Consultation on three special allocation decisions

Introduction

This paper considers whether Gas Industry Co should direct the Allocation Agent to perform special allocations pursuant to rule 51 of the Gas (Downstream Reconciliation) Rules 2008, following three separate notifications by the Allocation Agent that material errors have occurred. The errors are as follows:

- A late notification by Genesis of updated transmission contract information for an ICP, resulting in an allocation of gas to the incorrect contract ID for that retailer for the October 2015 consumption period;
- An error in the allocation system that allowed volumes associated with rejected submission files to be included in allocations for the June 2014, March 2015 and April 2015 consumption periods, resulting in a misallocation of gas to several retailers for those months; and
- A late notification by Vector Gas Trading Limited of updated transmission contract information, resulting in the allocation system treating interim submissions as an addition to, rather than a replacement of, initial submissions, and thus significantly over-allocating volumes to that shipper's retailer codes for the July 2015 consumption period.

In accordance with rule 51, and with the Guideline Note on Special Allocations, Gas Industry Co invites feedback from allocation participants on whether special allocations should be directed in respect of each issue.

Late notification of updated transmission contract information (October 2015)

Background

When Genesis provided updated transmission services agreement (TSA) information to the Allocation Agent at the start of the current gas year, it didn't note the continuation of a supplementary agreement from the previous gas year for a large TOU site at Tuakau (TUK06502). The supplementary contract ID for this ICP was end-dated 30 September 2015 in the allocation system and hence volumes for the ICP were allocated to the retailer's default contract ID for the October 2015 consumption period.

Impact

The correct volumes of gas were allocated to each retailer for the October 2015 initial allocation but due to volumes being allocated to a default TSA instead of to a supplementary contract, Genesis incurred significant transmission overrun fees.

Transmission fees are washed up with subsequent allocation stages, so the problem will be fixed when the correct contract IDs are used in the interim allocation for October 2015, which occurs in February 2016. However, due to the short term financial impact, Genesis has requested that a special allocation be performed to correct the error.

A special allocation would be straightforward to fix this error, as no new submissions are required and the correction to the contract information in the allocation system has already been actioned. We do not consider that any other participant would be impacted by a special allocation as no volumes are being re-allocated between retailers and there is no impact on the calculation of gas gate residual profiles, monthly UFG, annual UFG etc.

Gas Industry Co's initial view is therefore that a special allocation should be directed for October 2015.

Allocation system file rejection error (June 2014/March 2015/April 2015)

Background

While investigating an error in a rule 37 breach, the Allocation Agent discovered a bug in the allocation system which meant that in a handful of cases, where a retailer's non TOU submission file has been rejected by the system and replaced by a subsequent submission, volumes from previously submitted files have been incorporated into allocations.

The issue stems from the way that the allocation system stores retailers' submission volumes. When a retailer submits a value for the initial allocation this is stored in the database until a new submission is received (usually at the interim allocation stage) at which point the volume submitted for the initial is zeroed out. The bug in the system meant that rejected files were still being written to the system database such that when a corrected file was subsequently submitted, the volume in the rejected file was zeroed out instead of the volume from the initial file.

Impact

The Allocation Agent identified three retailers and three consumption periods that have been affected by this bug: Genesis and Greymouth Gas in June 2014, Genesis in March 2015 and Pulse in April 2015. The table below shows the changes, which are an aggregation of volumes across several gas gates (all volumes are non TOU), and are a mix of over- and under-submissions.

Consumption period	Retailer	Volume used for allocation (GJ)	Corrected volume (GJ)	Difference (GJ)
June 2014	GENG	453,846	454,641	796
	GMTH	228	125	104
March 2015	GENG	182,781	196,875	14,094
April 2015	PUNZ	1,123	1,289	166

The volume changes for June 2014 are slightly less than the materiality threshold mentioned in the special allocation guideline (1000GJ at a single gas gate or 2000GJ across all gas gates), but the final allocation has already been performed so without a special this error would not be fixed. The June 2014 consumption period factored into the calculation of the annual UFG factors for the current gas year, but the change in volumes is not substantial enough at any single gas gate to affect the annual UFG factors, nor is there any impact on the gas gate residual profile (since the volume changes are for non TOU allocation groups).

On balance, we consider that the lack of another allocation stage for June 2014 provides sufficient grounds to direct a special allocation for this consumption period. As has been mentioned in previous special allocation consultations, the ongoing D+1 pilot has a significant reliance on historical allocation data for its various regression models and thus we place particular emphasis on having an accurate set of time series data.

The volume changes for March 2015 are much higher than the materiality threshold mentioned in the guideline, with the Genesis submission being artificially reduced by around 14TJ of gas across all gas gates, including four gas gates with a difference of over 1TJ. The next allocation stage for March 2015 (the final) is still another four months away so we consider that given the significant volume involved, the need for accurate data in the D+1 model, and the ease with which a special can be performed, it is worth correcting the error now.

In contrast, the volume change for April 2015 is only 166GJ with the largest change at a single gas gate being 100GJ. We do not consider that this smaller error warrants a special allocation and our initial preference is therefore to leave this consumption period to be corrected at the final allocation in May 2016.

In summary, Gas Industry Co's initial view is that <u>special allocations should be directed for June 2014 and March 2015 but not for April 2015</u>.

Vector shipper code and contract ID change (July 2015)

Background

With effect from 1 July 2015, Vector made several changes to rationalise its gas business including that:

- OnGas assigned its customer contracts to Vector Gas Contracts Limited (VGCL); and
- VGCL changed its name to Vector Gas Trading Limited (VGTL).

Prior to the initial allocation for July 2015, the allocation agent was informed that there would be no associated change to Vector's TSA information (contract IDs and shipper ID). However, after the publication of the initial allocation it was realised that the TSA information should actually have changed. The contract details were fixed manually in OATIS following the initial so as to ensure accurate and timely billing of BPP and transmission invoices and then the allocation system was updated in time for the August 2015 initial.

For the interim allocation for July 2015, Vector's submissions were made under the new TSA information, but because the contract ID and shipper ID differed to those used at the initial allocation, the volumes held in the allocation system from the initial were not zeroed out by the interim submissions. The interim allocation therefore used both sets of submissions, and produced allocation results for VGTL against both the new and the old contract IDs.

Impact

The error was limited to non TOU consumption but, as the table below shows, it resulted in a near doubling of those volumes. Taking VGTL's three retailer codes together, the impact was an over-submission by 61TJ across all the gates at which the retailers trade.

Retailer	Initial submission (GJ)	Interim volume used (GJ)	Difference (GJ)	Difference (%)
GNGC	57,194	112,540	55,346	96.8%
PUNZ	5,001	8,758	3,757	75.1%
SULG	1,836	3,672	1,837	100.0%
Total	**64,031**	**124,970**	**60,939**	**95.2%**

Given the magnitude of this error, the lengthy period until the next allocation stage (the final will take place in August 2016), and also the impact on D+1 and on the calculation of next year's annual UFG factors, Gas Industry Co's initial preference is that a special allocation should be directed for July 2015.

Potential for further special allocations

Gas Industry Co is aware of three further issues, which may require consideration of special allocations. These are:

- A large allocation group 4 ICP on the Hunua network which has been incorrectly reconciled against Papakura (part of the Greater Auckland network) since it was commissioned in December 2013;
- a number of ICPs that have been incorrectly allocated between the Greater Tauranga and Greater Mount Maunganui gas gates, as discovered during an audit of those gas gates; and
- potential material errors discovered over the last year as a result of data cleansing activities of metering parameters as part of the Gas Registry Amendments Project.

Gas Industry Co does not yet have sufficient information to determine the materiality of these issues, so we believe it is prudent to make determinations on the current set of special allocation determinations now, and resolve these before the end of the year, rather than wait for information on the next three issues.