the quantities of gas that each retailer's customers have consumed downstream of the connection to the transmission system. In particular, the proposed amendments should:

- assist the efficient and reliable operation of the allocation process for downstream gas quantities;
- ensure the protocols for providing and disclosing data and information, in the reconciling and balancing of downstream gas, are efficient and reliable;
- provide timely and more efficient timeframes for allocation processes; and
- provide greater consistency and clarity regarding the operation of the Rules.

### 1.3 Indicative timeframe

Given that the new gas year commences on 1 October, Gas Industry Co is hoping to have the changes approved by the Minister of Energy and in effect by 30 September 2009 – ie in time for the start of the 2009/2010 gas year. The table below sets out the desired indicative timetable:

Date	Activity
31 July 2009	Recommendation provided to the Minister.
By 2 September 2009	Proposed rule amendments approved by the Minister and gazetted. <b>Note:</b> Under section 43ZP, the Minister is able to take up to 90 days in deciding whether to approve the recommendation, but it is hoped that the time required will be less because the rule amendments proposed are minor and are supported by participants.
1 October 2009	Proposed rule amendments take effect (under section 43R(3), this

Date	Activity
	must be at least 28 days after being notified in the Gazette).

# 2

## Analysis

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### 2.1 Rationale for amendments

Despite a very tight policy development and implementation process for the Rules, since the Rules came into full effect in October last year, the arrangements for allocation and reconciliation of downstream gas quantities have operated successfully. There has been a significant improvement in the quality and transparency of data in respect of gas quantities and UFG. Industry participants have to date shown a high degree of compliance with their obligations under the framework and have been supportive of the allocation process in general.

However, in the implementation of the Rules and their operation since going live, Gas Industry Co and industry participants have identified some instances where the Rules can be improved. The Rules are technically complex and need to provide for a range of circumstances, not all of which were able to have been fully anticipated when the Rules were approved. As a result, these proposed rule changes seek to take account of that experience and to ensure that the Rules are as effective as possible in achieving their purpose.

The proposed rule amendments are derived from a number of areas:

- exemptions previously granted by Gas Industry Co to allocation participants and the allocation agent to date under the Rules. Some of these exemptions were needed so as to enable the allocation process set out in the Rules to operate in an effective manner and achieve the purpose of the Rules. Several proposed rule amendments have been based on the allocation practice now in existence under these exemptions, where experience has confirmed that the proposed amendments are appropriate and effective;
- industry participants have proposed rule changes for a variety of reasons, including more efficient timing requirements and better consistency with existing practices (including any upstream implications); and
- Gas Industry Co has proposed other rule changes where it considers that changes are required to give proper effect to the intentions of the Rules, to correct minor errors, to clarify the scope of some the existing provisions in the Rules, to promote ease of understanding and

interpretation and to provide greater consistency within the Rules, and as between the Rules and other gas governance regulations and rules.

The proposed rule changes in this recommendation only relate to issues which have been identified as minor and technical. These changes are not considered to have any significant policy content or in any way materially adversely affect the operation of the Rules or industry participants. In fact, they are designed to improve the effectiveness and efficiency of the Rules and, if anything, reduce the time and cost participants spend in complying with the Rules.

## **2.2 Benefits of the amendments**

As noted above, more material or substantial amendments to the Rules will be considered as part of a major policy review in respect of the Rules which is planned for mid-2010. While it would have been possible to include these current minor proposed amendments as part of that review, Gas Industry Co considers it more beneficial for industry participants if these minor amendments are effected as soon as possible.

Industry participants have requested many of these rule changes to take effect via a rule change package for the current gas year and Gas Industry Co undertook to progress those. It was also desirable to ensure these non-controversial minor amendments would not be delayed or prevented from taking effect as a result of any potential deliberations over more substantial policy issues.

The amendments intend to improve the efficiency and effectiveness of the downstream reconciliation framework now, with resultant benefits for all parties. The amendments are expected to:

- provide more efficient and cost effective regulatory timeframes for participants;
- reduce the level of cost and resource for Gas Industry Co and participants in addressing these issues through the exemption process; and
- ensure greater clarity in the Rules, reducing participant time and cost spent on uncertainty regarding regulatory requirements.

## **2.3 Work undertaken**

### **Gas Registry and Reconciliation Establishment Committee**

The Gas Registry and Reconciliation Establishment Committee (the 'GRREC') was established in mid-2008 to assist Gas Industry Co with the implementation of the Rules for downstream reconciliation, and the implementation of the Gas (Switching Arrangements) Rules 2008. The

GRREC consisted of industry participants, the allocation agent and was convened by Gas Industry Co, and helped identify aspects of the downstream reconciliation arrangements which could be improved. Following the successful implementation of the Rules and the Gas (Switching Arrangements) Rules 2008, the GRREC was disbanded in March 2009.

### **Exemption process**

As noted above, many of the proposed rule amendments in this recommendation are derived from existing practices provided for in exemptions under the Rules. Each relevant exemption has been previously consulted on with industry participants and therefore, even prior to the Statement of Proposal, the majority of the amendments in this recommendation had been previously addressed, considered and submitted on by participants.

### **Retail Gas Governance Forum**

The Retail Gas Governance Forum (the 'RGGF') was established in April 2009 to enable industry participants to identify issues, exchange views and for consensus agreement on joint courses of action in relation to the development and operation of gas governance arrangements and other retail related matters. Various potential rule changes were raised and discussed in this forum, and the majority of those rule changes (ie those of a minor nature) form the basis of those proposed in this recommendation.

### **Statement of Proposal**

*A Statement of Proposal - Minor Amendments to the Gas (Downstream Reconciliation) Rules 2008* (the 'Statement of Proposal') was released for consultation on 2 June 2009. The Statement of Proposal included a detailed statement of the proposed rule amendments, the reasons for the amendments, an assessment of whether the amendments were minor and insubstantial within the context of section 43N(3) of the Act, and a copy of the draft rule amendments proposed. Nine submissions were received on the Statement of Proposal, and there was virtually unanimous support for the proposals. Issues raised in submissions, and how they were dealt with in preparing this recommendation, are discussed in section five.

### **Industry Workshop**

The Statement of Proposal invited participants to attend an industry workshop on 19 June 2009 to discuss the content of the proposed rule amendments. The rationale behind, and technical effect of, each draft rule amendment was discussed as well as the potential for any adverse impacts on industry participants or the allocation process. The workshop was well attended with seven industry participants represented, and supportive feedback provided.

## **Conclusion**

Despite the minor and technical nature of the proposed amendments, there has been widespread consultation on the proposed amendments. Industry submissions and feedback have been taken into account throughout the process. Industry participants are strongly supportive of the proposed changes set out in this recommendation. The conclusion reached by Gas Industry Co is that the rule amendments proposed will further the regulatory objective by assisting more accurate, efficient and timely downstream allocation and reconciliation of gas quantities.



# 3

## Process to make rule amendments

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### 3.1 Power to regulate

#### Specific power to regulate downstream reconciliation

The regulation or rule making powers relied on to promulgate the Rules last year are found in section 43F(2) of the Act. That section provides that the Governor-General may, by Order in Council made on the recommendation of the Minister of Energy in accordance with sections 43I to 43P, make regulations (and rules):

- (a) providing for the establishment and operation of wholesale markets for gas, including for –
  - (i) protocols and standards for reconciling and balancing gas:
  - (ii) clearing, settling, and reconciling market transactions:
  - (iii) the provision and disclosure of data and other market information:
  - (iv) minimum prudential standards of market participation:
  - (v) minimum standards of market conduct:
  - (vi) arrangements relating to outages and other security of supply contingencies:...
- ...
- (c) prescribing reasonable terms and conditions for access to transmission or distribution pipelines: ...

In order to reconcile and balance the quantities of wholesale gas purchased by retailers, it is necessary to have processes for ascertaining the quantities that each of those retailers' customers have consumed downstream of the connection to the transmission system. For this reason, in respect of the original recommendation for the Rules, Gas Industry Co and the previous Minister considered that effective arrangements for allocation and reconciliation of downstream gas quantities came within the stated purposes in section 43F(2) of the Act.

The rule amendments proposed in this recommendation are also considered to come within the same regulation or rule making powers in section 43F(2) of the Act.

### **Supplementary powers**

Section 43S of the Act includes supplementary empowering provisions applying to any regulation or rule made under Subpart 1 of Part 4A of the Act (which includes rules or regulations for reconciliation arrangements). Those provisions include the ability for rules or regulations to:

- (a) provide for 1 or more persons or bodies or groups of persons to carry out functions in relation to those regulations or rules, and for matters concerning their establishment, constitution, functions, members (including their appointment, removal, duties, and protection from liability), procedures, employees, administration and operation, funding by participants, and reporting requirements:
- (b) provide for systems, processes and procedures (including dispute resolution procedures), and the keeping, supply and disclosure of information, in relation to any matters specified in this subpart:
- (c) prescribe the form and manner in which information is to be disclosed:
- ....
- (e) prescribe when and for how long information must be disclosed:
- (f) exempt or provide for exemptions (including provide for the revocation of exemptions), on any terms and conditions, of any person or class of persons from all or any of the requirements in regulations or rules made under this subpart:
- (g) provide for the supply of information for the purpose of administration and enforcement of this Act, and regulations and rules made under this Act:
- (h) provide for transitional provisions:
- (i) provide for any other matters contemplated by this Act or necessary for its administration or necessary for giving it full effect.

### **Conclusion**

Gas Industry Co considers that the Act provides sufficient powers for the Minister to make the rule amendments which are the subject of this recommendation.

## 3.2 Rules or regulations

Under section 43Q of the Act, the Minister may make a rule for all or any of the purposes for which a gas governance regulation may be made.<sup>1</sup> Section 43R provides that a rule may be made by the Minister publishing a notice in the Gazette that states:

- the empowering provision for the gas governance regulation in relation to which the rule is made and a brief description of the nature of the rule;
- where copies of the rule are available for inspection and purpose.<sup>2</sup>

A rule comes into force 28 days after the date on which it is notified in the Gazette or on any later date stated in the notice.

Given that the Rules were considered by Gas Industry Co and the Minister to satisfy the requirements of section 43Q of the Act last year, it is considered that the rule amendments proposed also meet those requirements and can be given effect as rules (and not regulations). The proposed rule amendments involve technical matters rather than matters of general principle and will only be binding on industry participants rather than the general public. In addition, given the amendments relate to rules already in effect, it is logical for those amendments to also take the form of rules rather than regulation.

Any rule amendments will also be accessible at no charge and at no cost on the websites of the Ministry of Economic Development and Gas Industry Co.

## 3.3 Assessment requirements when recommending rules or regulations

Sections 43L and 43N of the Act set out the requirements for making recommendations on gas governance regulations or rules.

### Section 43L - consultation

Section 43L(1) of the Act requires the body recommending gas governance regulations to the Minister to:

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<sup>1</sup> Sections 43I to 43P continue to apply (with necessary modifications) as if the rule were a regulation. Under section 43Q, in deciding whether to make a rule rather than a regulation, the Minister must have regard to only:

- the importance of the rule, including whether the rule has a material effect on the rights and interests of individuals;
- the subject matter of the rule, including whether the rule contains detailed or technical matters rather than matters of general principle;
- the application of the rule, including whether the rule applies principally to a particular group (e.g., industry participants) rather than the general public; and whether the benefits of publication in accordance with section 43R of the Act rather than the Acts and Regulations Publications Act 1989 outweigh the costs of publication by that method; and
- the expertise and rule-making procedures of the recommending body.

<sup>2</sup> Under section 43R, the Minister and Gas Industry Co must make all gas governance rules available to the public by making copies of them available for inspection free of charge at the head office of the Ministry of Economic Development and Gas Industry Co, on the internet in a printable form, and for purchase at a reasonable price.

- undertake an assessment under section 43N of the Act;
- consult with persons that the recommending body thinks are representative of the interests of persons likely to be substantially affected by the proposed regulations;
- give those persons the opportunity to make submissions; and
- consider those submissions.

A summary of the consultation undertaken by Gas Industry Co is set out in section 2.3 of this recommendation, and the substantive issues raised in submissions on the Statement of Proposal are also discussed in detail in section five.

### **Section 43N – identification and assessment of options**

Section 43N(1) of the Act requires that, before making a recommendation to the Minister, Gas Industry Co must:

- (a) seek to identify all reasonably practicable options for achieving the objective of the regulation; and
- (b) assess those options by considering –
  - (i) the benefits and costs of each option; and
  - (ii) the extent to which the objective would be promoted or achieved by each option; and
  - (iii) any other matters that the industry body or the Commission considers relevant; and
- (c) ensure that the objective of the regulation is unlikely to be satisfactorily achieved by any reasonably practicable means other than the making of the regulation (for example, by education, information, or voluntary compliance); and
- (d) prepare a statement of the proposal for the purpose of consultation under section 43L(1).<sup>3</sup>

However, under section 43N(3), compliance with the requirements of section 43N(1) is not necessary for minor or insubstantial rule amendments:

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<sup>3</sup> Section 43N(2) requires that the statement of proposal referred to in section 43N(1)(d) must contain:

- a detailed statement of the proposal;
- a statement of the reasons for the proposal;
- an assessment of the reasonably practicable options, including the proposal, identified under subsection 43N(1); and
- other information that Gas Industry Co considers relevant.

The industry body ... is not required to comply with subsection (1) if it is satisfied that the effect of the recommendation is minor and will not adversely affect the interests of any person in a substantial way.

Gas Industry Co considers the rule amendments in this recommendation to be of this nature and meet the criteria set out in section 43N(3). The minor nature and insubstantial adverse effects of these amendments are discussed in more detail in section five of this recommendation.

Given the application of section 43N(3), Gas Industry Co has therefore followed a simplified process in respect of the rule amendments proposed. This process has been applied as follows:

- Gas Industry Co issued a Statement of Proposal on the suggested rule changes for consultation with all industry participants and other affected persons;
- all submissions received have been considered and incorporated into this recommendation, and submitters agree that the requirements of section 43N(3) are met by the proposed rule changes; and
- this recommendation has been made on the basis that the proposed amendments:
  - are minor and are desirable to better achieve the regulatory objective (ie improve the operation and efficiency of the processes for the allocation and reconciliation of downstream gas quantities); and
  - will not adversely affect the interests of any person in a substantial way and satisfy the requirements of section 43N(3), and accordingly no formal assessment under section 43N(1) is required and has not been undertaken.

## **Conclusion**

Gas Industry Co considers that it has complied with the requirements of sections 43L and 43N of the Act in respect of the proposed rule amendments set out in this recommendation.

## **3.4 Publication of notice in Gazette**

Under section 43O of the Act, no later than 10 working days after it gives a recommendation to the Minister for a gas governance rule or regulation, Gas Industry Co must publicise that recommendation and the assessment completed under section 43N.

This recommendation will be made available on Gas Industry Co's website and notified in the Gazette for that purpose. A copy of the website and Gazette notices are set out in Appendix D.

# 4

## Statement of Proposal

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The Statement of Proposal dated 2 June 2009 proposed the making of a recommendation to the Minister of Energy to approve amendments to the Rules governing downstream allocation and reconciliation arrangements. The Statement of Proposal proposed rule amendments which sought to:

- alter the scope of some of the Rules to align with current practice or intended best practice to ensure the effective operation of the allocation process for downstream reconciliation;
- clarify the scope of some of the existing provisions in the Rules and promote ease of understanding and interpretation; and
- resolve some minor drafting and wording issues or other minor matters, provide greater consistency within the Rules, and between the Rules and other gas governance regulations and rules.

The measures proposed in the Statement of Proposal have been amended by Gas Industry Co to take into account submissions on the Statement of Proposal, and also to take account of the discussions at the Industry Workshop. This feedback is discussed in more detail in section five.

### 4.1 Summary of Proposed Measures

The proposed rule amendments set out in the Statement of Proposal are summarised below. All of these measures are also included in this recommendation.

<b>Proposed measures to ensure allocation process is consistent with best practice</b>
<ul style="list-style-type: none"><li>• Amendments to rule 45 to reflect the current operation of the allocation process (in light of existing exemptions) and to ensure that allocated quantities balance with injection quantities, including:<ul style="list-style-type: none"><li>◦ ensuring that, following the application of the usual allocation methodology, all residual injected gas quantities are allocated. This applies to situations where no consumption information has been submitted, where no allocation group 4 or 6 consumption exists or where zero data has been submitted for allocation groups 4 and 6; and</li></ul></li></ul>

<ul style="list-style-type: none"> <li>○ establishing a zero floor for gas gate residual profile values and the consequential scaling of daily allocations to match injected quantities.</li> </ul>
<b>Proposed measures to improve information efficiencies</b>
<ul style="list-style-type: none"> <li>• Amendment of rule 25 so that Gas Industry Co is able to give notice of specified file formats for additional information exchanges required by the Rules, ie to those from the allocation agent and those to Gas Industry Co.</li> <li>• Amendment to rule 26 to enable the allocation agent to request any additional information reasonably required to carry out its role under the Rules.</li> </ul>
<b>Proposed amendments to reflect relationship to upstream arrangements</b>
<ul style="list-style-type: none"> <li>• Amendments to several provisions (rules 5, 30, 39, 41, 44, 45 and 48-50) to more accurately reflect the role transmission system owners, and associated transmission arrangements, have in the downstream allocation process. These amendments include: <ul style="list-style-type: none"> <li>○ provision of transmission services agreement identifiers in gas gate trading notifications under rule 39; and</li> <li>○ recognition of the need to allocate quantities to those agreements in allocations, and report information to transmission system owners, so that upstream gas quantities can be billed to retailers most efficiently.</li> </ul> </li> </ul>
<b>Proposal to amend certain deadlines to improve efficiency of allocation process</b>
<ul style="list-style-type: none"> <li>• Amendment of rules 31, 41 and 48 so that injection and consumption information and allocation reports for the initial allocation can be provided at 1200 hours, rather than 0800 hours, on the day set in the relevant rule.</li> <li>• Amendment of rule 39 to extend the deadline by three business days for the provision of gas gate trading notifications by retailers.</li> <li>• Amendment to rules 40 and 53 to provide for allocation submission and reporting deadlines that are consistent with current best practice.</li> </ul>
<b>Proposal to make other minor/technical drafting corrections</b>
<ul style="list-style-type: none"> <li>• Other minor amendments mainly comprising technical or drafting corrections and clarifications including amendments to: <ul style="list-style-type: none"> <li>○ rules 15-18 (ongoing fees) and 23-24 (notices) to reflect best drafting practice;</li> <li>○ clarify that consumption information is required to be provided for each allocation regardless of whether or not it has changed since the previous allocation;</li> <li>○ rule 52 to provide greater clarity on how reconciliation against billed quantities is intended to operate in practice; and</li> <li>○ rules 54 and 62 to clarify that registered deemed profiles are both ICP and retailer specific, and what happens when the relevant profiled consumer is 'switched'.</li> </ul> </li> </ul>
<b>Deletion of redundant transitional provisions</b>
<ul style="list-style-type: none"> <li>• Now that the gas registry is in existence, the provisions relating to the pre-registry period no longer serve a purpose and can be deleted.</li> </ul>

# 5

## Proposed rule changes and consultation

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### 5.1 Consultation on Statement of Proposal

Prior to making a recommendation for any gas governance regulations and rules, section 43L of the Act requires Gas Industry Co to:

- consult with persons that Gas Industry Co thinks are representative of the interests of persons likely to be substantially affected by the proposal;
- give those persons the opportunity to make submissions; and
- consider those submissions.

Submissions were sought from all of the persons listed in Appendix B. Submissions on the Statement of Proposal paper were received from nine industry participants – six from retailers, two from distributors/transmission system owners and one from the allocation agent:

- Contact Energy;
- Energy Direct NZ (formerly Wanganui Gas);
- Genesis Energy;
- Greymouth Gas;
- Mighty River Power;
- On Gas;
- Powerco;
- Vector; and
- The allocation agent (NZX trading as M-co).



The submissions demonstrated virtually unanimous support for the proposed minor and technical rule amendments, as well as widespread agreement that each of the amendments falls within the criteria of section 43N(3) of the Act.

Some participants suggested drafting improvements to the proposed changes and these have been incorporated into the amended Rules where appropriate. A summary of submissions<sup>4</sup> is attached as Appendix C and the important issues raised are discussed in more detail below.

## 5.2 Proposed rule changes and submissions

In this section, the more noteworthy proposed rule amendments are outlined with a summary and analysis of submitters' views and any subsequent changes made as a result.

### Rule 45 allocation methodology amendments

Amendments are proposed to rule 45 to reflect the current operation of the allocation process (in light of existing exemptions) and to ensure that allocated quantities balance with injection quantities. Each one of these proposals is already in effect via the exemption process.<sup>5</sup> The proposed rule amendments confirm the existing allocation process by:

- establishing a zero floor for gas gate residual profile values (to prevent negative values);<sup>6</sup>
- providing for the general scaling of total allocated quantities to match injection quantities to address the following situations in particular:
  - where there are only allocation group 1 and 2 (time of use or TOU) and allocation group 3 and 5 consumer installations at a gas gate and no allocation group 4 or 6 consumption is submitted;
  - where the application of a zero-floor for gas gate residual profile values means daily allocation quantities may exceed injection quantities; and
- ensuring that all residual injected gas quantities are allocated where no consumption information has been submitted.<sup>7</sup>

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<sup>4</sup> Full copies of submissions are available for downloading from Gas Industry Co's website.

<sup>5</sup> See the [Gas \(Downstream Reconciliation\) Rules 2008 \(Exemption DR08-13-T: Group 1, 2, 3, and 5 Consumer Installations\) Notice 2008](#), the [Gas \(Downstream Reconciliation\) Rules 2008 \(Exemption DR09-03-T: Residual Injection Quantity Allocation\) Notice 2009](#) and the [Gas \(Downstream Reconciliation\) Rules 2008 \(Exemption DR09-08-T: Gas Gate Residual Profile\) Notice 2009](#). All of these exemptions can be viewed on Gas Industry Co's website.

<sup>6</sup> This proposal seeks to remedy the issues caused by negative gas gate residual profile values and is consistent with the existing approach used in the Electricity Governance Rules. Negative values create problems for retailers which have to use those values in the calculation of historic estimates. This can lead to daily non-TOU consumption being overestimated which can in turn adversely impact on retailers' upstream arrangements

The primary reason for the changes described above is to ensure that all injected gas quantities at gas gates are able to be allocated. That injected quantities should balance with allocated quantities is a central policy tenet underpinning the operation of the Rules. The inclusion of a general scaling of allocation quantities to match injection quantities, in order to allocate residual amounts of unallocated gas, should also improve the ability of the allocation results to fit within the tolerances currently provided for in OATIS (the Open Access Transmission Information System).

All but one submitter fully supported these proposed rule amendments. There was also general agreement that these proposed rule amendments met the requirements of section 43N(3) of the Act as being minor and insubstantial. Participants acknowledged that the amendments are a sensible method to address anomalous situations, and promote the policy that gas injection quantities and allocated quantities should balance. Additional minor drafting amendments were proposed by one participant and these have been incorporated.

One participant objected to the proposal on the basis that the amendments mean TOU allocation quantities can change between allocations. This was argued to be a policy shift given the Rules do not provide for 'TOU wash-ups', implicitly because the quality of TOU data is considered the most accurate data. Gas Industry Co disagrees with that view and notes that all data (including TOU data) is subject to the 'wash-up' process at each allocation and, therefore, subject to change. Experience in allocations to date has shown errors and estimates have occurred frequently at TOU-metered sites.

Gas Industry Co also notes that further efforts are needed to determine the causes of negative gas gate residual profile values at particular gas gates (eg TOU meter or estimation errors). Gas Industry Co will continue to monitor occurrences where the zero-floor is applied with a view to identifying any issues that may need to be dealt with under an event audit or the compliance regime.

Having taken the submissions into account, Gas Industry Co recommends that these proposed rule amendments be made. Gas Industry Co is satisfied the amendments will improve the operation of the allocation process and should be confirmed as a permanent solution.

### **Amendments to better reflect transmission arrangements**

Several rule amendments are proposed to more accurately reflect the role transmission system owners and transmission arrangements play in the allocation process. All of these amendments reflect the current practice of the allocation process, whether it be through the allocation agent service provider agreement or voluntary best practice adopted by allocation participants and the allocation agent. These amendments seek to:

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<sup>7</sup> Under this proposal, the residual amounts are allocated in proportion to the retailer's consumption data for the previous consumption period at the gas gate or, when a retailer ceases or commences trading at the gas gate in the current consumption period, allocated equally across all retailers at the gas gate.

- recognise the role transmission service agreements have in relation to the submission and allocation of gas quantities (rules 5, 30, and 45);
- clarify that transmission system owners are also required to submit updated or corrected injection information for each allocation (rule 41) and that each retailer's allocation results are also provided to the relevant transmission system owner (rules 48-50); and
- ensure that errors in injection information must also be notified to the allocation agent and that amended allocations can be performed as a result (rule 44).

Submissions indicated widespread support for these proposals and submitters agreed that the proposals satisfy the criteria in section 43N(3). Two participants queried the need for transmission service agreement information to be a mandatory requirement for inclusion in retailers' consumption submissions. Consistent with the advice of the allocation agent, Gas Industry Co accepts that the inclusion of such information is not necessary, provided each retailer ensures its transmission service agreement information in rule 39 notifications is current (discussed below). In addition, greater clarity around which reports generated by the allocation agent must include transmission service agreement information is considered desirable. Accordingly the proposed rule amendments have been amended to reflect those enhancements. Other slight drafting improvements were suggested by two participants and have been incorporated where appropriate.

### **Rule 39 gas gate trading notifications**

Rule 39 currently requires each allocation participant to inform the allocation agent, at the end of a month, when it begins to supply customers at a gas gate or when it ceases to supply customers at a gas gate. This ensures that the allocation agent knows who should be supplying consumption information at each gas gate. Amendments to rule 39 are proposed to extend the deadline for provision of gas gate trading notifications by retailers by three business days, consistent with the arrangements in an existing exemption.<sup>8</sup> The extended gas gate notice timeframe will not adversely affect, but is likely to improve, the reliability, efficiency and accuracy of the allocation results for the initial allocation under rule 48.

This rule is also proposed to be amended to ensure notification is provided when a retailer's transmission service agreement commences or ceases, to recognise the fact that the allocated quantities are currently assigned to these agreements. This amendment will ensure that the allocation system is able to efficiently deal with changes in a retailer's transmission service agreement status and assist accurate allocations in respect of those agreements.

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<sup>8</sup> See [Gas \(Downstream Reconciliation\) Rules 2008 \(Exemption DR09-04-S: Gas Gate Trading Notification\) Notice 2009](#).

There was complete support from submitters for these amendments and that the amendments met the requirements of section 43N(3). Retailers had previously experienced difficulty with the rule 39 timeframe and the allocation agent has noted the number of alleged breaches of this rule has markedly decreased since the current exemption came into effect.

### **Rule 25/26 file formats and additional information for allocation agent**

Amendments to rule 25 are proposed so that Gas Industry Co is able to give notice of specified file formats for additional information exchanges required by the Rules, ie for those from the allocation agent and those to Gas Industry Co. The reason for the change is to promote consistency and efficiency in the formats in which information is exchanged between allocation participants and the allocation agent (and, to a lesser extent, Gas Industry Co).

There is also provision made in rule 26 to enable the allocation agent to reasonably request any additional information required to carry out its role under the Rules. This will ensure that the allocation agent is able to obtain the necessary information to perform its functions – for example, the provision of all relevant information surrounding errors/corrections or estimated data.

There was universal support from submitters for these amendments and all submitters agreed that these amendments met the requirements of section 43N(3). Two participants have suggested some minor drafting improvements to rules 25 and 26 and these have been incorporated into the proposed amendments where appropriate.

### **Other minor drafting amendments**

In addition to the above changes, it is also proposed to make a number of other drafting and technical amendments. Those changes are designed to clarify the meaning of the rules, streamline processes, or correct technical problems. Because of their minor nature, it is not proposed to detail those further, noting that each of these amendments is marked-up in Appendix A. No submitters raised any objections to these proposed amendments. Some additional minor drafting improvements were suggested by two participants but these are not considered desirable for incorporation into the proposed rule amendments.

Three participants suggested additional rule amendments for inclusion in the recommendation. Some of those suggestions have been incorporated into the rule amendments proposed in this recommendation, but the majority have not as they are considered to be potentially material changes and, as such, will be dealt with in the review scheduled for 2010.

## **5.3 Consultation with MED**

Representatives of the Ministry of Economic Development have been briefed regularly by Gas Industry Co on the development of the proposed rule amendments set out in this

recommendation. All relevant documents have been provided to the Ministry of Economic Development, in conjunction with the industry stakeholders identified in Appendix B. Discussions initially occurred with representatives from the Ministry in early May 2009 and full account was taken of those discussions in preparing the proposals attached.

Ministry of Economic Development officials were provided with a copy of this recommendation prior to it being approved by Gas Industry Co for release to the Minister. Comments from Ministry of Economic Development have also been taken fully into account in preparing this recommendation. Advice from Ministry of Economic Development officials to date has been that they are comfortable that the proposed changes, and the process to effect those changes, are technically and legally sound.

## **5.4 Conclusion**

Gas Industry Co considers that it has complied with its obligations under section 43L of the Act. In addition to formal consultation on the Statement of Proposal, the process undertaken by Gas Industry Co has allowed a wide opportunity for industry comment - including discussion via the GRREC and RGGF forums, submissions through the exemption process, feedback at the industry workshop and the provision of submissions on the Statement of Proposal.

Industry participants clearly support the proposed minor and technical rule amendments included in this recommendation, and there is a strong industry consensus that the amendments fall within the criteria of section 43N(3) of the Act. Accordingly, Gas Industry Co's view is that the proposed rule amendments further the regulatory objective and will not adversely affect the interests of any person in a substantial way and satisfy the requirements of section 43N(3)

## **5.5 Communications**

In accordance with section 43O of the Act, Gas Industry Co intends publishing, within 10 working days after giving it to the Minister, this recommendation in both the Gazette and on Gas Industry Co's website.

The notices of recommendation to be published in the Gazette, and published on Gas Industry Co's website, are attached as Appendix C.

Gas Industry Co also intends to notify all stakeholders of the fact that this recommendation has been made and that it is viewable on its website.

# 6

## Recommendation

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Gas Industry Co recommends to the Minister of Energy under sections 43F(2)(a), 43G, 43Q and 43S of the Gas Act 1992 the making of the amendments to the Gas (Downstream Reconciliation) Rules 2008 in the form attached as Appendix A to this recommendation.

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## Appendices

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The following appendices are attached to this recommendation:

- Appendix A: Proposed amendments to Gas (Downstream Reconciliation) Rules 2008 (in track-change format)
- Appendix B: List of stakeholders consulted
- Appendix C: Summary of submissions
- Appendix D: Notice for Gazette and notice for Gas Industry Co's website





# **Appendix A Amendments to Gas (Downstream Reconciliation) Rules 2008 (in track-change format)**



## Appendix B List of stakeholders consulted

Advanced Metering Services	Marsh
Advanced Metering Systems	Maui Development Limited
Age Concern New Zealand	M-co
AGL Energy	MED Energy Safety
Arete Consulting	Mercury Energy
Auckland Gas Company	Methanex
Austral Pacific Energy	Mighty River Power
Balance Agri Nutrients (Kapuni)	Ministry of Civil Defence and Emergency Management
Bay of Plenty Electricity	Ministry of Consumer Affairs
Bell Gully Lawyers	Ministry of Economic Development
BRG	Minter Ellison Rudd Watts Lawyers
Bridge Petroleum	MultiGas
Business NZ	National Council of Women of New Zealand
Carter Holt Harvey	Neil Walbran Consulting
Castalia	New Zealand Oil and Gas
Clifford Chance Law Office	New Zealand Refining Company
Commerce Commission	New Zealand Steel
Commercial Chambers	Norse Skog Tasman
Concept Consulting	Nova Gas
Consumers Institute	NZ Water and Wastes Association
Contact Energy	Office of Gerry Brownlee
Craftware Computing	O-I New Zealand
Degussa Peroxide	OMV New Zealand
Department of Internal Affairs	On Gas
E-Gas	Origin Energy
Electricity and Gas Complaints Commission	Pan Pac Forest Products
Electricity Commission	Parsons Brinckerhoff Associates
Energy Direct New Zealand	Petroleum Exploration and Production Association
Energy Efficiency and Conservation Authority	Powerco
Energy Link	PriceWaterhouseCoopers

Energy Online  
Evonik Degussa Peroxide  
Exergi Consulting  
Fletcher Building  
Fonterra Cooperative Group  
Gas Association of New Zealand  
GasNet  
Genesis Energy  
Grey Power  
Greymouth Gas  
Greymouth Petroleum  
Heinz Watties  
HP Consulting and Integration  
JH Vernon Consultancy  
Kensington Swan Lawyers  
LECG  
LPG Association of New Zealand  
Major Electricity Users Group

Rbz Energy  
Russell McVeagh  
SBT Group  
Shell (Petroleum Mining) Company  
Shell New Zealand  
Shell Todd Oil Services  
Simpson Grierson Lawyers  
Stigley and Co  
Strata Energy Consulting  
Swift Energy  
Tatua Cooperative Dairy Company  
Tetenburg and Associates  
Thorndon Chambers (Barristers)  
Todd Energy  
Transpower  
Vector  
Wellington Community Law Centre  
Westech Energy

## Appendix C Summary of submissions

Submissions were received from nine organisations:

- Contact Energy,
- Energy Direct NZ Limited,
- Genesis Energy,
- Greymouth Gas New Zealand Limited,
- M-co (a trading arm of NZX Limited);
- Mighty River Power,
- On Gas Limited,
- Powerco Limited, and
- Vector Gas Limited.

Their submissions are available on the Gas Industry Co website at the following link:

<http://www.gasindustry.co.nz/work-programme/downstream-reconciliation?tab=1329>.

For convenience, Gas Industry Co has summarised the submissions in the following table.

## Q1 – Proposal to amend rule 45 to reflect the existing allocation process and ensure that all gas quantities are allocated

Summary of issue and response	Individual submissions
<p><i>Amendments are proposed to rule 45 to reflect the current operation of the allocation process (in light of existing exemptions) by:</i></p> <ul style="list-style-type: none"> <li><i>establishing a zero-floor for GGRP values (to prevent negative values);</i></li> <li><i>providing for the scaling of total allocated quantities to match injection quantities; and</i></li> <li><i>ensuring that all residual injected gas quantities are allocated where no consumption information has been submitted.</i></li> </ul> <p><i>All but one submitter supported these proposed rule amendments, and agreed that these proposed rule amendments met s43N(3). Participants acknowledge the amendments are sensible and promote the policy that gas injection quantities and allocated quantities should balance. Though supporting the proposal, Mighty River Power considered the zero-floor approach was a short term solution and that greater efforts were needed to determine the causes of negative GGRP</i></p>	<p><b>Vector</b> – agrees that the requirements of section 43N(3) are met. The proposal reflects current exemptions DR08-13-T and DR09-03-T and promotes the policy that gas injection quantities and allocated quantities should balance. Minor suggested amendments to the drafting: r45.2.6 delete “To avoid doubt”; r45.2.7 delete: “subclause (c)”, and substitute “paragraph (c)”; r45.2.7 delete: “below”.</p>
	<p><b>Powerco</b> – welcomes Gas Industry Co’s work to improve the Rules and agrees with the proposals.</p>
	<p><b>Contact</b> – agrees with the proposal. It is logical to balance injected quantities with allocated quantities. Contact believes the drafting proposed is appropriate and agrees the proposal meets the requirements of 43N(3).</p>
	<p><b>Genesis</b> – supports the proposed amendment to r45 because it is a sensible method of removing anomalous results caused by historical data.</p>
	<p><b>On Gas</b> – agrees with the proposal to amend r45 as it reflects exemptions DR08-13-T, DR09-03-T. The allocation regime improves when the exemption is applied and therefore it should be adopted as a permanent solution. On Gas agrees that the proposal meets the requirements of s43N(3).</p>
	<p><b>MRP</b> – agrees the proposal meets the requirements of s43N(3) and with the scaling of total allocated quantities to match injection quantities. Mighty River Power agree with the proposal to provide a zero-floor for gas gate residual profiles (GGRP), but believes it is a short term solution. A longer term solution should be sought due to the instances of negative GGRPs needing to be examined via gas gate audits to determine the causes. It also does not remove all of the additional risk of capacity overrun charges caused by negative profile values. A limit should be considered on the level of overrun charges incurred by retailers as result of allocation system. Regarding r45.2.6, if the entire consumption month’s GGRP is set to zero following application of the zero-floor method, then all retailers with volumes for groups 4&amp;6 at that gate will get allocated zero volume (ie retailers will not have to pay for the gas that group 4&amp;6 customers have used at that gate).</p>
	<p><b>EDNZ</b> – agrees with the proposal to formally document the current process as all injected quantities should be allocated.</p>
	<p><b>Greymouth</b> – recognises the need to match injection quantities with allocation quantities, but do not agree with the proposed changes. If rule 45.2.7 and the zero-GGRP changes occur, then there will be significant possible</p>

<p>values (ie TOU meter or estimations error).</p> <p><i>The only participant who strongly objected to the proposal was Greymouth Gas, on the basis that the amendments mean TOU allocation quantities can change between allocations. Gas Industry Co disagrees with Greymouth's view and notes that all data (including TOU data) is subject to an annual UFG factor and the 'wash-up' process at each allocation and may, therefore, change. Experience in allocations to date has shown errors and estimates have occurred frequently at TOU sites.</i></p>	<p>adverse effects because known TOU data will become "subject to change". Greymouth does not agree that the change meets s43N(3).</p> <p>The theme of r45 amendments is that any remaining gas is allocated across all allocation groups at a gate. This is a major policy shift because TOU data in groups 1 &amp; 2 is currently locked-in and is not subject to wash-ups or allocation adjustment resulting from poor group 3-6 data, poor gas gate data or wider UFG issues. Participants would be adversely impacted when managing their Running Mismatch, Mismatch and subsequent exposure to ILONs. This is because known TOU deliveries may then become "subject to change", which is a major policy shift.</p> <p>The process for applying part of the zero-floor change is questionable. If a zero-floor GGRP was applied, then this would mean that Allocated Quantities does not equal Gas Gate Quantity on occasions, thus there would be a wash-up quantity. Greymouth considers TOU is frequently adjusted for altitude, pressure, temperature and super-compressibility, thus making it more accurate than gas gate data (which does not adjust for super-compressibility).</p> <p>Greymouth also considers there are problems with the proposed drafting of r45.2.7 – in that where AQ=0, the formulae will not allow scaling.</p> <p><b>Allocation agent</b> – is currently developing these amendments based on exemption DR09-08-T which comes into effect on 1 August 2009. M-co does not currently foresee any further required system changes to implement these amendments.</p>
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## Q2 – Proposal to amend r31, 41 & 48 so that injection/consumption information and allocation reports are provided at 1200 hrs rather than 0800 hrs

Summary of issue and response	Individual submissions
<p><i>These proposed amendments change each of the 0800 hours initial allocation submission deadlines to 1200 hours.</i></p>	<p><b>Vector</b> – agrees with the proposal as the proposed changes to rules 31, 41, and 48 reflect current exemptions. Vector agrees with the drafting and that the proposal meets the requirements of s43N(3).</p> <p><b>Powerco</b> – welcomes Gas Industry Co's work to improve the Rules and agrees with the proposals.</p>

<p><i>These amended deadlines are consistent with the terms of previous and existing exemptions.</i></p> <p><i>There was universal support from submitters for these amendments and that they met the requirements of section 43N(3).</i></p>	<p><b>Contact</b> – agrees with this proposal, as it allows for further data validation to ensure that data submitted is of the highest quality. Contact believes the drafting proposed is appropriate and meets the requirements of s43N(3).</p>
	<p><b>Genesis</b> – supports the proposed amendments to rules 31, 41, and 48 because the amended timeframes have functioned well under the current exemptions.</p>
	<p><b>On Gas</b> – agrees with the proposal re r31, 41 and 48 as it reflects exemptions DR08-15 to 8-S and DR08-28-T. On Gas has found there to be no material difficulty with the extended timeframe, and agree the proposal meets s43N(3).</p>
	<p><b>MRP</b> – agrees with the proposal and that it meets the requirements of s43N(3).</p>
	<p><b>EDNZ</b> – agrees with the proposal and proposed drafting. EDNZ is happy for the deadlines to be formally extended as the process has worked appropriately and not been delayed with the current exemption applications in place.</p>
	<p><b>Greymouth</b> – agrees with the proposal because 8am is generally outside working hours and it makes sense to have a deadline for provision of information within normal working hours. Greymouth agrees that proposal meets s43N(3).</p>
	<p><b>Allocation agent</b> – M-co’s main concern is to maintain a minimum 24 hour time period between gate closure and publication of allocation results.</p>

Q3 – Proposal to amend r25 so that Gas Industry Co is able to give notice of file formats for additional information exchanges required by the Rules	
Summary of issue and response	Individual submissions
<p><i>Amendments are proposed so that Gas Industry Co is able to give notice of specified file formats for additional information exchanges required by the</i></p>	<p><b>Vector</b> – agrees with this proposal, as it supports current practice, and it is also reasonable for a regulator to be able to specify the format for information exchanges. Industry participants also have the assurance that one of the Gas Industry Co’s operating principles is “openness and transparency” subject to the appropriate protection for confidential information.</p>



<p><i>Rules, ie to those from the allocation agent and those to Gas Industry Co.</i></p> <p><i>Rule 25 allows for the specification of standard file formats for the exchange of information between allocation participants and the allocation agent. It is proposed to extend that rule to cover standard file formats for information exchanges with the industry body.</i></p> <p><i>There was universal support from submitters for these amendments and that these amendments met the requirements of section 43N(3). Some submitters have suggested minor drafting changes and these will be incorporated into the proposed amendments where appropriate.</i></p>	<p>Vector suggests minor amendments to r25.1.1 and 25.1.2 as follows: <i>"The industry body, after consulting with the allocation agent, may give notice to the allocation participants and the allocation agent specifying one or more information exchange formats in which information must be exchanged between allocation participants and the allocation agent, and between the allocation participants and the industry body; and "No later than 3 months after receiving the notice, each allocation participant, the allocation agent and the industry body must exchange information between them in the file formats specified in the notice."</i> Vector agrees the proposal meets the requirements of s43N(3).</p>
	<p><b>Powerco</b> – welcomes Gas Industry Co's work to improve the Rules and agrees with the proposals.</p>
	<p><b>Contact</b> - agrees with the proposal for additional file formats after consultation with participants and the allocation agent. This would provide a central point for requesting new formats and managing change process for existing formats. Contact proposes that the drafting in 25.1.2 is amended as follows: <i>"No later than 3 months after receiving the notice, the persons specified in 25.1.1 must provide information to the allocation agent, other participants or the industry body in the exchange file formats specified in the notice."</i> Contact agrees that this proposal meets the requirements of 43N(3).</p>
	<p><b>Genesis</b> - supports the proposed amendment to rule 25 because consistency of approach is beneficial in terms of the efficiency of the reconciliation process.</p>
	<p><b>On Gas</b> – agrees with the proposal. On Gas considers it does not make a difference who the notification is coming from as long as the information is communicated in a clear and timely manner, and agrees the proposal meets s43N(3).</p>
	<p><b>MRP</b> – agrees with the proposal and that it meets the requirements of s43N(3).</p>
	<p><b>EDNZ</b> - agrees that the rule change is reasonable, and that Gas Industry Co should be able to request specific file formats after consultation with the allocation participants and the allocation agent.</p>
	<p><b>Greymouth</b> – no comment.</p>
	<p><b>Allocation agent</b> - supports this proposed amendment.</p>

#### Q4 – Proposal to include a new r26.4 to enable the allocation agent to reasonably request any information required for its role

Summary of issue and response	Individual submissions
<p><i>Amendment is proposed in rule 26 to enable the allocation agent to reasonably request any information required to carry out its role under the Rules.</i></p> <p><i>There was universal support from submitters for these amendments and that these amendments met the requirements of section 43N(3). Some submitters have suggested minor drafting changes and this will be incorporated into the proposed amendments where appropriate.</i></p>	<p><b>Vector</b> – agrees with the proposal and acknowledges that any request for commercially sensitive information will be subject to the usual requirement for its protection in terms of the confidentiality requirements of the Service Provider Agreement. Vector suggests minor drafting change by deleting “<i>additional information reasonably</i>”, and substitute “<i>information additional to that required under these rules which is</i>”. It is important to make it clear that any further information required by the allocation agent is additional to that which is prescribed under the rules. The term “reasonably” is superfluous as the allocation agent can only require information which is relevant for the purpose of carrying out its role under the Rules. Vector agrees the proposal meets the requirements of s43N(3).</p>
	<p><b>Powerco</b> – welcomes Gas Industry Co’s work to improve the Rules and agrees with the proposals.</p>
	<p><b>Contact</b> – agrees with the new subclause as it provides certainty around current informal arrangements regarding correcting errors etc. Contact believes the drafting proposed is appropriate and meets the requirements of s43N(3).</p>
	<p><b>Genesis</b> – supports the proposed new r26.4, but recommends that the word “reasonably” should be added as to the requirement to provide information as soon as practicable. This acknowledges that participants may have resource constraints and competing priorities that they have to balance against fulfilling the allocation agent’s request immediately.</p>
	<p><b>On Gas</b> – agrees with the proposal, but considers additional wording could be added to state that the information asked for/provided is not commercially sensitive. On Gas agrees the proposal meets the requirements of s43N(3).</p>
	<p><b>MRP</b> – agrees with the proposal and that it meets the requirements of s43N(3).</p>
	<p><b>EDNZ</b> – agrees that the rule change is reasonable. EDNZ would be willing to provide any information reasonably requested by the allocation agent to help them to perform their duties.</p>
	<p><b>Greymouth</b> – agrees with the proposal as this promotes greater transparency and market efficiency. Greymouth agrees that this is a minor change and meets the requirements of s43N(3).</p>

	<b>Allocation agent</b> – supports this proposed amendment.
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#### Q5 – Proposal to amend rule 39 to extend the deadline for the provision of trading notifications

Summary of issue and response	Individual submissions
<p><i>Rule 39 requires allocation participants to inform the allocation agent, at the end of a month, when it begins/ceases to supply customers at a gas gate. Amendments are proposed to extend the deadline by three business days. This rule has also been amended to ensure notification is provided when a retailer's transmission service agreement commences or ceases, to recognise the fact that the allocated quantities are currently assigned to these agreements.</i></p> <p><i>There was total support from submitters for these amendments and that they met the requirements of section 43N(3). Retailers have experienced difficulty with the timeframe of rule 39 and the allocation agent has noted the number of breaches of this rule has markedly decreased since the equivalent exemption came into effect.</i></p>	<p><b>Vector</b> – agrees with the proposed amendment, as it reflects the current exemption DR09-04-S. Further, it is reasonable to require a notice when a shipper's Transmission Service Agreement (TSA) commences or ceases. It is also important for the rule to reflect the requirements of the functional specification, in the Service Provider Agreement, where it has become established practice. Vector agrees that the proposal meets the requirements of s43N(3).</p>
	<p><b>Powerco</b> – welcomes Gas Industry Co's work to improve the Rules and agrees with the proposals.</p>
	<p><b>Contact</b> – agrees with the extension of the deadline for the provision of trading notifications. The additional three days would be beneficial for all relevant parties and would not unduly affect the allocation process. Contact believes the drafting proposed is appropriate and that this proposal meets the requirements of s43N(3).</p>
	<p><b>Genesis</b> – supports the proposed amendment to r39 because it will reduce the risk of unavoidable breach in the case where a retailer receives a backdated switch.</p>
	<p><b>On Gas</b> – agrees with the proposal as it reflects the process found in the functional specification and the timing used in exemption DR09-04-S, and will have no material impacts. On Gas agrees the proposal meets the requirements of s43N(3).</p>
	<p><b>MRP</b> – agrees with the proposal and that it meets the requirements of s43N(3).</p>
	<p><b>EDNZ</b> – agrees the extension to the trading notification deadline is appropriate. Retailers are often unaware of switches until after the switch date has passed and it was not always possible to meet the original deadline of the last business day of the month prior to reporting.</p>
	<p><b>Greymouth</b> – no comment.</p>
	<p><b>Allocation agent</b> – supports this proposed rule amendment. There are no operational issues for the allocation agent with implementation of the proposed amendment to r39.2.3. Since exemption DR09-04-S has been</p>

	granted, the number of alleged breaches of rule 39.2.3 required to be submitted by the allocation agent against participants has significantly decreased. The proposed r39.1.3 and 39.2.2 (c), to include a retailer's TSA status within in a trade notification, will further enhance the allocation process that already takes place as part of the GAS020 advice.
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#### Q6 – Proposal to amend r5, 30, 41, 44, 45, & 48-50 to better reflect the role of TSOs/transmission arrangements in allocation process

Summary of issue and response	Individual submissions
<p><i>These amendments seek to more accurately reflect the role TSOs and transmission arrangements play in the allocation process by.</i></p> <ul style="list-style-type: none"> <li><i>recognising the role transmission service agreements have in relation to the submission and allocation of gas quantities (rules 5, 30, and 45);</i></li> <li><i>clarifying that TSOs are also required to submit updated or corrected injection information for each allocation (rule 41) and that each retailer's allocation results are also provided to the relevant TSO (rules 48-50); and</i></li> <li><i>ensuring that errors in injection information must also be notified to the allocation agent and that amended allocations can be performed as a result (rule 44).</i></li> </ul> <p><i>Submissions indicate widespread</i></p>	<p><b>Vector</b> – agrees with this proposal, as information supplied by TSOs and provided back to TSOs is integral to the purpose of the rules ie “fair, efficient and reliable downstream allocation and reconciliation of downstream gas quantities.” These proposed changes contribute to that purpose. Vector suggests minor drafting improvements for definition of TSA, r30.5, r41.2, r45.2.7 and r48.2.3. Vector agrees that the proposals meet s43N(3).</p> <p><b>Powerco</b> – welcomes Gas Industry Co's work to improve the Rules and agrees with the proposals.</p> <p><b>Contact</b> – agrees with the proposed amendments in general. We note that the proposed change to r30.4 which makes the TSA identifier (aka Contract ID) mandatory for initial, interim and final submissions may require a change to participant systems and the file formats. The file formats currently allow for the contact ID to be included as an optional field in GAS040-060. Contact understands that the change proposed to 45.2.8 is to firm up the current reconciliation process for GAR130 rather than include the Contract ID in other allocation files (such as GAR020, GAR030 and GAR070). Subject to the question of validation and implications in terms of file formats. Contact believes the drafting proposed is appropriate and that this meets the requirements of s43N(3).</p> <p><b>Genesis</b> – supports the proposed amendments to r 39.1.3, 41, 44, and 48-50. Re the r30.4 amendment to include contract identifiers within consumption information submissions, Genesis does not currently submit this information. Changing this from an optional to a mandatory requirement would require a system change at some cost. In the absence of a clear case in favour of the need to submit this data, Genesis Energy does not support the proposed new rules 30.4.</p> <p><b>On Gas</b> – agrees with the proposal as it reflects the process found in the functional specification currently being followed. However, the definition of “TSA” should be the same as used in the VTC. On Gas agrees the proposal meets s43N(3).</p>

<p>support for these proposals, and agree that they satisfy the criteria in section 43N(3).</p> <p><i>Genesis and Contact have queried the need for transmission service agreement information to be included in retailer consumption submissions. Consistent with the advice of the allocation agent, it is accepted that the inclusion of such information is not necessary, provided the transmission service agreement information in the rule 39 notifications are current. In addition, greater clarity around which reports generated by the allocation agent must include transmission service agreement information is considered desirable. Accordingly the rules will be amended to reflect those enhancements. Greymouth Gas and Vector also suggested some other slight drafting improvements which will be incorporated where appropriate.</i></p>	<p><b>MRP</b> – agrees with the proposal and that it meets the requirements of section 43N(3).</p>
	<p><b>EDNZ</b> – agrees with all of the proposed changes to clarify the role of the TSO and transmission arrangements.</p>
	<p><b>Greymouth</b> – agrees that this is a minor change and meets the requirements of s43N(3). Greymouth agrees with the proposal to amend r5, 30.4, 30.5, 41, 44 on the basis of consistency and current practice but notes:</p> <ul style="list-style-type: none"> <li>• more clarity is desirable in r5 as to whose assigned identifier retailers should use. On occasion, OATIS identifiers, TSO contract identifiers and retailer’s identifiers differ;</li> <li>• the definition of TSA may imply that there is a corresponding TSA for every ICP. Whilst all ICPs fall under the umbrella of a TSA, some ICPs have their own Supplementary Agreements, with their own unique numbers. The Rules should acknowledge that submitting a TSA number does not automatically mean that ICP number will be assigned to that TSA i.e. there needs to be some exclusion such that an ICP with a Supplementary Agreement will be allocated under that contract (with special prices) and not under the TSA (under posted prices).</li> </ul> <p><b>Allocation agent</b> – supports the majority of these amendments based on the fact the intention is to formalise what already happens in practice. Note under r41, the allocation agent currently re-downloads (Vector) injection data prior to each interim allocation to capture any amendments made to actual daily injection quantities at any allocable gas gate.</p> <p>However, M-co does not think r30.4 is necessary as the allocation system ignores the contract ID in any GAS040-060 submission. M-co considers the proposed r39.1.3 and 39.2(c) as enough to ensure both correct advice and allocation of contract ID information. The allocation system has been built to accept GAS040-060 files whether the contract ID is included in the submission or not (given the contract ID field is “Optional”). Correct allocation across a retailer’s various contract ID’s is achieved by the allocation system looking first for an ICP number in the (GAS050) submission to allocate to a matching level 3 contract ID. If no match is found the system will search the level 2 contract ID’s by using the retailer code and gas gate of the submission (GAS040 and GAS060). If this also fails to match, the allocation will default to the retailer’s standard VTC compliant TSA contract ID. Providing GAS020 contract ID’s are advised and set up correctly (as would be mandatory under the proposed amendments under r39), the allocation will be correct for a retailers various contract ID’s. If r30.4 is necessary, a system change requiring approx 2 days work would need to be made.</p>

<b>Question 7 – Proposal to make other minor and technical drafting changes</b>	
<b>Summary of issue and response</b>	<b>Individual submissions</b>
<p><i>Submitters express widespread support for the other minor amendments listed in the Statement of Proposal.</i></p> <p><i>Genesis’ suggestion regarding vacant consumption is not accepted, as the rule amendment only refers to vacant consumption logged directly on the retailer’s financial records. This is consistent with the existing guideline note issued for rule 52.</i></p> <p><i>Greymouth’s concern regarding the due date for payment in r18 are understandable, but given the rules of statutory interpretation, no change is considered necessary.</i></p>	<p><b>Vector</b> – agrees with the proposals, and notes re r42 the deletion of the term “estimated’ and substitution of “unvalidated’ conforms to the VTC. Vector agrees that the proposals meet s43N(3).</p>
	<p><b>Powerco</b> – welcomes Gas Industry Co’s work to improve the Rules and agrees with the proposals.</p>
	<p><b>Contact</b> – agrees with the proposed changes as they ensure consistency and provide additional clarity around the requirements of the Rules. Contact believes the drafting proposed is appropriate and meets the requirements of s43N(3).</p>
	<p><b>Genesis</b> – supports the other minor drafting changes proposed in the statement of proposal with one exception. Genesis does not support the proposed amendment to r52.3.2(a), as the amendment would require retailers to include vacant consumption in the volumes reported as billed to customers. The Rules are not supposed to test retailers’ vacant property processes. If a retailer bills its customers for less volume than that retailer is allocated and pays for, then this should not be a concern for other participants. The comparison between retail billed and allocation volumes should only be of concern when retail billed volumes exceed allocation volumes.</p>
	<p><b>On Gas</b> – agrees with all of the other minor drafting changes and that they meet the requirements of s43N(3).</p>
	<p><b>MRP</b> – agrees with these proposals and that they meets the requirements of s43N(3).</p>
	<p><b>EDNZ</b> – agrees with the changes relating to drafting of the ongoing fees and notice provisions (r15-18 &amp; 23-24), agrees with the changes to rule 30 which clarify the retailer reporting requirements, agrees with the change of deadline in r40 to reflect current practices, and agrees with the changes to r52 to clarify procedures and timeframes relating to annual reconciliation.</p>
	<p><b>Greymouth</b> – agrees that these are minor changes and meet the requirements of s43N(3). Greymouth notes an issue re r18 regarding the due date of fee payment if the invoice is received after the 20th of the month.</p>
	<p><b>Allocation agent</b> – no comment.</p>

**Question 8 – Other potential rule changes which are minor and insubstantial in nature**

Summary of issue and response	Individual submissions
<p><i>Vector and On Gas’ additional amendments are generally of a substantive nature and therefore are not appropriate for inclusion in this package.</i></p> <p><i>Genesis’ suggestion surrounding the apportionment of audit costs is also considered to potentially raise a material issue. This issue has been logged on the rule change register for inclusion in the major policy review planned for next year. In the interim, Gas Industry Co intends to issue some guidance criteria as to how event audit costs (where no material issue is identified) will be apportioned.</i></p> <p><i>Contact’s suggestion re the end-dating of profiles is considered appropriate for inclusion in the current package, given its minor nature.</i></p>	<p><b>Vector</b> – refer to Vector’s submitted proposed rule changes on 26 May 2009 (noting much of that submission could be considered to be substantive and therefore not ‘minor and technical’). Other suggested drafting improvements are: the deletion of rule specific to the ‘go-live’ date of 1 October 2008 ie r4.2, 9.1,9.2, 16.2, 16.3, 16.4 ,76.1, 76.2, and 79.4.1 .</p>
	<p><b>Powerco</b> – no comment.</p>
	<p><b>Contact</b> – proposes that the wording “best available” in r45 and 52 is replaced with “most recent”. This will provide additional clarity around which data is to be used. Contact proposes that the wording in r62.3 is amended to allow for profiles to be end-dated when a customer with a registered profile switches between retailers. Contact has no other comments to make regarding the proposed rule amendments however we intend to contribute to more substantial rule changes in 2010.</p>
	<p><b>Genesis</b> – it would also be useful to amend r75.2.2 to clarify the allocation of audit costs for a scenario where one or more participants actively promote an audit that ultimately fails to identify any material issues. Genesis suggests that the proponent(s) of the audit should bear the costs of the audit. This would ensure that the risk of pursuing unnecessary audits is borne by the party or parties that cause the audit to be carried out.</p>
	<p><b>On Gas</b> – refer to Vector’s 26 May 09 submission on additional rule changes sought.</p>
	<p><b>MRP</b> – no other suggest changes or comments on drafting.</p>
	<p><b>EDNZ</b> – no other suggest changes or comments on drafting</p>
	<p><b>Greymouth</b> – no comment.</p>
	<p><b>Allocation agent</b> – no comment.</p>





# Appendix D Notice for Gazette and Notice for website

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## Gazette notice

### Notice of Recommendation for Amendments to the Gas (Downstream Reconciliation) Rules 2008

This notice of a recommendation for amendments to the Gas (Downstream Reconciliation) Rules 2008 is issued by Gas Industry Company Limited ("Gas Industry Co") approved as the industry body by Order in Council under section 43ZL of the Gas Act 1992 (the "Act").

Section 43O of the Act provides that, no later than 10 working days after making a recommendation for a gas governance regulation to the Minister of Energy, Gas Industry Co must publicise the recommendation.

### Recommendation

On 31 July 2009, Gas Industry Co made a recommendation to the Minister of Energy for a number of amendments to the Gas (Downstream Reconciliation) Rules 2008 ("the Rules"). The effect of the recommended amendments is to:

- alter the scope of some of the Rules to align with current practice or intended best practice to ensure the effective operation of the allocation process for the downstream reconciliation of gas quantities;
- clarify the scope of some of the existing provisions in the Rules;
- promote ease of understanding and interpretation; and
- resolve some minor drafting and wording issues or other minor matters, and provide greater consistency both within the Rules and between the Rules and other gas governance regulations and rules.

Section 43N(3) of the Act provides that Gas Industry Co is not required to comply with section 43N(1) (relating to an assessment) if it is satisfied that the effect of the recommendation is only minor and will not adversely affect the interests of any person in a substantial way. Gas Industry

Co considers the recommendation satisfies the requirements of section 43N(3) and therefore no assessment under section 43N(1) has been made in respect of the recommendation.

A copy of Gas Industry Co's recommendation is available at no cost on Gas Industry Co's website: <http://www.gasindustry.co.nz>

Dated at Wellington this 31<sup>st</sup> day of July 2009.

For and on behalf of Gas Industry Co

Rt. Hon. James Bolger ONZ,  
Chair

## **Website notice**

Under section 43O of the Gas Act 1992 Gas Industry Co must, no later than 10 working days after making a recommendation to the Minister of Energy on gas governance arrangements, publicise that recommendation.

On 31 July 2009, Gas Industry Co made a recommendation to the Minister of Energy for a number of amendments to the Gas (Downstream Reconciliation) Rules 2008 ("the Rules"). Gas Industry Co considers that the recommendation satisfies the requirements of section 43N(3), in that the effect of the recommendation is only minor and will not adversely affect the interests of any person in a substantial way. Therefore no assessment under section 43N(1) has been made in respect of the recommendation.

The text of this recommendation is available at the link below:

**Recommendation to the Minister of Energy on minor amendments to the Gas (Downstream Reconciliation) Rules 2008**

# **GAS (DOWNSTREAM RECONCILIATION) RULES 2008**

Pursuant to sections 43F, 43Q and 43S of the Gas Act 1992, the Minister, 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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**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 downstream 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 28<sup>th</sup> day after their notification in the *Gazette*.

**4.2** Rules 27 to 75 come into force on the go-live date.

**Part 1**

**General Provisions**

**5. Interpretation**

**5.1** In these rules, any term that is defined in the Act and used in these rules, but not defined in these rules, has the same meaning as 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 45 and allocated to allocation participants as initial, interim, or final allocations under rules 48 to 50; and
- (b) includes any quantities allocated as a special allocation under rule 51 or corrected quantities allocated under rule 44.3;

**annual reconciliation** means an annual reconciliation in accordance with rule 52;

**annual UFG factor** has the meaning given by rule 46.3.1;

**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;

**contract identifier** means the identifier assigned to a transmission services agreement;

**corrector** means a device that dynamically replaces any one or more of the fixed factors otherwise required to convert gas volume measured at ambient conditions to gas volume measured at standard conditions;

**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 56.1;

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

**final allocation** has the meaning given by rule 50.1;

**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 45.1;

**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 treated as references to the Commission;

**initial allocation** has the meaning given by rule 48.1;

**interim allocation** has the meaning given by rule 49.1;

**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 46.3.2;



**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 15.2;

**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 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 Part 3 of these rules;

**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 may be amended from time to time and includes every schedule to the rules, and any code of practice or any technical code made pursuant to the rules;

**seasonal adjustment daily shape values** means the total gas consumption (expressed as daily GJ values) published by the allocation agent in accordance with rule 53.1, for each gas gate, derived from each gas gate residual profile for all retailers at that gas gate for the previous 24 months in which allocations have been performed;

**special allocation** means an allocation performed in accordance with rule 51;

**static deemed profile** has the meaning given by rule 55.1;

**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;

**transmission services agreement** means an agreement between a transmission system owner and a retailer for the transmission system owner to transmit gas, on behalf of the retailer, through its transmission system or part of its transmission system;

**UFG** means unaccounted for gas, including technical and non-technical losses or gains, 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:

**6.1.1** Assigned in accordance with rule 29; and

**6.1.2** Entered on the **registry** as belonging to the **retailer** under rules 41 and 54 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** where the daily gas quantities are determined by application of an approved **static deemed profile** to monthly gas quantities taken from **register readings** that are required under rule 29 to be recorded monthly:

**6.2.4 Allocation group 4:** Assigned to **ICPs** 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 required under rule 29 to be recorded monthly:

**6.2.5 Allocation group 5:** Assigned to **ICPs** 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 29 to be recorded monthly:

**6.2.6 Allocation group 6:** Assigned to **ICPs** 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 29 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** The **allocation agent** must operate 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.

- 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** The **allocation agent** must conduct, on a monthly basis, a self-review of its performance.

**12.2** The review must concentrate on:

**12.2.1** The **allocation agent's** compliance in the previous month with –

- (a) its obligations under these **rules**;
- (b) the terms of the **allocation agent service provider agreement**; and
- (c) any performance standards agreed between the **allocation agent** and the **industry body**; and

**12.2.2** The operation of these **rules**.

**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 any of its obligations under these **rules**, the terms of the **allocation agent service provider agreement** or any performance standards agreed between the **industry body** and the **allocation agent**; and

**13.2.2** Any area that, in the opinion of the **allocation agent**, an amendment to these **rules** may need to be considered; and

**13.2.3** Any other matter that the **industry body** reasonably requests provided that the **industry body** makes its request within a reasonable time before the report is due.

**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:

**14.2.1** The **allocation agent's** compliance in the previous year with –

- (a) its obligations under these **rules**;
- (b) the terms of the **allocation agent service provider agreement**; and
- (c) any performance standards agreed between the **allocation agent** and the **industry body**; and

**14.2.2** The operation of these **rules**.

#### *Funding*

#### **15. Ongoing fees**

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

**15.2** Subject to rule 15.3, the **ongoing allocation costs** are –

**15.2.1** 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

**15.2.2** The costs of the **industry body** associated with allocation and its obligations under these **rules** during that **gas year**.

- 15.3 To avoid doubt, the **ongoing allocation costs** do not include –
- 15.3.1 The costs of the **allocation agent** for performing services under Part 3; and
- 15.3.2 The costs of performance audits and event audits under Part 4.
- 15.4 Every person who is a **retailer** on the 1<sup>st</sup> **business day** of a month is liable to pay ongoing fees for that month in accordance with these **rules**.

16. **How and when estimated ongoing fees payable**

- 16.1 The estimated ongoing fees are payable to the **industry body**.
- 16.2 As soon as practicable after this rule comes into force and no later than 10 **business days** before the **go-live date**, the **industry body** must determine and **publish** a breakdown of the estimated **ongoing allocation costs** for the **gas year** commencing on 1 October 2008.
- 16.3 As soon as practicable after publication of the estimated **ongoing allocation costs** for the **gas year** commencing on 1 October 2008, the **industry body** must notify every person to whom rule 15.4 applies of the estimated **ongoing allocation costs** and that ongoing fees will be payable by that person in that **gas year** in accordance with the following formula:

$$A \times (B/C)$$

Where:

A = the **ongoing allocation costs** estimated in accordance with rule 16.2 and divided by 12; and

B = the total quantity of gas allocated to **retailer A** by the **allocation agent** in the **initial allocation** under rule 48 across all **gas gates** in respect of the **consumption period** that is 2 months before the current month; and

C = the total quantity of gas allocated to all **retailers** by the **allocation agent** in the **initial allocation** under rule 48 across all **gas gates** in respect of the **consumption period** that is 2 months before the current month.

- 16.4 In respect of the ongoing fees payable by a person during the 2 months immediately after the **go-live date**, for the purposes of rule 16.3, the total quantities of gas referred to in that rule shall be:
- 16.4.1 Those quantities derived from the information referred to in rules 78.1.1 and 78.1.2; and
- 16.4.2 That would have been allocated if those quantities had been allocated under these **rules**.
- 16.5 For each **gas year** following the **gas year** commencing on 1 October 2008, the **industry body** must –

- 16.5.1** Estimate and **publish**, at least 2 months prior to the beginning of the **gas year**, a breakdown of the estimated **ongoing allocation costs** for that **gas year**; and
- 16.5.2** As soon as practicable after publication of the estimated **ongoing allocation costs**, notify each person to whom rule 15.4 applies of the estimated **ongoing allocation costs**, and that ongoing fees will be payable by that person in that **gas year** in accordance with the formula in rule 16.3.
- 16.6** On the 1<sup>st</sup> **business day** of each month, the **industry body** or the **allocation agent**, must invoice every person to whom rule 15.4 applies for that person's share of the estimated **ongoing allocation costs** payable during that month, calculated in accordance with the formula in rule 16.3.

## **17. How and when actual ongoing fees payable**

- 17.1** The actual **ongoing fees** are payable to the **industry body**.
- 17.2** As soon as practicable after the end of each **gas year**, the **industry body** must determine and **publish** a breakdown of the actual **ongoing allocation costs** for that **gas year**.
- 17.3** No less than 10 **business days** after publication of those actual **ongoing allocation costs**, the **industry body** or the **allocation agent** must invoice, or issue a credit note, to each person to whom rule 15.4 applies with the difference between:
  - 17.3.1** That person's share of the actual **ongoing allocation costs** calculated in accordance with the formula in rule 16.3, with the necessary modifications; and
  - 17.3.2** The amount of the estimated **ongoing allocation costs** invoiced to that person in respect of the **gas year**.

## **18. General provisions regarding fees**

- 18.1** The due date for payment of any invoice or refund of any credit is:
  - 18.1.1** The 20<sup>th</sup> day of the month in which the invoice or credit note was received; or
  - 18.1.2** If the day referred to in rule 18.1.1 is not a **business day**, the following **business day**.
- 18.2** The fees payable under rules 15 to 18 inclusive 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 (if any) will be added to the invoices or credit notes issued to **retailers** under rules 16.6 and 17.3.

### *Exemptions*

## **19. Industry body may exempt allocation participant**

- 19.1** Subject to rule 19.2, 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**.

**19.2** The **industry body** may only grant an exemption under rule 19.1 if it is satisfied that the exemption is desirable to better achieve:

**19.2.1** The objectives set out in section 43ZN of the Act; and

**19.2.2** The purpose of the **rules**.

**19.3** Prior to granting an exemption, the **industry body** must –

**19.3.1** **Publish** the application for the exemption, excluding any information it considers to be confidential or commercially sensitive; and

**19.3.2** Consult with those persons it considers are representative of those classes of persons likely to be substantially affected by the granting of the exemption.

**19.4** The **industry body** must **publish** an exemption, and the reasons for granting the exemption, as soon as practicable after the exemption is granted.

**19.5** An exemption takes effect from the date specified in the exemption which may not be earlier than the date that it is **published**.

## **20. Urgent exemptions**

**20.1** The **industry body** may grant an exemption under rule 19.1 without complying with rule 19.3.2 if the **industry body** considers that it is necessary or desirable that the exemption applied for be made urgently.

**20.2** In that case –

**20.2.1** The exemption must state that it is made in reliance on this rule; and

**20.2.2** 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 20.2.3 about the exemption; and

**20.2.3** 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

**20.2.4** As soon as practicable after consulting in accordance with rule 20.2.3, the **industry body** must:

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

(b) **publish** its determination and the reasons for the determination.



## 21. Variation or revocation of exemptions

- 21.1 An **allocation participant** or **allocation agent** granted an exemption under rules 19 or 20 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.
- 21.2 An exemption may be varied or revoked, either on application by an **allocation participant**, **allocation agent** or on the initiative of the **industry body**.
- 21.3 Rules 19 and 20 apply as if the variation or revocation were the granting of an exemption and with all other necessary modifications.

## 22. List of exemptions

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

### *Notices and receipt of information*

## 23. Giving of notices

- 23.1 If these **rules** require any notice or notification to be given, the notice or notification must be in writing and be –
- 23.1.1 Delivered by hand to the nominated office of the addressee; or
  - 23.1.2 Sent by post to the nominated postal address of the addressee; or
  - 23.1.3 Sent by facsimile to the nominated facsimile number of the addressee; or
  - 23.1.4 Sent by electronic transmission or any other similar method of electronic communication to the appropriate nominated electronic address of the addressee.
- 23.2 For the purposes of rule 23.1, 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.
- 23.3 In the case of an emergency, a person may give notice other than in accordance with rule 23.1, but the person must as soon as practicable, confirm the notice in writing and by a method set out in rule 23.1.

## 24. When notice taken to be given

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

- 24.1 In the case of notices delivered by hand to a person, when actually received at that person's address;

- 24.2** 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;
- 24.3** In the case of notices sent by fax, at the time indicated on a record of its transmission;
- 24.4** In the case of notices sent by electronic transmission or any other similar method of electronic communication:
- 24.4.1** At the time the 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
- 24.4.2** At the time the person who gave the notice proves the notice was transmitted by computer system to the electronic address provided by the addressee.

**25. Information exchange file formats**

- 25.1** For the purposes of information exchanges between **allocation participants**, the **allocation agent** or the **industry body** under one or more of these **rules**:
- 25.1.1** The **industry body**, after consulting with **allocation participants** and the **allocation agent**, may give notice specifying one or more information exchange file formats that **allocation participants** or the **allocation agent** must provide information in; and
- 25.1.2** No later than 3 months after receiving the notice, the persons specified in rule 25.1.1 must provide information to the **allocation agent**, **allocation participants**, or the **industry body** in the information exchange file formats specified in the notice.

**Part 2**

**Allocation process**

*General provisions*

**26. General obligations of allocation participants**

- 26.1** 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**.
- 26.2** Every **allocation participant** must provide the information required under these **rules** in a manner that is:
- 26.2.1** Accurate and complete; and
- 26.2.2** Not misleading or likely to mislead; and

26.2.3 Timely.

26.3 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**.

26.4 An **allocation participant** must, as soon as practicable, provide the **allocation agent** with any information additional to that required under these **rules** which is reasonably requested by the **allocation agent** for the purpose of carrying out its role in accordance with these **rules**.

#### *Meter owner obligations*

### 27. Metering equipment accuracy

27.1 For the purposes of gas volume information required to be collected or provided under these **rules**:

27.1.1 Every **meter owner** must ensure that all **metering equipment** used to collect that volume information complies with NZS 5259:2004;

27.1.2 **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

27.1.3 Any verification of accuracy must be in accordance with NZS 5259:2004.

#### *Retailer obligations*

### 28. General obligations of retailers

28.1 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.

28.2 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**.

28.3 Every **retailer** must supply consumption information in accordance with rules 29 to 40 for all **consumer installations** for which it was the **responsible retailer** to the **allocation agent**.

28.4 Every **retailer** must ensure that:

28.4.1 The consumption information supplied to the **allocation agent** in accordance with rules 29 to 40 is transferred and stored in such a manner that it cannot be altered without leaving a detailed audit trail; and

**28.4.2** 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 an **auditor** on request.

**28.5** 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**.

**29. Retailer to ensure certain metering interrogation requirements are met**

**29.1** For a **consumer installation** for which the rolling 12-months actual or expected consumption is greater than 10 **TJ**, every **retailer** that supplies that **consumer installation** must:

**29.1.1** Ensure a **TOU meter** is installed as soon as practicable, and no later than 3 months, after becoming aware that the actual or expected consumption is greater than 10 **TJ**; and

**29.1.2** Assign that **consumer installation** to **allocation group** 1 or 2.

**29.2** For a **consumer installation** where the rolling 12-month actual or expected consumption is greater than 250 **GJ**, every **retailer** that supplies that **consumer installation** must either:

**29.2.1** Ensure a **TOU meter** is installed and assign that **consumer installation** to **allocation group** 1 or 2; or

**29.2.2** Ensure a **non-TOU meter** is installed and assign that **consumer installation** to **allocation group** 3 or 4.

**29.3** For a **consumer installation** which has not been assigned to **allocation groups** 1 to 4 under rules 29.1 and 29.2, every **retailer** that supplies that **consumer installation** must ensure a **TOU meter** or **non-TOU meter** is installed and assign that **consumer installation** to **allocation group** 5 or 6.

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

**29.4.1** All **consumer installations** with **TOU meters** assigned to **allocation groups** 1 or 2 must have **register readings** or consumption recorded for each day commencing at 0000 hours and ending at 2400 hours (New Zealand standard time).

**29.4.2** All **consumer installations** with **non-TOU meters** and an expected annual consumption of between 250 **GJ** and 10 **TJ** must have **register readings** recorded monthly.

**29.4.3** 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.

- 29.5** 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.
- 29.6** For the purposes of rules 29.4.3 and 29.5, any reference to **non-TOU meters** includes a **TOU meter** assigned to **allocation group** 5 or 6.
- 30. General requirements for provision of retailer consumption information**
- 30.1** For **consumer installations** in **allocation groups** 1 or 2, –
- 30.1.1** Daily consumption information provided to the **allocation agent** must commence at 0000 hours and end at 2400 hours (New Zealand standard time) on that day.
- 30.1.2** 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**.
- 30.2** For **consumer installations** in **allocation groups** 3 to 6, –
- 30.2.1** A **register reading** obtained during any day will be deemed to have been obtained at 2400 hours on that day.
- 30.2.2** Monthly consumption information provided 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.
- 30.2.3** Where a **consumer installation** is supplied by a **retailer** for a part month, the consumption information provided 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**.
- 30.3** If for any reason whatsoever a **retailer** is not able to comply with the requirement in rules 31.1, 32.1 and 33.1 to provide actual daily energy quantities for a **consumer installation** in **allocation groups** 1 or 2, –
- 30.3.1** The **retailer** must provide its best estimate of consumption information to the **allocation agent** and advise the **allocation agent** of the fact that it is an estimate under this rule.
- 30.3.2** Compliance with rule 30.3.1 does not mean that the **retailer** has complied with the requirement to provide actual daily energy quantities.
- 30.4** When providing consumption information to the **allocation agent** in accordance with rules 31, 32 and 33, **retailers** may identify the **transmission services agreement** to which the consumption information relates using the **contract identifier**.
- 30.5** For each **initial**, **interim** and **final allocation**, in accordance with rules 31, 32 and 33, **retailers** must provide consumption information to the

**allocation agent**, irrespective of whether that consumption information has changed between allocations or not.

### 31. 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 1200 hours on the 4<sup>th</sup> **business day** of the month that immediately 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 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 9<sup>th</sup> **business day** of the 4<sup>th</sup> 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. 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 consumption information to the **allocation agent** by 0800 hours on the 14<sup>th</sup> **business day** of the 13<sup>th</sup> month that follows the **consumption period** to which the information relates:

- 33.1 Actual daily energy quantities for each **consumer installation** in **allocation groups** 1 and 2:

- 33.2 Estimated daily energy quantities for each **consumer installation** in **allocation group 3**:
- 33.3 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:
- 33.4 The aggregate estimated energy quantities by **gas gate** for all **consumer installations** in **allocation groups 4 and 6**.

#### 34. Historic and forward estimates

- 34.1 When providing consumption information to the **allocation agent** for **consumer installations** in **allocation groups 3 to 6**, every **retailer** must derive that consumption information from **validated register readings** using:
  - 34.1.1 rule 35 to create historic estimates; or
  - 34.1.2 rule 36 to create forward estimates, where applicable.
- 34.2 Consumption information for **consumer installations** in **allocation groups 3 to 6** may contain a combination of historic and forward estimates provided that they are calculated in accordance with rules 35 and 36.
- 34.3 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**.

#### 35. Application of profiles and seasonal adjustments for historic estimates

- 35.1 Historic estimates are derived by applying to the difference in gas quantities between two **validated register readings** for the relevant **gas gate** either:
  - 35.1.1 The applicable **registered deemed profile**; or
  - 35.1.2 If no applicable **registered deemed profile** exists, subject to rule 35.3, the **seasonal adjustment daily shape values** for that **consumption period** or part of the **consumption period**.
- 35.2 The following methodologies must be used to calculate a historic estimate of consumption information for a **consumer installation**:
  - 35.2.1 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<sub>P</sub> 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** 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** or **seasonal adjustment daily shape values** for the relevant **gas gate** during the same time period as is covered by GJ<sub>P</sub>.

**35.2.2** 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<sub>CI</sub> is the gas quantity in **GJ** allocated to a **consumption period** for a **consumer installation**

GJ<sub>P1</sub> 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<sub>1</sub> is the sum of the applicable **registered deemed 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<sub>1</sub> is the sum of the applicable **registered deemed profile** or **seasonal adjustment daily shape values** for the relevant **gas gate** for the same time period as is covered by GJ<sub>P1</sub>

GJ<sub>P2</sub> 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<sub>2</sub> is the sum of the applicable **registered deemed 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<sub>2</sub> is the sum of the applicable **registered deemed profile** or **seasonal adjustment daily shape values** for the relevant **gas gate** for the same time period as is covered by GJ<sub>P2</sub>.



**35.2.3** To avoid doubt, where  $B$ ,  $B_1$  or  $B_2$  in the formulae in rules 35.2.1 or 35.2.2 is zero, the respective quantity  $A / B$ ,  $A_1 / B_1$ , or  $A_2 / B_2$  is deemed to be zero for the purposes of those rules.

**35.3** If a **retailer** is preparing a historic estimate in accordance with rule 35.1.2 and the **seasonal adjustment daily shape values** for the relevant **gas gate** are not available for the **consumption period**, the **retailer** must use the methodology set out in rule 35.2.1 and 35.2.2 (as applicable) but the **seasonal adjustment daily shape values** may be substituted by the **retailer** using its own seasonal shape methodology or pro-rated on a flat shape basis using the number of days.

## **36. Forward estimates**

**36.1** A **retailer** may only use a forward estimate to calculate the consumption information for a **consumer installation** in **allocation groups** 3 to 6 where it is not possible to calculate that consumption information using a historic estimate.

**36.2** A **retailer** may determine the method used for calculating a forward estimate at its discretion.

## **37. Accuracy of consumption information for initial allocation**

**37.1** This rule applies to consumption information at a **gas gate** provided to the **allocation agent** for **consumer installations** in **allocation groups** 3 to 6 in respect of a **consumption period**.

**37.2** For a **consumption period**, the accuracy of the consumption information provided by a **retailer** under rule 31 for **initial allocation** must, when compared with the consumption information provided by that retailer under rule 33 for **final allocation**, fall within the percentage of error determined and **published** by the **industry body** under rule 37.3.

**37.3** 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 the consumption information provided for **initial allocation** to be applied to the **consumption periods** in the following **gas year** in accordance with rule 37.2.

**37.4** In making its determination under rule 37.3, the **industry body** must have regard to the following matters:

**37.4.1** The primary aim of ensuring consumption information provided for **initial allocation** is as accurate as possible when compared with consumption information provided for **final allocation**;

**37.4.2** The extent to which **retailers** are able to comply with the percentage of error for the accuracy of consumption information provided for **initial allocation**;

**37.4.3** Any expected costs that would be reasonably incurred by **retailers** to achieve compliance with the percentage of error for the accuracy of consumption information provided for **initial allocation**; and

**37.4.4** Any other matter it considers relevant to its determination.

**38. Application of deemed profiles**

- 38.1** In accordance with rules 35 and 36, 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 every **consumer installation** in **allocation group 3** or **5**.
- 38.2** 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**.
- 38.3** 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 31 to 33 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 59 before it may use that different deemed profile.

**39. Retailer to give gas gate trading notice to allocation agent**

- 39.1** A **retailer** must give notice to the **allocation agent** when the **retailer** –
- 39.1.1** Commences to supply gas to a **consumer installation** at a **gas gate** at which it has not previously supplied gas; or
  - 39.1.2** Ceases to supply gas to any **consumer installations** at a **gas gate**; or
  - 39.1.3** Commences or ceases a **transmission services agreement** with a **transmission system owner** in respect of gas supplied at a **gas gate**.
- 39.2** The notice must –
- 39.2.1** Identify the **gas gate**;
  - 39.2.2** Specify either –
    - (a) the date on which the **retailer** first supplied gas at that **gas gate**; or
    - (b) the date on which the **retailer** ceased to supply gas at that **gas gate**; and
    - (c) where rule 39.1.3 applies:
      - (i) the **contract identifier** of the **transmission services agreement**;
      - (ii) the **gas gates** and **consumer installations** to which the **transmission services agreement** relates; and

- (iii) the dates on which the **transmission services agreement** commenced and expires;

**39.2.3** Be given no later than 1200 hours on the 3<sup>rd</sup> **business day** of the month following the **consumption period** in which the acts specified in rules 39.1.1, 39.1.2 and 39.1.3, as applicable, occur.

#### **40. Retailer reporting requirements**

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

**40.1** When providing consumption information under rules 31, 32 and 33, the proportion (in terms of volume) of historic estimates contained within the consumption information provided by the **retailer** to the **allocation agent** for the relevant **initial**, **interim** and **final allocation** in accordance with rules 31 to 33 for each **gas gate** for **consumer installations** in **allocation groups** 3 to 6.

**40.2** By 1200 hours on the 10<sup>th</sup> **business day** of each month, a report on the number and percentage of **validated register readings** obtained in accordance with rule 29.4.3 and 29.5 during the previous four and twelve months, respectively.

#### *Transmission system owner obligations*

#### **41. Provision of daily injection information**

**41.1** Every **transmission system owner** must provide to the **allocation agent** by 1200 hours on the 4<sup>th</sup> **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**.

**41.2** For each **interim allocation** and **final allocation**, every **transmission system owner** must provide to the **allocation agent**, by the times and on the days specified in rule 32 and 33 respectively, actual daily energy quantities injected at a **gas gate** connected to its transmission system for the relevant **consumption period**,

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

By 1000 hours each day and at any other time on that day as required and notified by the **industry body**, 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 unvalidated daily energy quantities that were injected on the previous day at that **gas gate**.

**43. Allocation agent to use estimates**

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

**43.1.1** 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 31 to 33; and

**43.1.2** 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 41.

**43.2** If, in accordance with rule 43.1, 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**.

**43.3** For the purposes of rules 45, 46, 53 and 79, any references to “actual daily energy quantities” and “consumption information” in those rules include any necessary estimates by the **allocation agent** of such quantities or information made in accordance with this rule.

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

**44.1** Where an **allocation participant** discovers that:

**44.1.1** consumption information previously provided to the **allocation agent** under rules 31, 32 or 33; or

**44.1.2** actual daily energy quantities injected at a **gas gate** previously provided to the **allocation agent** under rule 41;

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 or actual daily energy quantities.

**44.2** Subject to rules 44.3 and 44.4, 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**.

**44.3** 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**.

**44.4** If an error is subsequently discovered later than the deadline specified in rule 44.3, and the **allocation agent** acting reasonably considers that correction of that error would have resulted in a materially different allocation, then:

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

**44.4.2** The **industry body** must consider whether or not to direct a **special allocation** in accordance with rule 51 to rectify the error.

**44.5** 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:

**44.5.1** Where the device concerned is a **TOU meter** installed at a **consumer installation** in **allocation group** 1 or 2, the **allocation agent** must estimate the expected period of the error based on the best available information; and

**44.5.2** For any other device, the **responsible retailer** must estimate the expected period 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.

#### **45. Global method of allocation**

**45.1** For the purposes of these **rules**, a **gas gate residual profile** means a profile that is created each month by the **allocation agent** in accordance with rule 45.2.5 as part of the allocation process.

**45.2** 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**:

**45.2.1** 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 41;

**45.2.2** Receive the consumption information for each day for that **consumption period** provided by **retailers** in accordance with rules 31 to 33;

**45.2.3** 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:

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

Where:

$AQ_{1 \& 2}$  is the quantity of gas in **GJ** 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 46

$CI_{1 \& 2}$  is the **consumption information for allocation groups 1 and 2** for the day in **GJ** provided in accordance with rules 31 to 33;

- 45.2.4** 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 in **GJ** 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 46

$CI_{3 \& 5}$  is the **consumption information for allocation groups 3 and 5** for the day in **GJ** provided in accordance with rules 31 to 33;

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

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

Where:

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

$GRP_{d(1,2 \dots final)}$  is the **gas gate residual profile** quantity in **GJ** 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 in **GJ** provided by **transmission system owners** in accordance with rule 41 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 in **GJ** as calculated in accordance with rules 45.2.3 and 45.2.4

provided that, if the calculated quantity is less than zero, the quantity is deemed, for the purpose of these **rules**, to be zero;

- 45.2.6** 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 in **GJ** 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 46

$\sum CI_{4 \& 6}$  is the sum of the **consumption information** for **allocation groups 4 and 6** for the **consumption period** in **GJ** provided in accordance with rules 31 to 33

$GRP_{d(1,2,...final)}$  is the **gas gate residual profile** quantity for a day in the **consumption period** in **GJ** as per rule 45.2.5

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

(To avoid doubt, where  $\sum GRP_{d(1,2,...final)}$  is zero, the quantity  $GRP_{d(1,2,...final)} / \sum GRP_{d(1,2,...final)}$  is deemed to be zero for the purposes of this rule);

**45.2.7** Subject to paragraph (c), where following the application of rules 45.2.3 to 45.2.6 above:

- (a) any residual unallocated quantities remain at a **gas gate** for the day; or
- (b) the total allocated quantities at a **gas gate** exceed the actual daily energy quantity injected at the **gas gate** in **GJ** provided under rule 41 for the day;

the allocated quantities for each **allocation group** for each **gas gate** and **retailer** are to be scaled in accordance with the following formula:

$$SAQ_{1-6} = AQ_{1-6} + [(EI_d - \sum AQ_{1-6}) \times (AQ_{1-6} / \sum AQ_{1-6})]$$

Where:

$SAQ_{1-6}$  is the scaled quantity of gas in **GJ** to be allocated to **allocation group 1, 2, 3, 4, 5 or 6** for the day

$AQ_{1-6}$  is the allocated quantity for **allocation group 1, 2, 3, 4, 5 or 6** for the day in **GJ** as calculated in accordance with rules 45.2.3, 45.2.4 and 45.2.6

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

$\sum AQ_{1-6}$  is the sum of the allocated quantities for **allocation groups 1, 2, 3, 4, 5 and 6** for the day in **GJ** as calculated in accordance with rules 45.2.3, 45.2.4 and 45.2.6;

(c) Where:

- (i)  $\sum AQ_{1-6}$  is zero but  $EI_d$  is greater than zero; and
- (ii) one or more **retailers** are supplying gas to a **consumer installation** at the relevant **gas gate**, as determined by the gas gate trading notices that have been provided to the **allocation agent** under rule 39,

the allocated quantities for each **allocation group** are to be calculated by **gas gate** and **retailer** in accordance with the formulae set out in Schedule 2; and

**45.2.8** Aggregate for each **retailer** (including by that **retailer's transmission services agreement**), 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**.

#### **46. Calculation of UFG factor**

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

**46.2** The **allocation agent** must apply in accordance with rule 45 –

**46.2.1** The **annual UFG factor** to **allocation groups** 1 and 2; and

**46.2.2** The **monthly UFG factor** to **allocation groups** 3, 4, 5 and 6.

**46.3** For the purposes of these rules –

**46.3.1** 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 daily energy quantities injected for a particular **gas gate** during the 12-months up to and including February of the previous **gas year** (in **GJ**)

$\sum CI_A$  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** (in **GJ**).

**46.3.2** 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:

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

$\sum EI_m$  is the sum of the actual daily energy quantities injected at a particular **gas gate** for the **consumption period** provided by the **transmission system owner** under rule 41 (in **GJ**)

$\sum AQ_{1 \& 2}$  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 45.2.3 (in **GJ**)

$\sum CI_{3-6}$  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 31 to 33 (in **GJ**).

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

**46.4.1** The **monthly UFG factor** which applies for each month –

- (a) for **initial allocations** by 1200 hours on the 5<sup>th</sup> **business day** of each month;
- (b) for **interim allocations** by 0800 hours on the 11<sup>th</sup> **business day** of each month;
- (c) for **final allocations** by 0800 hours on the 16<sup>th</sup> **business day** of each month; and

**46.4.2** The **annual UFG factor** which will apply for each **gas year** by the 1<sup>st</sup> **business day** of July in the previous **gas year**.

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

**47.1** In this rule, **force majeure event** means an event or circumstance:

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

**47.1.2** Which substantially affects the information relied on to determine the **annual UFG factor** in rule 46 so that it no longer will result in a fair and representative calculation of the **annual UFG factor** for a particular **gas gate**.

**47.2** No later than 10 **business days** prior to determining and **publishing** the **annual UFG factor** in accordance with rule 46.4.2, the **allocation agent** may give **notice** to the **industry body** that it considers that a **force majeure event** has occurred.

**47.3** As soon as practicable after receiving such notice and after consulting with affected **allocation participants** to the extent reasonably practicable in the time available:

**47.3.1** 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

**47.3.2** The **allocation agent** must **publish** the **annual UFG factor** determined in accordance with rule 47.3.1 and include a notation that the **annual UFG factor** has been determined by the **industry body** under that rule.

#### **48. Initial allocation**

**48.1** 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 45 in the month immediately after the relevant **consumption period**.

**48.2** By 1200 hours on the 5<sup>th</sup> **business day** of each month, the **allocation agent** must –

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

**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 previous month; and
- (b) a report of the **gas gate residual profile** calculated during the **initial allocation**.; and

**48.2.3** Provide a report meeting the requirements of rule 48.2.2(a) to the **transmission system owner** which provided the actual daily energy quantities injected at that **gas gate** to the **allocation agent** under rule 41.

#### **49. Interim allocation**

**49.1** 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 45 in the month that is 4 months after the relevant **consumption period**.

**49.2** By 0800 hours on the 11<sup>th</sup> **business day** of each month, the **allocation agent** must –

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

**49.2.2** 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**; and

**49.2.3** Provide a report meeting the requirements of rule 49.2.2(a) to the **transmission system owner** which provided the actual daily energy quantities injected at that **gas gate** to the **allocation agent** under rule 41.

## **50. Final allocation**

**50.1** 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 45 in the month that is 13 months after the relevant **consumption period**.

**50.2** By 0800 hours on the 16<sup>th</sup> **business day** of each month, the **allocation agent** must –

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

**50.2.2** 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**; and

**50.2.3** Provide a report meeting the requirements of rule 50.2.2(a) to the **transmission system owner** which provided the actual daily energy quantities injected at that **gas gate** to the **allocation agent** under rule 41.

## **51. Special allocation**

**51.1** At any time during the period after an **initial allocation** has been performed up to 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**, an **interim allocation**, or a **final allocation** for that same **consumption period**.

**51.2** Before the **industry body** makes a request under rule 51.1 –

**51.2.1** 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

**51.2.2** 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**.

- 51.3 Subject to rule 51.1 and 51.2, the **industry body** may determine any specific procedures that will apply to a **special allocation**.

## 52. Annual reconciliation

- 52.1 The purpose of an **annual reconciliation** is to verify, on a monthly basis, the accuracy and completeness of consumption information provided to the **allocation agent** for the previous 12 billing months against the quantities billed to consumers during that period.

- 52.2 For the purposes of an **annual reconciliation**:

- 52.2.1 Each **retailer** must, by 0800 hours on the 11<sup>th</sup> **business day** of each month, provide to the **allocation agent** the total quantities billed, by **gas gate**, in the previous invoice month.

- 52.2.2 The **allocation agent** must, by 1700 hours on the 13<sup>th</sup> **business day** of each month, compare:

- (a) the sum of the total quantities billed provided by each **retailer** for each **gas gate** in accordance with rule 52.2.1 for the 12 months up to and including the previous invoice month; with
- (b) the sum of best available consumption information provided by each **retailer** for each **gas gate** in accordance with rules 31 to 33 for the 12 months prior to (but not including) the previous invoice month .

- 52.2.3 The **allocation agent** must **publish** the results of the comparison performed under rule 52.2.2 by 0800 hours on the 14<sup>th</sup> **business day** of each month.

- 52.3 In this rule, any reference to –

- 52.3.1 “invoice month” means the month in which the quantities billed were invoiced by the retailer to the consumer; and

- 52.3.2 “quantities billed” includes, for any particular period, the quantities of gas supplied by a **retailer** across **consumer installations** to consumers (or to the **retailer** itself), sourced directly from the **retailer’s** financial records, including quantities:

- (a) supplied through normal customer supply and billing arrangements (including vacant consumption);
- (b) supplied under sponsorship or promotion arrangements; and
- (c) supplied under any other arrangement;

and, to avoid doubt, may relate to gas supplied across one or more **consumption periods**.

### 53. Allocation agent reports

- 53.1 No later than 1 **business day** after each **initial allocation**, **interim allocation**, **final allocation** or **special allocation**, the **allocation agent** must **publish** the **seasonal adjustment daily shape values** for every **gas gate**.
- 53.2 In respect of each **gas gate**, by no later than 1 **business day** after each **initial allocation**, **interim allocation**, **final allocation** or **special allocation**, the **allocation agent** must **publish** the following reports for each allocation:
- 53.2.1 The sum of the actual daily energy quantities injected at each **gas gate** for each of the relevant **consumption periods** as provided by the **transmission system owner** under rule 41; and
- 53.2.2 The sum of the quantities of gas allocated to each **retailer** in the previous month, in respect of each of the relevant **consumption periods**, under rules 48 to 51; and
- 53.2.3 The total amount of, and the percentage of, **UFG** at each **gas gate** for the previous month and previous 12-months.
- 53.3 By 1200 hours on the 5<sup>th</sup> **business day** of each month, in respect of each **consumption period** for which a **final allocation** has been performed in the previous 12-months, the **allocation agent** must provide a report for each **gas gate** to **retailers** and the **industry body** on the percentage of error in the accuracy between:
- 53.3.1 The aggregated consumption information for **consumer installations** in **allocation groups** 3 to 6 provided under rule 31 by each **retailer** to the **allocation agent** for **initial allocation**; and
- 53.3.2 The aggregated consumption information for **consumer installations** in **allocation groups** 3 to 6 provided under rule 33 by each **retailer** to the **allocation agent** for **final allocation**.

## Part 3

### Approval and Registration of deemed profiles

### 54. Allocation agent to approve and register deemed profiles

- 54.1 The **allocation agent** must establish a register which records **static deemed profiles** and **dynamic deemed profiles** approved under these **rules** and 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.
- 54.2 The **allocation agent** must not **publish** the gas quantities making up a **registered deemed profile** on the register established under rule 54.1 except where it has received notice from the **industry body** to do so.

- 54.3 To avoid doubt, a **registered deemed profile** is both **retailer** and **consumer installation**, or **class of consumer installations**, specific in that no other **retailer** or **consumer installations** may register or use that **registered deemed profile**.

## 55. Registration of static deemed profiles

- 55.1 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.

- 55.2 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**:

- 55.2.1 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

- 55.2.2 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, 12-months of historic actual monthly consumption information, and estimated future variations; or
- (b) an estimated consumption profile based on **consumer installation** operating information, 12-months of 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.

- 55.3 The **allocation agent** must consider the information provided under rule 55.2 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.

- 55.4** 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 55.3 and notify the **retailer** of its determination. The **allocation agent** must either accept or reject the registration of the **static deemed profile**.

**56. Registration of dynamic deemed profiles**

- 56.1** 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.

- 56.2** 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**:

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

- 56.2.2** 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

- 56.2.3** Any other information reasonably requested by the **allocation agent**.

- 56.3** The **allocation agent** must consider the information provided under rule 56.2 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.

- 56.4** 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 56.3 and notify the **retailer** in writing of its determination. The **allocation agent** must either accept or reject the registration of the **dynamic deemed profile**.

**57. Notification of change or error**

- 57.1** A **retailer** with a **registered deemed profile** under these **rules** must notify the **allocation agent** of any error or change in any circumstances material to the registration or continuing registration of its deemed profile as soon as practicable after it has become aware of that error or change.

**58. Allocation agent review of registered deemed profiles**

- 58.1** The **allocation agent** may review a **registered deemed profile** at its discretion.

**58.2** Where the **allocation agent** intends to carry out a review under rule 58.1, it must notify the **retailer** with the **registered deemed profile** of the review.

**58.3** In order to enable the **allocation agent** to carry out a review under rule 58.1, the **retailer** must provide the information referred to in rule 55.2 or rule 56.2, as applicable, within 10 **business days** of receiving notice of the review.

**58.4** The **allocation agent** must consider the information provided under rule 58.3 and 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.

**58.5** As soon as practicable, and no later than 30 **business days**, after giving notice under rule 58.2, the **allocation agent** must make its determination under rule 58.4 and notify the **retailer** of its determination. The **allocation agent** must either:

**58.5.1** Continue the registration of the **registered deemed profile** if it determines the 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; or

**58.5.2** Remove, in accordance with rule 62, the **registered deemed profile** from the register if it determines that the profile no longer continues to be a reasonable representation of the actual consumption profile of the **consumer installation** or class of **consumer installations** to which it applies.

## **59. Retailers may request review of their registered deemed profiles**

**59.1** 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 review and:

**59.1.1** Amend that **registered deemed profile**; or

**59.1.2** Amend the characteristics of the **consumer installation** or class of **consumer installations** to which it applies.

**59.2** In order to enable the **allocation agent** to carry out a review under rule 59.3, the **retailer** must provide the information referred to in rule 55.2 or rule 56.2, as applicable.

**59.3** The **allocation agent** must consider the information provided under rule 59.2 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.

**59.4** As soon as practicable, and no later than 20 **business days**, after receiving a request under rule 59.1, the **allocation agent** must make its



determination under rule 59.3 and notify the **retailer** of its determination. The **allocation agent** must either accept or reject the amendment to the **registered deemed profile**.

**60. Allocation participants may challenge registered deemed profiles**

**60.1** 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**.

**60.2** The **allocation participant** must include in the notice given under rule 60.1 the reasons for the challenge and any information available to it relating to the challenge of the **registered deemed profile**.

**60.3** The **allocation agent** must provide the **allocation participant**, whose **registered deemed profile** is being challenged, the opportunity to:

**60.3.1** Respond to a notice given under rule 60.1; and

**60.3.2** Provide reasons and information as to 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.

**60.4** The **allocation agent** must consider the information provided under rules 60.2 and 60.3 and 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.

**60.5** The **allocation agent** must make its determination within 30 **business days** of receiving the notice under rule 60.1 and notify all affected **allocation participants** of its determination.

**61. Guidelines for determinations on profiles**

**61.1** As soon as practicable after this rule comes into force, the **industry body** shall, after consultation with **allocation participants**, develop and **publish** guidelines to assist the determination of whether a **static deemed profile** or **dynamic deemed profile** is, or continues to be, a reasonable representation of the actual consumption profile of the **consumer installation** or class of **consumer installations** to which it applies.

**61.2** In making a determination under this Part 3 of the **rules**, the **allocation agent** must take into account any guidelines developed by the **industry body** under rule 61.1.

**62. Removal of registered deemed profile from register**

**62.1** If the **allocation agent** determines under rule 58.5 or 60.4 that a **registered deemed profile** no longer continues to be 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:

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

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

**62.2** If a **registered deemed profile** has not been reviewed under rule 58 or 59 or challenged under rule 60 for a period of 5 years or longer, the **allocation agent** must:

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

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

**62.3** If a **consumer installation** or class of **consumer installations**, to which a **registered deemed profile** applies, switches to a new **retailer** so that the **retailer** who registered the deemed profile is no longer the **responsible retailer** for that **consumer installation** or class of **consumer installations**:

**62.3.1** The **retailer** which registered the deemed profile must as soon as practicable advise the **allocation agent** of that fact;

**62.3.2** The **allocation agent** must remove the **registered deemed profile** from the register; and

**62.3.3** The **allocation agent** must advise the **retailer** which registered the deemed profile of the date on which the deemed profile was removed from the register.

**62.4** Nothing in this rule affects the use of a previously **registered deemed profile** in allocations for prior **consumption periods** where the **retailer** was the **responsible retailer** for that **consumer installation** or class of **consumer installations**.

## **63. Costs of deemed profile registration**

**63.1** The **retailer** which requests approval of a deemed profile under **rules** 55.2 or 56.2 must pay to the **allocation agent** the actual and reasonable costs of considering the request and, where applicable, registering the deemed profile.

**63.2** In relation to meeting the costs of the **allocation agent** for reviewing a **registered deemed profile** under rule 58 or 59, the **retailer** whose **registered deemed profile** was reviewed must pay to the **allocation agent** the actual and reasonable costs of the review.

**63.3** In relation to meeting the costs of the **allocation agent** for considering a challenge to the use of a **registered deemed profile** under rule 60 –

**63.3.1** 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

- 63.3.2** The **retailer** whose **registered deemed profile** was challenged 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.

**64. Referral to industry body**

- 64.1** Where a **retailer** disputes a determination made by the **allocation agent** under this Part 3 of the **rules**, the **retailer** may by notice in writing refer the matter to the **industry body** for review.
- 64.2** As soon as practicable and no later than 20 **business days** after receiving notice under rule 64.1, the **industry body** must review the **allocation agent's** determination having regard to the requirements of rules 55 to 62, as applicable, and either:
- 64.2.1** confirm the **allocation agent's** determination; or
- 64.2.2** refer the matter back to the **allocation agent** for reconsideration.
- 64.3** To avoid doubt, rule 64.1 does not apply where the **industry body** has previously referred the matter back to the **allocation agent** for reconsideration.

**Part 4**

**Audits**

**65. Industry body to commission performance audits**

- 65.1** The **industry body** must arrange at regular intervals performance audits of the **allocation agent** and **allocation participants**.
- 65.2** 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, –
- 65.2.1** The performance of the **allocation agent** or that **allocation participant** in terms of compliance with these **rules**; and
- 65.2.2** The systems and processes of the **allocation agent** or that **allocation participant** that have been put in place to enable compliance with these **rules**.
- 65.3** The **industry body** in its sole discretion will determine –
- 65.3.1** When a performance audit under this rule is to be conducted;
- 65.3.2** The person who is to be audited;
- 65.3.3** Subject to rule 68, who will be appointed as the auditor; and

**65.3.4** Any terms and conditions for the performance audit.

**66. Industry body may commission event audits**

- 66.1** In addition to performance audits under rule 65, 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 one or more **gas gates**.
- 66.2** 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**.
- 66.3** The **allocation agent** or any **allocation participant** may request the **industry body** to cause an event audit to be performed under rule 66.1.
- 66.4** If the **industry body** receives a request under rule 66.3, 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.

**67. Time restriction on audit material**

In conducting an audit under rule 65 or 66, the auditor must not consider any action, circumstance, event, or inaction that occurred 30 months or more before the date the audit was requested by the **industry body**.

**68. Who may be appointed as an auditor**

- 68.1** 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.
- 68.2** No officer or employee of the **industry body** may be appointed as an auditor.
- 68.3** The person or persons that are to be the subject of the audit may recommend one or more auditors for the **industry body's** consideration.

**69. Provision of information to auditor**

- 69.1** In conducting an audit under rule 65 or 66, the auditor may:
- 69.1.1** Request any information from the **allocation agent**, the **industry body** and any **allocation participant**; and
- 69.1.2** 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**.
- 69.2** Any request under rule 69.1 must be reasonable and strictly for the purposes of the audit.

- 69.3** The **allocation agent**, the **industry body** and every **allocation participant** must comply with a request under rule 69.1 but nothing in this rule limits any claim for legal professional privilege.
- 69.4** 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.
- 69.5** 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.

## **70. Auditor to prepare draft audit report**

- 70.1** 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 65 or 66.
- 70.2** Subject to rule 72, the auditor must give a copy of the draft audit report to –
- 70.2.1** The person or persons that are the subject of the audit;
  - 70.2.2** The **allocation agent**, if the **allocation agent** is not the subject of the audit;
  - 70.2.3** Any other **allocation participant** which the auditor considers has an interest in the report; and
  - 70.2.4** The **industry body**.
- 70.3** In providing the draft audit report under rule 70.2, the persons 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.

## **71. Auditor to prepare final audit report**

- 71.1** Before the auditor prepares a final audit report on the conclusions reached and recommendations formulated as a result of conducting an audit under rule 65 or 66, the auditor must take into account any comments received on the draft audit report.
- 71.2** The final audit report must be in writing and, if so requested by the person or persons that are the subject of the audit, must include as an appendix any comments from that person or persons on the draft audit report.
- 71.3** Subject to rule 72, the auditor must give a copy of the final audit report to –
- 71.3.1** The person or persons that are the subject of the audit;
  - 71.3.2** The **allocation agent**, if the **allocation agent** is not the subject of the audit;

**71.3.3** Any other **allocation participant** which the auditor considers has a material interest in the report; and

**71.3.4** The **industry body**.

**71.4** Once the auditor has given a final audit report under this rule, the report may not be altered in any way.

**72. Confidential information in audit reports**

**72.1** In providing a draft audit report or final audit report, the auditor must provide a complete version to the **industry body**.

**72.2** 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.

**73. Publication of final audit reports**

Subject to rule 72, the **industry body** must **publish** all final audit reports.

**74. Use of final audit reports**

To avoid doubt, a final audit report may be used –

**74.1** For the purposes of the Gas Governance (Compliance) Regulations 2008;

**74.2** For the purposes of considering any amendments to these **rules**;

**74.3** By the **industry body**;

**74.3.1** Under rule 51 in considering whether to request the **allocation agent** to perform a **special allocation**;

**74.3.2** For the purpose of reviewing the performance of the **allocation agent** under the **allocation agent service provider agreement**;

**74.3.3** For the purpose of reviewing the performance of an auditor; and

**74.3.4** For any other purposes that it considers necessary.

**75. Responsibility for audit costs**

**75.1** In relation to an audit under rule 65, the person that is being audited must pay the costs of the auditor.

**75.2** In relation to an audit under rule 66, the following provisions apply:

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

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 person, then each

person must pay the costs of the auditor in such portions that reflect their contribution to that material issue as determined by the auditor; and

**75.2.2** 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.

**75.3** 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**

#### **76. Treatment of allocations for consumption prior to go-live date**

**76.1** 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.

**76.2** To avoid doubt, the **allocation agent's** functions under rules 52 and 53 do not apply to **consumption periods** occurring prior to the **go-live date**.

*Annual UFG factor during the transitional period*

#### **77. Transitional period**

In rules 78 to 81, **transitional period** means the period commencing on the **go-live date** and ending on 30 September 2010.

#### **78. Provision of information during transitional period**

**78.1** Prior to or during the **transitional period**, the **allocation agent** may give notice to:

**78.1.1** 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; and

**78.1.2** 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.

**78.2** An **allocation participant** must comply with a notice issued under rule 78.1 within 10 **business days** of receiving such notice.

- 78.3** Except where rule 79.2.3 applies, if any of the information or quantities requested under rule 78.1 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 43.

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

- 79.1** Despite anything in rules 45 and 46, when performing an **initial allocation**, an **interim allocation** or a **final allocation** for a **consumption period** that falls within the **transitional period**, the **allocation agent** must:

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

**79.1.2** For the purposes of rule 45.2.3, apply the **annual UFG factor** calculated in accordance with this rule.

- 79.2** Subject to rule 79.3, for the purposes of this rule, the **annual UFG factor** means –

- 79.2.1** 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 actual daily energy quantities injected for a particular **gas gate** for the 12-months ended 30 September 2007 (in **GJ**)

$\sum CI_{t1}$  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 (in **GJ**).

- 79.2.2** 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**



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

$\sum CI_{12}$  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 (in **GJ**).

**79.2.3** Where:

- (a) no actual daily energy quantities injected or no consumption information, during the periods specified in rules 79.2.1 or 79.2.2, 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 78.3;

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 daily energy quantities injected for all **gas gates** (as calculated under rules 79.2.1 or 79.2.2) for the 12-months ended 30 September 2007 or 2008, as applicable (in **GJ**)

$\sum CI_{all}$  is the sum of the best available consumption information for all **allocation groups** for all **gas gates** (as calculated under rules 79.2.1 or 79.2.2) for the 12-months ended 30 September 2007 or 2008, as applicable (in **GJ**).

**79.3** Where the **annual UFG factor** calculated in accordance with rule 79.2:

**79.3.1** 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

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

**79.4** Despite anything in rule 46.4.2, 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 –

**79.4.1** 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

**79.4.2** 1 October 2009 on the 1<sup>st</sup> **business day** of July 2009.

**80. Industry body may commission event audit for capped gas gate**

**80.1** Where the **annual UFG factor** calculated in rule 79.2 for a particular **gas gate** would have been less than 0.985 or exceeded 1.035 but for rule 79.3:

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

**80.1.2** the **industry body** may commission an event audit under rule 66 to ascertain the cause or causes of the level of **UFG** at the **gas gate**.

**80.2** If the **industry body** commissions an event audit under rule 80.1.2, it must give notice of the event audit to all affected **allocation participants** at the **gas gate**.

**81. Transitional exemption**

**81.1** Despite anything in rules 19 and 20 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**.

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

**81.3** 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.

**81.4** 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.

**81.5** If the **industry body** grants a transitional exemption under rule 81.4, it must give notice of the transitional exemption to the **allocation participants** affected by the exemption and the **allocation agent**.

## Schedule 1

### Metering errors

Rule 44.5

Metering error	Correction criteria
<b>Minimum flow rate</b>	<b>Meters</b> are to be considered capable of measuring accurately down to the minimum flow rate for accurate measurement specified by the manufacturer, i.e. $Q_{min}$ . While a <b>meter</b> will generally continue to register flow at flow rates less than $Q_{min}$ , no corrections to volumes measured may be based on the performance of the <b>meter</b> at flows below $Q_{min}$ if the <b>meter</b> was known to have been operating below $Q_{min}$ . Any such corrections may only be applied if other suitable data is available.
<b>Meter equipment failure</b>	Where <b>metering equipment</b> has failed completely, the methods of calculating delivered volume, in order of preference, are: <ul style="list-style-type: none"> <li>• To use data from check metering;</li> <li>• To aggregate data from downstream <b>metering equipment</b> (with due allowance for <b>UFG</b> if applicable);</li> <li>• To estimate based on historical consumption data;</li> <li>• To estimate based on downstream consumer production figures.</li> </ul>
<b>Meter found to be in error</b>	<p>If during as-found testing any test result is outside the allowable error limits, the <b>meter</b> is to be tagged to show that a correction may be required. The <b>meter</b> 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 <b>meter</b> is known (for example, from <b>TOU</b> 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 <b>meter</b> 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 <math>Q_{min}</math>, 20%, 50% and <math>Q_{max}</math>.</p>
<b>Corrector failure</b>	Where a <b>corrector</b> has failed completely, the corrected volume will be calculated from the uncorrected volume measured by the <b>meter</b> , using: <ul style="list-style-type: none"> <li>• An appropriate correction factor from a period when the <b>corrector</b> was functioning properly; or</li> <li>• Independent corrections for pressure and temperature and other factors (as applicable).</li> </ul>
<b>Corrector found to be in error</b>	<b>Correctors</b> 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.
<b>TOU device or data logger failure</b>	Where a datalogger associated with a <b>TOU meter</b> fails, and daily quantity data is not available, the methods of determining a correction,

	<p>in order of preference, are:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• To use data from check metering where available.</li> </ul>
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## Schedule 2

### Allocation in zero consumption situations

Rule 45.2.7

Where rule 45.2.7(c) applies, the allocated quantities are to be calculated in accordance with the following formulae:

1. If the **retailers** supplying gas to **consumer installations** at the **gas gate** during the **consumption period** being allocated are the same **retailers** who supplied gas to **consumer installations** at the **gas gate** during the previous **consumption period**:

$$AQ_{1-6} = EI_d \times (PAQ_{1-6} / \sum PAQ_{1-6})$$

Where:

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

$EI_d$  is the actual daily energy injection quantity in **GJ** provided by **transmission system owners** under rule 41 for the day

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

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

2. If:
  - (a) one or more **retailers** commence supplying gas to a **consumer installation** at the **gas gate** (which it did not supply gas to during the previous **consumption period**) or one or more **retailers** cease supplying gas to any **consumer installation** at the **gas gate** during the **consumption period** being allocated; or
  - (b) the sum of all **retailers'** daily allocated quantities for the previous **consumption period** for **allocation groups** 1, 2, 3, 4, 5 and 6 for the day ( $\sum PAQ_{1-6}$ ) is zero;

$$AQ_{1-6} = EI_d / (N_R \times N_{AG})$$

Where:

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

$EI_d$  is the actual daily energy injection quantity in **GJ** provided by **transmission system owners** under rule 41 for the day

$N_R$  is the number of **retailers** supplying gas to **consumer installations** at the **gas gate** for the **consumption period** being allocated, as determined by the gas gate trading notices that have been provided to the **allocation agent** under rule 39

$N_{AG}$  is the number of **allocation groups** for which the **retailer** has provided consumption information at the **gas gate** for the **consumption period** being allocated

3. In this Schedule:

- (a) the previous **consumption period** means the **consumption period** that is immediately prior to the **consumption period** that is being allocated; and
- (b) in subclause 1, where there was no allocation for a **retailer** in the previous **consumption period** for an **allocation group**, then that **retailer's** average daily allocation quantity for that **allocation group** ( $PAQ_{1-6}$ ) is zero.

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