

DAWG Meeting #3

Date: Wednesday 29 July 2015

Time: 10:00 – 12:30

Venue: Gas Industry Co, Level 8, the Todd Building, 95 Customhouse Quay, Wellington

Minutes

Present	
<ul style="list-style-type: none"> • Anna Carrick • Chris Bolton • Greg Redshaw • Jim Raybould • Matthew Carnachan • Sharon Wray • Craig Schubauer (on the phone) • Rod Wong (on the phone) • Will Turner (on the phone) 	<p>From Gas Industry Co:</p> <ul style="list-style-type: none"> • Andrew Walker • Ian Dempster • Kerry Check • Pamela Caird • David Weaver, Concept Consulting

Apologies: Michael Binney

1	Physical vs financial wash-ups
	<ul style="list-style-type: none"> • Matt presented slides demonstrating how a system of physical wash-ups would work. In this methodology, volume differences calculated during a month from (interim – D+1) and (final – interim) allocations during the month would be applied pro rata over all the days of the following month. • Craig presented a worksheet showing financial wash-ups. This system would use a market price to settle differences in allocation stages. <p>There was no agreement about which method was better. Points made in the discussion included:</p> <ul style="list-style-type: none"> • Whether wash-ups should be based on final allocations only, or on earlier stages and finals • Physical wash-ups would avoid the second guessing that would happen with financial wash-ups. • Some retailers have access to portfolio gas, so would prefer to avoid paying the market prices inherent in financial wash-ups. • Financial wash-ups ensure that shippers pay the market value on the day that their customers used it

	<ul style="list-style-type: none"> Financial wash-ups provide an incentive for investment (for example, in telemetry), because the increased accuracy will reduce wash-up volumes and, therefore the amounts shippers pay in financial settlements. Physical wash-ups do not provide this incentive, as the volume returned has a different value than on the day of consumption Financial wash-ups would be similar to rule 37 settlements: they ensure that costs are paid by those who incurred them A system of physical wash-ups could be hard for smaller retailers, as they may find it difficult to manage the returned volume, but this impact might be lessened by spreading the wash-ups over a month Need to think about how large corrections would be treated – e.g., direct connect metering errors spanning several months. At the moment, such situations are managed through agreement between Vector and the affected party <p>There was agreement that whatever the wash-up system put into place, there should be a review after 6 or 12 months to assess how it is working and if tweaks were needed or another system might be better.</p> <p>There was also a suggestion that the D+1 trial should change current systems as little as possible. Based on this, attendees seemed to agree that physical wash-ups, based on the current BPP methodology (but prorated daily across a full month rather than being applied on a single day mid-month) could be trialled first, as long as there remains a financial settlement process for material variances, similar to the rule 37 breach settlement process.</p> <p><i>[GIC note: Rule 37 breaches refer to retailer errors in submitting data for allocation groups 3 to 6 in the initial allocation. On the face of it, material variances between D+1 and other allocation stages would not breach any of the Downstream Reconciliation Rules. We need to give further thought to how material variances might arise, whether anyone could be considered at fault, and how a settlement process could be made binding on all parties. Noted that a process to correct 'errors' in daily TOU submissions through the month could form the basis of a rule similar to r37.]</i></p>
2	Use of D+1 trial results in BPP
	<ul style="list-style-type: none"> The group discussed the legal advice provided by Vector. It would be very difficult for shippers to agree to provide the sort of indemnity discussed in the advice, particularly before MBB comes into effect on 1 October. GIC raised an alternative: putting a rules exemption into place so that the allocation agent publishes D+1 results as the initial allocation. This would avoid the need to change anything in the VTC. It was stressed that putting such an exemption into place would need to follow the established procedure, including industry consultation. One issue with this approach is the need to translate D+1 (pool-level) results to gate-level in order to process transmission billing. Dave confirmed that the model does not produce results at the gas gate level, since non-ToU volumes are apportioned by pool, and mapping to gate-level would not be straightforward. Vector would be comfortable using D+1 results for BPP calculations and transmission billing, but couldn't use D+1 for BPP and standard allocation results for transmission billing (both have to be run from the same set of numbers) One implication is that there will be larger wash-ups on transmission invoices, as the D+1 at a gate level will be less accurate than at the pool level. <p><u>Action:</u> Dave to investigate producing D+1 at a gate level for transmission billing: one volume per retailer per contract ID per day.</p> <p><u>Action:</u> Chris to check if there are any non-standard transmission agreements for non-ToU customers</p>

	<ul style="list-style-type: none"> There was discussion of what happens when gate injection information is missing for a direct connect consumer. Vector does not have a process that can estimate the volume on the day. <p>Action: Dave to build a module that checks for direct connect gate injections and estimates where data are missing.</p>
3	D+1 Accuracy
	<ul style="list-style-type: none"> GIC showed some slides comparing D+1 allocations for June with the initial allocation. At a pool level, the allocations do not differ much. Systematic differences between allocations may be due to ToU switches: such switches often do not show up on the registry on the effective date. The error could also be due to UFG calculation at G1M gas gates <p>There was also discussion about the differences between unvalidated and validated gate injection information. SKF is the most variable pool, probably because its 3 receipt points (Kupe, Kapuni, and Maui) mean that its calorific value varies with changes in the mix of volumes from those injection points. Larger gates show the most variation: PLN, TWA, and WAG.</p> <p>Action: GIC to send charts of D+1 accuracy and gate injection variability. <i>[note: included with these minutes]</i></p>
4	GTA and BPP calculations
	<ul style="list-style-type: none"> The VTC needs to be changed to allow for changes to the GTA processes. Section 6.2 and schedules 6 and 7 in particular need to be amended. Sharon and Anna are working on the VTC change request. They will try to follow the short-form process if possible. Changes to the GTA itself are also required, though it was noted that all GTAs are expiring at the end of September, so the necessary changes could be incorporated into the new version. On the BPP process, Vector has engaged HP to develop the required functionality in OATIS. Fortunately, it seems that it will not be difficult to add. However, Vector needs MDL's permission to access some required data (the information is already accessed another way by OATIS; Vector needs permission for the new interface to access it). The system operator has already approached MDL on this issue.
5	Next meeting
	<ul style="list-style-type: none"> The next meeting is scheduled for 12 August, 10:00 to 12:30.