

Consultation on special allocations and correcting annual UFG factors

1. Introduction and purpose

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 a notification by the Allocation Agent that a material error occurred at Rotorua gas gate during the period September 2014 to September 2016. It also considers whether to correct the annual UFG factors that were impacted by the same error and by a further error that occurred at Patea gas gate, pursuant to rule 46A.

In accordance with rules 51 and 46A, and with the [Guideline Note on Special Allocations](#), Gas Industry Co invites feedback from allocation participants on whether special allocations and Annual UFG factor corrections should be issued.

2. Rotorua (ROT08101)

2.1 Background

A metering error for one of OnGas' non-TOU ICPs at the Rotorua Gas Gate (ROT08101) resulted in the allocation system recording an under-submission over a 25 month period. The error occurred because the meter reader ignored an additional zero that was painted on to the register. The error was recently discovered as part of the meter owner's 10 yearly maintenance plan.

2.2 Impact

The recorded under-submission totalled 12,312 GJ for the gas gate over the affected period. This has caused incorrect annual UFG factors (AUGF) and allocated quantities to be published. The extent of these inaccuracies are described below.

Annual UFG Factors

The period over which the error occurred has affected two gas years. The AUGF for both the current gas year (October 2016-September 2017) and the previous gas year (October 2015-September 2016) have been published and the difference between the published AUGF and what the AUGF would have been if no under-submission occurred is detailed in Table 1 below. The updated AUGF numbers show a slight improvement to the UFG at the gate.

Table 1: Difference in Published and Corrected AUGF

Month	Published AUGF	Corrected AUGF	Difference
October 2015-September 2016	1.0283	1.0199	-0.008
October 2016-September 2017	1.015	0.9997	-0.0153

The under-submissions relevant to the AUFG for the next gas year (October 2017-September 2018) will be corrected by interim and final allocations in time to have no effect on the AUFG published.

Allocated Quantities

There were nine retailers trading at the Rotorua Gas Gate over the period September 2014-September 2016 and their allocated quantities were impacted as a result of the metering error. Although it was a non-TOU ICP that was causing the under-submission, it affected both TOU and non-TOU allocations because the AUFG was impacted. The resulting difference in retailers' published allocations and their allocations corrected for the under-submission are listed in Table 2. OnGas (GNGC) has been under-allocated gas for the period however, all remaining retailers have each been over-allocated. The affected period covered 25 months and when considering both the total and the average monthly under/over-allocation the allocation impacts appear limited.

Table 2: Difference in Published and Corrected Allocated Quantities per Retailer (September 2014-September 2016)

	CTCT	EDNZ	GENG	GEOL	GNGC	GNVG	MEEN	PUNZ	TRUS
Total GJ	-704	-174	-4,282	-161	11,072	-5,061	-488	-108	-93
GJ that won't be washed up	-429	-109	-2,643	-62	6,502	-2,855	-314	-44	-47
Average GJ per month	-28	-7	-171	-6	443	-202	-20	-4	-4

October 2015 has now been corrected by the recently published final allocation and further final allocations are still to take place for the months November 2015-September 2016. After these wash-ups have occurred the remaining quantity of incorrect allocations is reduced and is presented in Table 2 above.

3. Patea (PTA20901)

3.1 Background

A separate AUFG error was discovered at the Patea gas gate where during the period June 2015-October 2015 the gas gate meter was significantly under-reading the gas injections. As a result there was a large mismatch between the injections at the gate and the retailer-submitted consumptions for the period.

3.2 Impact

As a result of the mismatch between the injections and the consumption at the gate, AUFG has been adversely affected for the current gas year. First Gas has now re-calculated the injection amounts for the impacted months and the difference in the published AUFG and what the corrected AUFG would be is detailed in Table 3 below. The updated AUFG shows a significant improvement to the UFG at the gate.

Table 3: Difference in Published and Corrected AUFG

Gas Year	Published AUFG	Updated AUFG	Difference
1 October 2016-30 September 2017	0.8066	1.0112	0.2046

Allocated quantities will also have been impacted however, they are being progressively washed up as final allocations progress

4. Corrections considered

4.1 Annual AUFG Factors

Before requesting a correction to an AUFG factor, rule 46A requires Gas Industry Co to be of the opinion that the current AUFG may have, or have had, a sufficiently unfair impact on allocation results at the affected allocated gas gate. The current guideline for determining if an impact has been sufficiently unfair, is to consider the materiality thresholds of whether:

- a. the change in the magnitude of the AUFG factor is in the order of 0.01 (for example a change from 1.035 to 1.025); and/or
- b. the AUFG correction results in a movement of 1,000GJ between TOU and non-TOU allocations in any one month.

Rotorua (ROT08101)

At the Rotorua gas gate neither criteria is met for the first gas year but the first criterion is met for the current gas year and therefore Gas Industry Co would consider correcting the AUFG factor for the period October 2016-September 2017, dependent on stakeholder support.

Patea (PTA20901)

The change in AUFG at the Patea gas gate meets the first criterion and therefore Gas Industry Co would consider correcting the AUFG factor for the period October 2016-September 2017, dependent on stakeholder support.

The benefits of correcting the current gas year's AUFG factor for both Rotorua and Patea are that their AUFG factors are relevant to ongoing allocations and are inputs in to D+1 allocations. Furthermore, as we are still early in the current gas year the corrected AUFG factors will wash through in interim allocations, rather than waiting for finals or requiring specials.

4.2 Allocations

Rotorua (ROT08101)

Before directing the Allocation Agent to perform a special allocation, rule 51 requires Gas Industry Co to determine the current allocation results as sufficiently unfair after considering any commercial reasons for retaining current results. The current guidelines for determining if allocations are sufficiently unfair, include materiality thresholds of whether:

- a. there is a change in a retailer's allocated quantity at an allocated gate of more than 1,000GJ;

- b. there is a change in a retailer's total allocated quantities across all allocated gas gates of more than 2,000GJ; and

At a monthly level neither of these criteria are met, although when considering the entire affected period both thresholds are breached. However, further to the above thresholds there are a number of other guidelines that refer to specific circumstances that Gas Industry Co also need to take into account (see section 3.8 of the [Guideline Note on Special Allocations](#)). Covered by these is the need to consider the ease of re-opening 14 months of old transmission billing. This might result in a substantial administrative burden to the transmission owner (First Gas), particularly at a time when they are focusing on both the Gas Transmission Access Code and the implementation of new IT systems. With this in mind and because much of the allocation error will be washed up in final allocations, and the remaining volumes are at the lower end of the scale and at a monthly level don't meet the materiality thresholds, Gas Industry Co does not think special allocations are warranted unless there is strong industry support to do so.

5. Summary

Corrections to AUFG factors and special allocations are generally directed where the unfairness of the current AUFG factor/allocation results are sufficient to justify an update.

- For Rotorua gas gate, Gas Industry Co initially supports correcting the AUFG factor for the current gas year however, does not think corrections to last gas year's AUFG factor nor special allocations are warranted.
- For Patea gas gate, Gas Industry Co initially supports correcting the AUFG factor for the current gas year.

These are Gas Industry Co's initial positions only and they are dependent on stakeholder feedback. It is important that retailers give an indication of whether there are financial or other commercial drivers that will influence Gas Industry Co's assessment of the unfairness of the AUFG factors and allocation results. We request any retailer with a view to contact us via a submission.

Q1: Do you agree that for the Rotorua gas gate the AUFG factor should only be corrected for the current gas year and not for the 2015/2016 gas year?

Q2: Do you agree that the current allocation results for the Rotorua gas gate, over the period September 2014-September 2016, should not have special allocations directed?

Q3: Do you agree that for the Patea gas gate the AUFG factor for the current year should be corrected?

Prepared by: Grace Clapperton-Rees
Advisor
8 December 2016