

Consultation on correcting submission errors at GTA03610 and WAG21501

1. Introduction and purpose

This paper recommends a pathway forward to manage the impact of two submission errors which occurred across Greater Auckland gas gate (GTA03610) and Wanganui gas gate (WAG21501). These errors relate to breaches 2017-015 and 2018-159. This paper proposes financial settlements facilitated by Gas Industry Co (GIC). Special allocations are not considered in this paper as the errors fall outside the available timeframe defined under rule 51 of the Gas (Downstream Reconciliation) Rules 2008.

GIC invites feedback from allocation participants on these options.

1.1 Background

GTA03610 and WAG21501 non-TOU submission error

A non-TOU submission error was discovered in 2017 during a performance audit of Contact Energy Limited. This affected two gas gates over similar periods: April 2015 to June 2015 for Greater Auckland gas gate (GTA03610), and May 2015 to June 2015 for Wanganui gas gate (WAG21501).

Contact's use of forward estimates in its final submission files, when historical estimates were available, caused the submission error. This affected volumes submitted for allocation group 6 ICPs. Contact has since advised GIC that the error has been fixed and correct submissions have been made from July 2015 onwards.

GTA03610 TOU submission error

A TOU submission error was discovered in 2018 by Nova Energy Limited. The error occurred from May 2013 to June 2018 at Westfield gas gate (WST03610) which makes up part of the Greater Auckland gas gate (GTA03610).

Nova's under submissions were the result of applying an incorrect multiplier to a site at WST03610. Corrected submissions have since been used in the final allocations for August 2017 to June 2018, narrowing the affected period to May 2013 to July 2017.

1.2 Impact

- The GTA03610 and WAG21501 non-TOU submission error resulted in an under-submission by Contact Energy of 3,331GJ over the affected period. This was split across each gas gate; accordingly, GTA03610 (812GJ) and WAG21501 (2,519GJ).
- The GTA03610 TOU submission error resulted in an under-submission by Nova Energy of 37,821GJ over the affected period.

These errors have impacted allocated quantities and the calculation of annual unaccounted for gas (AUG) factors to be published¹.

¹ Published by EMS on their Gas Allocation Portal website

The extent of these inaccuracies are described below.

Allocated Quantities

GTA03610 and WAG21501 non-TOU submission error

Ten retailers were trading at gas gates GTA03610 and WAG21501 during the affected period. The estimated impact that this error had on their allocated quantities is shown by gas gate in Table 1 and Table 2.

Table 1: Difference between published and corrected allocated quantities and estimated financial impact for the non TOU error at GTA03610

Retailer	Original allocated quantities (GJ)	Corrected allocated quantities (GJ)	Change due to error (GJ)	Estimated financial impact (\$)²
Contact (CTCT)	348,087	348,717	630	-4,029
Energy Direct (EDNZ)	27,902	27,897	-5	35
Genesis (GEND)	434,404	434,404	0	0
Genesis (GENG)	242,763	242,627	-136	869
Energy Online (GEOL)	10,182	10,177	-6	37
Greymouth (GMTH)	647,913	647,913	-0	1
OnGas (GNGC)	442,207	442,179	-28	182
Nova (GNVG)	810,655	810,324	-331	2,118
Mercury (MEEN)	196,149	196,038	-110	706
Pulse (PUNZ)	1,248	1,247	-1	5
Trustpower (TRUS)	20,909	20,897	-12	77

Table 2: Difference between published and corrected allocated quantities and estimated financial impact for the non TOU error at WAG21501

Retailer	Original allocated quantities (GJ)	Corrected allocated quantities (GJ)	Change due to error (GJ)	Estimated financial impact (\$)
Contact (CTCT)	5,363	7,774	2,412	-15,418
Energy Direct (EDNZ)	32,834	31,686	-1,149	7,344
Genesis (GEND)	1,672	1,672	0	0
Genesis (GENG)	20,801	20,072	-729	4,659
Energy Online (GEOL)	294	283	-10	67
Greymouth (GMTH)	5,648	5,648	0	0
OnGas (GNGC)	65,878	65,872	-6	38

² Calculated as the difference between original and corrected allocation, multiplied by the relevant [MBIE quarterly nominal wholesale price](#).

Retailer	Original allocated quantities (GJ)	Corrected allocated quantities (GJ)	Change due to error (GJ)	Estimated financial impact (\$)
Nova (GNVG)	8,101	7,820	-281	1,795
Mercury (MEEN)	5,758	5,555	-203	1,296
Pulse (PUNZ)	687	663	-24	155
Trustpower (TRUS)	278	268	-10	62

GTA03610 TOU submission error

Eleven retailers were trading during the affected period at gas gate GTA03610. The difference in retailers' published allocations and an estimate of their corrected allocations for the affected period (i.e. May 2013 to July 2017) are presented in Table 3.

Not included in Table 3 are the months which were corrected by the Allocation Agent via business-as-usual (BAU) final allocations (i.e. August 2017 onwards).

Table 3: Published and corrected allocated quantities and estimated financial impact for the TOU submission error at GTA03610

Retailer	Original allocated quantities (GJ)	Corrected allocated quantities (GJ)	Change due to error (GJ)	Estimated financial impact (\$)
Contact (CTCT)	5,665,438	5,658,144	-7,294	45,878
Energy Direct (EDNZ)	278,526	278,391	-135	876
Genesis (GEND)	6,133,583	6,133,583	0	1
Genesis (GENG)	3,781,226	3,776,042	-5,184	32,554
Energy Online (GEOL)	62,867	185,469	-260	1,570
Greymouth (GMTH)	10,962,617	10,962,595	-22	131
OnGas (GNGC)	8,885,281	8,884,107	-1,174	7,384
Nova (GNVG)	13,315,812	13,334,444	18,632	-117,059
Mercury (MEEN)	2,977,199	2,973,169	-4,030	25,509
Pulse (PUNZ)	20,493	20,464	-29	169
Trustpower (TRUS)	336,309	335,849	-460	2,733
Switch Utilities (SULG)	30,550	30,506	-44	254

Annual UFG Factors

GTA03610 and WAG21501 non-TOU submission error

AUFG factors at gas gates GTA03610 and WAG21501 were affected for the 2016-17 gas year.

Differences between incorrect original AUFGs and an estimate of corrected AUFGs, had there been no under-submission, is detailed in Table 4.

Table 4: Published AUFGs and corrected AUFGs for 2016-17 gas year

Gas Gate	Original AUFG	Corrected AUFG	Difference
GTA03610	1.0098	1.0098	0.0000
WAG21501	1.0302	1.0275	0.0027

GTA03610 TOU submission error

AUFG factors at gas gate GTA03610 were affected for gas years 2014-15, 2015-16, 2016-17, 2017-18, and 2018-19.

Differences between the incorrect original AUFGs and an estimate of corrected AUFGs, had there been no under-submission, is detailed in Table 5.

Table 5: Published AUFGs and corrected AUFGs at gas gate GTA03610

Gas Year	Original AUFG	Corrected AUFG	Difference
2014-15	1.0125	1.0120	0.0005
2015-16	1.0068	1.0062	0.0006
2016-17	1.0098	1.0092	0.0006
2017-18	1.0076	1.0069	0.0007
2018-19	1.0101	1.0099	0.0002

1.3 Financial settlement

Financial settlements have previously occurred in instances where special allocations have been unavailable or infeasible to address harm from retailer errors. Table 6 below provides historical examples where financial settlements have been used to resolve allocation problems.

When settlements have been arranged via industry agreement and facilitated by GIC, the Market Administrator (MA) is more likely to determine the breaches as not material and the costs and time involved in settling the material breaches (investigation and/or Rulings Panel hearings) are avoided. Furthermore, previous examples show that breaches that are determined material and go through the MA process are likely to end up resulting in similar settlements (but with the additional cost and time of the full compliance process).

The process for the financial settlements involves the following steps:

1. GIC provides consultation paper to industry outlining its recommended pathway forward
2. Industry provides feedback on consultation paper to GIC
3. GIC emails industry outlining the agreed pathway forward, this email will contain values for retailers to invoice the breaching party, which will be based on:
 - i. Recalculating allocated volumes (including recalculating AUFG where appropriate) using corrected submissions
 - ii. Multiplying the change in allocated volumes by the wholesale gas price (from MBIE data)
4. Once the payments have been confirmed by GIC, the Market Administrator can make a determination on the materiality of the associated alleged breaches.

Table 6: Previous financial settlements

Breach	Settlement
Rule 51 breach, OnGas under-metering error at GMM08001 (March 2014 to June 2018)	The error totalled 100,157 GJ across the affected parties. A settlement was arranged via industry agreement. After the settlement was finalised, the MA determined this breach as not material.
OnGas submission error at Rotorua (breach notice 2016-137)	The error totalled 6,502 GJ across the affected parties. A settlement was arranged via industry agreement. After the settlement was finalised, the MA determined the breach as not material.
Rule 37.2 breaches (May 2015 – November 2015)	A settlement totalling \$176,511 was arranged via the MA process. The MA determined the breaches as not material once confirmation of payment was received from all parties.
Rule 37.2 breaches (June 2013 – April 2015)	A settlement totalling \$197,738 was arranged via the MA process. The MA determined the breaches as not material.
Rule 37.2 breaches (April 2012 – May 2013)	A settlement totalling \$49,994 was arranged via the MA process. The MA determined the breaches as not material.
Rule 37.2 breaches (April 2011 – March 2012)	The MA determined the breaches as material. A settlement totalling \$76,378 was arranged via the investigator and approved by the Rulings Panel.
Rule 37.2 breaches (December 2009 – March 2011)	The MA determined the breaches as material. A settlement totalling \$62,629 was arranged via the investigator and approved by the Rulings Panel.
Rule 37.2 breaches (October 2008 – November 2009)	The MA determined the breaches as material. A settlement totalling \$379,649 was arranged via the investigator and approved by the Rulings Panel.
Genesis submission error at Palmerston North (breach notices 2011-122 & 2011-138)	The MA determined the breaches as material. A settlement was arranged via the investigator and approved by the Rulings Panel.
OnGas submission error at Greater Hamilton (breach notice 2010-362)	The error totalled 46,808 GJ across the affected parties. The MA determined the breach as material. A settlement was arranged via the investigator and approved by the Rulings Panel.

1.4 GIC's Initial View

GIC outlines its proposed resolution for each error below and seeks feedback from allocation participants on these options. Please note that rule 51 of the [Gas \(Downstream Reconciliation\) Rules 2008](#) only allows special allocations to be performed up to 12-months after the publish date for a final allocation, therefore special allocations are not available for either of these errors.

GTA03610 and WAG21501 non TOU submission error

The error results in a change in allocated quantities of 630 GJ at GTA03610 and 2,412 GJ at WAG21501.

GIC considered both guidelines for determining the materiality of a special allocation, and the willingness of the breaching party to compensate affected gas gate participants. On this basis, our initial view is for GIC to facilitate financial settlement covering the months April 2015 to June 2015.

GTA03610 TOU submission error

The error results in a change in allocated quantities of 18,632 GJ at GTA03610.

GIC considered guidelines for determining the materiality of a special allocation, and the willingness of the breaching party to compensate the affected gas gate participants. On this basis, GIC's initial view is to facilitate financial settlement covering the months May 2013 to July 2017.

2. Consultation

The preliminary view reached above is GIC's initial position only and is dependent on stakeholder feedback. It is important retailers give an indication of whether there are financial or other commercial drivers that will influence GIC's assessment of the unfairness of the submission errors. We request any retailer with a view to contact us via submission.

The deadline for submissions is close of business on **1 September 2021**

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ABOUT GAS INDUSTRY CO.

Gas Industry Co is the gas industry body and co-regulator under the Gas Act. Its role is to:

- develop arrangements, including regulations where appropriate, which improve:
 - the operation of gas markets;
 - access to infrastructure; and
 - consumer outcomes;
- develop these arrangements with the principal objective to ensure that gas is delivered to existing and new customers in a safe, efficient, reliable, fair and environmentally sustainable manner; and
- oversee compliance with, and review such arrangements.

Gas Industry Co is required to have regard to the Government's policy objectives for the gas sector, and to report on the achievement of those objectives and on the state of the New Zealand gas industry.

Gas Industry Co's corporate strategy is to 'optimise the contribution of gas to New Zealand'.