



Recommendation to the Minister of Energy on Arrangements for the Allocation and Reconciliation of Downstream Gas Quantities

March 2008





About the 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

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.

The purpose of this recommendation is to recommend rules to improve the allocation and reconciliation of downstream gas quantities (the 'Reconciliation rules'). 'Downstream allocation and reconciliation' refers to allocation and reconciliation of gas transferred at 'gas gate stations' where the high pressure transmission pipelines interconnect with low pressure distribution pipelines or major end users.

The current industry arrangements for downstream allocation and reconciliation (through the industry agreed 'Reconciliation Code') have not been reviewed or amended since their inception in 2000. Gas Industry Co has identified a number of problems with the design of those arrangements, including especially a lack of specificity in the arrangements, a lack of proper governance and no workable means of enforcing compliance.

Improved arrangements, in the form of rules to be approved under the Gas Act, have been developed over the period since 2006 through the operation of an industry group (GART), and the release of two discussion papers, a Statement of Proposal, an Updated Proposal and most recently a further Industry Workshop. Through these mechanisms the issues have been extensively canvassed with the industry.

The proposed Reconciliation rules will:

- Implement a number of mandatory information quality measures;
- Provide for the appointment of a single downstream allocation agent by Gas Industry Co;
- Establish that the month end daily allocation service will be performed using a specified global methodology on all gas gates to ensure that gas quantities and UFG are more fairly and accurately allocated across all retailers;
- Provide for greater transparency through publication of a range of information, including UFG quantities;
- Mandate clear, transparent governance structures and related processes;
- Allow for the performance of audits and the establishment of a compliance regime; and
- Provide for the granting of exemptions by Gas Industry Co, where appropriate.

In particular, improved downstream allocation and reconciliation arrangements will ensure UFG is more equitably allocated to retailers, thereby enhancing the competitiveness of the retail market. Improved arrangements will 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.

An effective compliance regime is crucial to ensuring that the proposed rules achieve their purpose. This recommendation is accompanied by a companion recommendation titled '*Recommendation to the Minister of Energy on Amendment to Gas Compliance Regulations*' (the 'Compliance Recommendation').

Provided that the rules are approved within the forecast time frame indicated by MED, it is planned to have the implementation of the rules go live on 1 October 2008, to coincide with the start of the next gas year.

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1

Introduction

1.1 Background

For a number of years there has been general acceptance that the arrangements for allocation and reconciliation of downstream gas quantities in the Reconciliation Code are failing to deliver efficient outcomes. The current arrangements, as with other arrangements in the gas industry, depend on bilateral enforcement of terms in contracts with other industry players and industry codes. Compliance with industry codes and protocols has largely been poor, partly because of the muted incentives on the parties to enforce them through the courts.

1.2 Objectives

Recognising that the arrangements need improvement, the 2004 Government Policy Statement on Gas Governance ('2004 GPS') invites Gas Industry Co to recommend arrangements, including regulations and rules where appropriate, providing for effective industry arrangements:

- for the protocols and standards applying to wholesale gas trading, including balancing and reconciliation;
- for the establishment of consistent standards and protocols across distribution pipelines so that gas market participants can access distribution pipelines on reasonable terms and conditions; and
- for the establishment of gas flow measurement arrangements to enable effective control and management of gas.

Taking into account the policy objectives stated in the Act and the 2004 GPS, Gas Industry Co considers that the appropriate objective against which the reasonably practicable options should be assessed for the purposes of section 43N of the Gas Act is to recommend to the Minister arrangements for more efficient and accurate downstream allocation and reconciliation of gas quantities. Such arrangements should:

- ensure the protocols and standards for reconciling and balancing downstream gas, and providing and disclosing of data and information, are efficient, fair, and reliable;

- standardise data exchange protocols across the industry and ensure the correct data is communicated to all affected parties in a timely manner;
- provide for consistent, transparent, and enforceable processes;
- facilitate retail competition and ensure barriers to competition are minimised;
- establish more transparency of the full costs of balancing and reconciling gas; and
- provide for more accurate identification and fairer allocation of the amount of UFG;

together referred to as the 'regulatory objective'.

The 2004 GPS is in the process of being updated. A revised draft policy statement was released in December 2007¹ and submissions on that draft policy statement closed on 15 February 2008. In relation to downstream allocation and reconciliation, the policy aims in the draft policy statement are to:

"Establish and maintain effective and efficient arrangements for the allocation and reconciliation of downstream gas quantities."

The draft GPS refers to 'effective and efficient', whereas the regulatory objective Gas Industry Co has consulted on (based on the Gas Act and 2004 GPS) refers to 'efficient and accurate'. Gas Industry Co does not know whether the revised GPS will take effect prior to the Minister considering this recommendation. However, Gas Industry Co considers that the proposal is the best reasonably practicable option for delivering both 'effective and efficient' and 'efficient and accurate' downstream allocation and reconciliation.

A high level of compliance with the Reconciliation rules will help to achieve the benefits of the rules, including efficient allocation of UFG. The result should be more efficient, accurate and fair outcomes for retailers and consumers. For this reason Gas Industry Co is also making the Compliance Recommendation in conjunction with this recommendation.

¹ http://www.med.govt.nz/templates/MultipageDocumentTOC____32813.aspx.

2 Analysis

2.1 Need for regulation

The current arrangements for allocation and reconciliation of downstream gas quantities are suboptimal, with allocations on some gas gates resulting in unfair and untenable outcomes. Improvements need to be made to increase market efficiency and competition. The analysis undertaken by Gas Industry Co has identified that the new arrangements must:

- be binding on all industry participants;
- implement a number of mandatory information quality measures;
- establish a prescribed methodology for the allocation of gas and UFG;
- allow for the appointment of a single downstream Allocation Agent by Gas Industry Co;
- mandate clear and transparent governance structures and related processes (e.g. amendment processes);
- allow for the provision of audits;
- establish a binding compliance regime; and
- provide (where appropriate) the ability for Gas Industry Co to perform special allocations.

In theory any mechanism that achieves mandatory participation could meet the above requirements – including a pan-industry agreement or a regulatory arrangement. However, Gas Industry Co's analysis has identified a number of factors that make a regulatory arrangement the most reasonably practicable solution, including:

- A regulatory arrangement can be implemented promptly (the proposal is for an implementation date of 1 October 2008).
- The cost-benefit analysis suggests that a regulatory arrangement has the greatest present value total net benefit.

- Although a pan-industry agreement could theoretically deliver the required outcomes, it is not clear that the industry would actually reach agreement on the proposed solutions. While considerable progress has been made towards consensus, certain aspects of the proposals are not universally agreed, with some industry players polarised in their views. Experience from both this industry and other utilities suggests that consensus will not be forthcoming.
- Before a pan-industry arrangement could be agreed or implemented, it is likely participants would need to seek an authorisation from the Commerce Commission. Gas Industry Co has not considered how likely it is that such an authorisation would be granted, but the potential need for authorisation adds delay and cost. Also, there is a further risk that the Commerce Commission could place conditions on the granting of an authorisation (if any).

Given the above factors, Gas Industry Co considers that the proposed regulatory arrangement is the most reasonably practicable option.

2.2 Work undertaken

Gas Allocation and Reconciliation Team

The Gas Allocation and Reconciliation Team (the 'GART') was established in 2006 to assist Gas Industry Co with the review of allocation and reconciliation arrangements in the New Zealand gas industry, both upstream and downstream. The GART helped identify a number of failures of the current industry arrangements and the team's work provided the basis for the June 2006 Paper.

June 2006 Discussion Paper

Gas Industry Co issued its first Discussion Paper - *Options for Amending Allocation and Reconciliation Arrangements in the New Zealand Gas Industry* - in June 2006 (the 'June 2006 Paper'). In that paper Gas Industry Co reviewed the current industry arrangements for both upstream and downstream gas allocation and reconciliation and identified a number of problems with all of those arrangements.

January 2007 Discussion Paper

In January 2007 Gas Industry Co released a second Discussion Paper - *Reconciliation of Downstream Gas Quantities* (the 'January 2007 Paper'). The January 2007 Paper presented further analysis undertaken by Gas Industry Co and took into account submissions received on the June 2006 Paper. Given the complexity of the processes involved, the paper proposed to focus the work stream programme on downstream arrangements while analysis was undertaken in other work streams in relation to a range of upstream issues. The January 2007 Paper included high-level frameworks of the cost benefit analysis and the potential scope of rules for downstream allocation and reconciliation.

Further technical analysis and the Maunsell Report

Following receipt of submissions on the January 2007 Paper, Gas Industry Co convened a number of technical meetings (including representatives from GART and other industry participants) to further refine technical aspects of the proposal. One contentious issue which was discussed at length at these meetings concerned the allocation of UFG to large industrial customers with time of use metering equipment ('TOU customers'). Given the level of industry disagreement, Gas Industry Co commissioned an independent paper from Maunsell Limited on this issue (see '*Allocation of Unaccounted For Gas*' dated June 2007) (the 'Maunsell Report').

Cost-Benefit Analysis

Gas Industry Co also engaged the New Zealand Institute of Economic Research (NZIER) to carry out a cost-benefit analysis of the proposals (see '*Reconciliation of downstream gas quantities - Cost-benefit analysis*' dated 11 May 2007) (the 'NZIER Report'). The cost-benefit analysis in the NZIER Report found that implementing the proposed improvements to downstream allocation and reconciliation arrangements through a regulatory regime would provide more present value total net benefits than implementing the proposed improvements through a pan-industry agreement (\$8.354 million present value total net benefit under a pan-industry agreement and \$10.792 million present value total net benefit under a regulatory regime).

Additional industry consultation

To assist Gas Industry Co further develop its proposal, Gas Industry Co circulated a work-in-progress draft of a Statement of Proposal, including draft rules, in July 2007 to each industry participant that had made a submission on the January 2007 Paper. On 9 August 2007, Gas Industry Co convened an industry workshop to discuss the proposals in the paper, including the draft rules. Industry feedback resulted in further refinement of Gas Industry Co's proposal.

Statement of Proposal

A *Statement of Proposal – Allocation and Reconciliation of Downstream Gas Quantities* (the 'Statement of Proposal'), incorporating all submissions received and analysis performed, was released for consultation in September 2007. The Statement of Proposal included a detailed statement of the proposed measures and the reasons for the proposal, an assessment of the reasonably practicable options and other information that Gas Industry Co considered relevant, including a copy of the cost-benefit analysis and a copy of the draft rules. Nine submissions were received on the Statement of Proposal. Issues raised in submission, and how they were dealt with, are discussed further below.

Updated Proposal

An Updated Proposal for Industry Information – Allocation and Reconciliation of Downstream Gas Quantities was released on 21 December 2007 (the 'Updated Proposal'). In response to submissions on the Statement of Proposal, the Updated Proposal informed industry participants of a number of proposed technical changes to the rules and included an updated version of the draft rules. The Updated Proposal invited participants to attend an industry workshop in February 2008 to discuss technical aspects of the rules (the 'Industry Workshop').

Industry Workshop

At the Industry Workshop, Gas Industry Co discussed with industry participants technical aspects of the draft rules. The discussions focused on the provisions relating to the calculation and application of profiles, but the opportunity was provided and taken to consider all of the rules. The workshop was well attended with eight industry participants represented. Technical changes made to the rules as a result of the Industry Workshop are outlined below.

Conclusion

There has been extensive consultation on Gas Industry Co's proposed solution. Industry submissions and feedback have been taken into account throughout the process. Industry participants are largely agreed that improvements to information quality, governance, compliance and the Allocation Agent appointment process are required.

One issue has been particularly contentious - the appropriate allocation of UFG to TOU customers. The views of some industry participants are polarised on this issue and retailers' views appear to be influenced by the nature of their customer composition. The lack of quality independent information has not assisted analysis of this issue. However, Gas Industry Co's proposed solution (which in essence applies, at a per gas gate level, an averaged UFG factor to TOU customers) is a workable process which it is considered will deliver the required policy objectives. The approach proposed during the two transitional years, of applying a cap and a floor to the allocation to TOU meters, is also a sensible and pragmatic compromise.

The conclusion reached by Gas Industry Co is that the best reasonably practicable option to achieve the regulatory objective of improving downstream reconciliation arrangements is to recommend the making of the Gas (Downstream Reconciliation) Rules under the Gas Act.

3

Process to establish rules

3.1 Power to regulate

Specific power to regulate downstream reconciliation

Section 43F(2) of the Act currently 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:

- “(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 gas purchased by retailers on the wholesale gas market, 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 Gas Industry Co considers that effective arrangements for allocation and reconciliation of downstream gas quantities come within the stated purposes in section 43F of the Gas Act.

The regulations refer to 'reconciling' gas. In the downstream gas industry in New Zealand the term 'reconciliation' is used to refer to the whole process of the allocation and reconciliation of gas quantities. In effect, this recommendation proposes that 'reconciliation' consist of a series of

'allocations' and a rolling annual 'reconciliation' (this is also consistent with the processes adopted in the Reconciliation Code).

Reconciliation processes are also required to allocate and reconcile upstream gas quantities. Those processes are currently provided through industry arrangements such as the Maui Pipeline Operating Code (MPOC) and Transmission Services Agreements. Those arrangements are under review through separate Gas Industry Co work streams.

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 rules which are the subject of this recommendation.

3.2 Requirements when recommending rules or regulations

Section 43L - consultation

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

- undertake an assessment under section 43N of the Act; and
- consult with persons that the recommending body thinks are representative of the interests of persons likely to be substantially affected by the proposed regulations; and
- 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 6 of this recommendation.

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).”

A summary of Gas Industry Co’s identification and assessment of the options for downstream allocation and reconciliation arrangements is set out in section 5 of this recommendation.

Section 43N(2) – statement of proposal

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.

A summary of the Statement of Proposal is set out in section 4 of this recommendation.

Conclusion

Gas Industry Co considers that it has complied with all of the requirements of sections 43L and 43N of the Act.

3.3 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. 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;
 - 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.

Sections 43I to 43P continue to apply (with necessary modifications) as if the rule were a regulation. Section 43R applies to the method of making the rule:

- 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.
- 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.
- The Minister and Gas Industry Co must make all rules made under section 43Q available to the public by making copies of them available for inspection free of charge at the head office of the Ministry and Gas Industry Co, on the internet in a printable form, and for purchase at a reasonable price.

Gas Industry Co has concluded that the downstream allocation and reconciliation arrangements should be implemented by way of rules under the Act as they primarily involve technical matters rather than matters of general principle and will only be binding on industry participants rather than the general public. The rules govern the limited domain of detailed and technical processes for allocating and reconciling downstream quantities of gas between retailers. The rules will also be accessible at no charge and at no cost on the websites of the Ministry of Economic Development and Gas Industry Co.

3.4 Publication of notice in Gazette

Gas Industry Co must, no later than 10 working days after it gives a recommendation to the Minister for a gas governance rule or regulation, 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 Appendices 4 and 5 respectively.

4

Statement of Proposal

The Statement of Proposal dated 4 September 2007 proposed the making of a recommendation to the Minister of Energy under the Act to approve rules governing downstream allocation and reconciliation arrangements. The Statement of Proposal proposed a regulatory solution to:

- Implement a number of mandatory information quality measures;
- Provide for the appointment of a single downstream Allocation Agent by Gas Industry Co;
- Establish that the month end daily allocation service will be performed using a specified global methodology on all gas gates to ensure that gas quantities and UFG are more fairly and accurately allocated across all retailers;
- Provide for greater transparency through publication of a range of information, including UFG quantities;
- Mandate clear, transparent governance structures and related processes;
- Allow for the performance of audits and the establishment of a compliance regime; and
- Provide for the granting of exemptions by Gas Industry Co, where appropriate.

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 minor technical aspects have been revised to take account of the results of the discussion of the Updated proposal at the Industry Workshop.

4.1 Summary of Proposed Measures

The proposed measures in the Statement of Proposal are summarised below. All of these measures are included in this recommendation.

Proposed measures to improve information quality
<ul style="list-style-type: none">▪ Require all industry participants to submit accurate data to the Allocation Agent and comply with all applicable data submission requirements

- Require publication of daily gas gate metered quantities and publication of key UFG and allocation information (both for initial, interim and final allocations, and both on a per gas gate basis).
- Introduce rolling revisions: 4 month “interim allocation” and 13 month “final allocation” and require that data submitted for the final allocation include actual data or 100% historic estimated data. Also require annual reconciliation of allocated quantities against billing information.
- Develop and require compliance with standard file formats.
- Introduce estimation accuracy criteria, requiring initial allocation data to be within a certain percentage of the final allocation data.
- Provide for submission of normalised data for groups 3 to 6 for each calendar month.
- Not introduce a single methodology for forward-estimates or billing at this time, but maintain a watching brief in this area.
- Introduce minimum meter interrogation requirements and require compliance with certain aspects of NZS 5259:2004.
- Retain current timeframes for monthly initial allocations, but have extended timeframes for subsequent allocations to improve accuracy. Retain current allocation groups.

Proposed measures to improve allocation methodology

- Mandate the use of a modified global method of allocation and cease the use of the inefficient differencing method. Under this methodology, TOU customers are to be allocated an ‘average UFG’ rate (calculated on a per gas gate basis) with the remainder being allocated to allocation groups 3-6. Transitional arrangements will be in place for the first 2 years. It is envisaged there will be gas gates where it will be appropriate to exempt industry participants from the proposed methodology (for example those gas gates currently using a 1 month UFG global method).
- Only one of the three allocation services in the Reconciliation Code is used in practice, the other two services are not covered by the proposed regime.

Proposed process for appointment of Allocation Agent

- Require Gas Industry Co to appoint single downstream Allocation Agent. The rules specify key terms to be included in the “service provider” contract. Current appointment process (which relies on unanimous industry agreement) is inefficient.

Proposal to establish effective governance arrangements

- Proposal establishes Gas Industry Co as governing body and administrator. Gas Industry Co to oversee development of arrangements and make recommendations to the Minister of Energy. Rule changes to occur following Gas Act process.
- Arrangements to be funded by retailers by prescribed formula in the rules according to gas volumes.
- Rules allow Gas Industry Co to grant exemptions where appropriate.

Proposal to establish effective audit arrangements and means of compliance, including means of amending allocation results

- Gas Industry Co to appoint independent auditor(s) as required for regular and event audits. Proposed rules cover provision of information to auditor, responsibility for costs of audits, preparation of audit reports (including treatment of confidential information), use of audit reports and limit the period of time that an audit may cover.
- Accompanying this recommendation is a recommendation proposing amendments to the Compliance Regulations.
- Proposed rules allow for 'special allocations' to be performed by Allocation Agent in response to a direct request by Gas Industry Co. Proposed rules specify limits on the special allocations process.

5

Assessment

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

- the costs and benefits of each reasonably practicable option, including the proposal; and
- the extent to which the regulatory objective would be promoted or achieved by each option; and
- any other matters which Gas Industry Co considers relevant.

5.1 Identification and assessment of reasonably practicable options

Gas Industry Co's analysis identified five key problem areas of the current downstream allocation and reconciliation arrangements:

- information quality;
- allocation methodologies and UFG;
- appointment of the allocation agent;
- governance; and
- audits and compliance.

In its review, Gas Industry Co considered the most reasonably practicable options in respect of each of the problem areas identified by it as summarised above.

Gas Industry Co engaged NZIER to assess the costs and benefits of the reasonably practicable options. One issue in respect of the analysis was determining the most appropriate level of abstraction at which to assess the reasonably practicable options. In its report, NZIER noted:

[The proposals] contain a number of options that could be adopted independently of each other. The costs and benefits of some of these options would depend on which other options are also adopted. Given the number of options in the

proposals, there are a large number of possible combinations, assessing all of which independently would be a major exercise. For simplicity, we therefore assess the costs and benefits of adopting all of the proposals' options as a single package...

There was general agreement from industry participants that it was appropriate to assess all of the potential options together as a package. Only Genesis queried this, noting that the analysis could more appropriately look at 'policy packages'.

Given the interconnectedness of the issues, Gas Industry Co considers it appropriate to consider the proposals as a whole. Furthermore, even though it is possible to argue that the costs and benefits might be different if Gas Industry Co had adopted a different option within the package, in most cases such a change would likely involve a transfer of wealth between industry participants which would have a minimal impact on the overall costs and benefits of the package as a whole.

The potential mechanisms for delivering the new reconciliation arrangements were assessed and short-listed to two candidates – a pan-industry agreement and a regulatory regime.

A summary of results is set out in the following table:

Options	Analysis
Status Quo	Does not achieve objective – and accordingly was not considered further in NZIER's cost benefit analysis.
New reconciliation arrangements implemented through pan-industry agreement (taking effect from 1 October 2009 at the earliest)	Theoretically capable of achieving the regulatory objective. Some doubt over likelihood of industry agreement and ongoing workability of arrangements Governance arrangements slightly more complicated than regulatory regime
New reconciliation arrangements implemented through a regulatory regime (taking effect from 1 October 2008)	Achieves regulatory objective. Reduces inefficiency of processes. Removes barriers to competition.

The detailed results of Gas Industry Co's assessment of the extent to which each of the options achieves the regulatory objective are set out in Appendix 1.

Having considered all the submissions, Gas Industry Co concluded that the best reasonably practicable option to achieve the regulatory objective was to develop rules to govern downstream allocation and reconciliation arrangements that incorporate all of the matters summarised in 5.1 above.

5.2 Cost benefit analysis

As noted above, Gas Industry Co engaged NZIER to perform an assessment of the costs and benefits of the proposals.

NZIER first prepared a framework for their analysis, which was attached to the January 2007 Paper. This framework allowed industry participants to provide feedback on the high level design of NZIER's approach (including the proposed discount rate, timeframes for the assessment and whether the correct costs and benefits were identified).

Feedback from industry participants agreed that continuation of the status quo would not achieve the regulatory objective and, accordingly, this 'option' was not considered by NZIER in their full cost benefit analysis. Only Genesis expressed concern that the analysis dismissed non-intervention as the baseline.

Accordingly, the analysis performed by NZIER assessed the relative costs and benefits of the regulatory regime or pan-industry agreement approach. A copy of the final cost benefit analysis is included as Appendix 4 to the Statement of Proposal.

NZIER's analysis modelled costs and benefits over the first ten years of the new arrangements being in force, with the addition of initial development and establishment costs. It was assumed the new reconciliation arrangements would take effect, at the earliest, from 1 October 2009 under a pan-industry agreement and 1 October 2008 under a regulatory regime. Thus NZIER assumed the benefits of improving reconciliation arrangements commenced one year later under a pan-industry agreement.²

The principal benefits of the proposal will be more efficient and accurate allocation of UFG, with an associated benefit of improving outcomes for consumers and increasing the potential for retail competition.

As technical losses on gas distribution networks are negligible (probably less than 0.1%), UFG is to some extent a measure of the effectiveness and accuracy of retailers' and distributors' systems. The proposed measures will increase transparency regarding the quality of those systems and allow more accurate calculation of gas delivered to end-users and UFG. A further benefit will be the consequential system improvements that occur as UFG problems are identified and rectified.

Some retailers (particularly those retailers who carry the burden of excessive UFG under the current voluntary arrangements – the so called 'incumbents') have been contributing considerable resources towards trying to ascertain and address the causes of UFG at gas gates with untenably high levels of UFG. Despite the resource being applied, little improvement has been made, often

² The 1 October 2009 date is now unrealistic. It is now expected that implementation of a pan-industry agreement would not be feasible until 1 October 2010 at the earliest. This means that the relative benefits of the regulatory solution are probably understated by the NZIER analysis.

due to a lack of industry buy-in. The proposals will see a reduction in these negotiation and search costs and the mandatory governance arrangements will ensure that appropriate levels of industry involvement will be applied in future towards the resolution of untenable UFG levels.

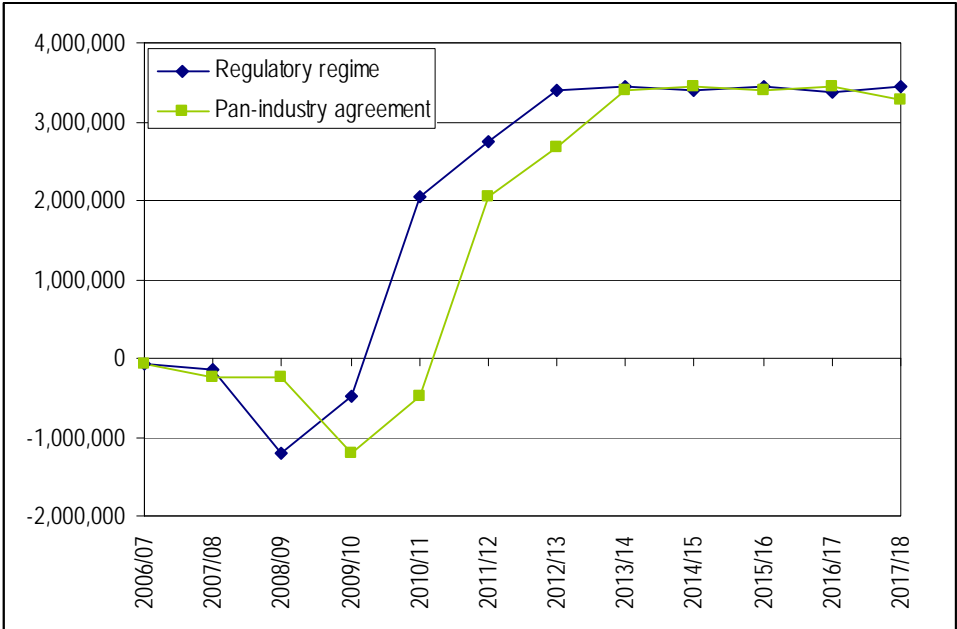
NZIER grouped the benefits of the proposed arrangements into the following three categories - UFG benefits; dispute benefits; and competition benefits. The costs of the proposed arrangements were grouped into four categories - development costs; establishment costs; administration costs; and operational costs.

Establishment costs will differ according to whether improved reconciliation arrangements are implemented through a pan-industry agreement or a regulatory regime. By contrast, the development, administration and operational costs of the new arrangements will largely be the same under either a pan-industry agreement or regulatory regime approach.

It was also assumed that the new arrangements will require amendment every five years. The costs of developing and establishing these amendments each time, whether under a pan-industry agreement or a regulatory regime, was assumed to average one quarter of the initial establishment costs.

The annual net benefits of the new proposed reconciliation arrangements were presented by NZIER as follows:

Figure 1 Annual net benefits



Source: NZIER

With discounting to reflect their relative timing, the above costs and benefits imply, over the period 2006/07 to 2017/18 present value total net benefits of:

- \$8.354 million under a pan-industry agreement (\$12.286 million present value total benefit less \$3.933 million present value total cost).
- \$10.792 million under a regulatory regime (\$14.769 million present value total benefit less \$3.977 million present value total cost).

A regulatory regime is therefore expected to provide \$2.439 million more in net benefits than a pan-industry agreement over this time period. The largest cost component is operational costs, at 81 per cent of present value total costs under a pan-industry agreement and 89 per cent under a regulatory regime.

Present value total benefits are dominated by competition benefits, at 99 per cent under each of a pan-industry agreement and a regulatory regime.

The sensitivity of these results to the cost and benefit coefficients was considered. Present value net benefits are most sensitive to the magnitudes of the operational costs and competition benefits adopted. In all cases, however, net benefits remain positive under both a pan-industry agreement and a regulatory regime, and significantly higher under a regulatory regime. This remains so even if operational costs or competition benefits are half the size modelled.

Since commissioning the cost benefit analysis some changes have been made to the proposal, in particular to the methodology by which UFG is allocated. Gas Industry Co has considered whether those changes (and, in particular, the proposal to adopt the averaged one month global UFG allocation to TOU customers, as opposed to the 1 month UFG global approach) would change the outcome of the cost benefit analysis. Gas Industry Co does not consider that any of the changes (including the adoption of the different UFG allocation model) would change the outcome of the cost benefit analysis – if anything it would only result in a wealth transfer between different industry participants.

Gas Industry Co does not consider that there are any other matters relevant to its assessment of the reasonably practicable options.

5.3 Conclusion

Having concluded the process outlined above, Gas Industry Co believes that:

- the status quo option does not meet the regulatory objective and is not a reasonably practicable option;

- the pan industry agreement, whilst it might meet the regulatory objective, will incur greater costs than a regulatory arrangement due to the need for industry agreement and possible authorisation or clearance from the Commerce Commission, and take longer for benefits to accrue due to delayed implementation.

Therefore, Gas Industry Co has concluded that the reasonably practicable option which best meets the regulatory objective is to develop rules or regulations to govern downstream allocation and reconciliation.

6 Consultation

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 2. Submissions on the Statement of Proposal paper were received from nine industry participants:

- Contact Energy;
- E-Gas;
- Energy Direct NZ (formerly Wanganui Gas);
- GasNet;
- Genesis Energy;
- Nova Gas;
- PowerCo;
- Tom Tetenburg and Associates; and
- Vector.

In general, the submissions demonstrated that there is strong support for improvements to be made in this area, but some continuing disagreement regarding the mechanics of the most appropriate allocation methodology and disagreement in relation to some detailed technical matters.

A number of key issues and areas of stakeholder disagreement emerged from the submissions on the Statement of Proposal paper. Those issues, and the conclusions reached by Gas Industry Co in respect of each of them, are summarised below. On many of these issues, fuller explanation of Gas Industry Co's reasons for its approach is presented in the Updated Proposal paper. The summary also includes minor additional changes made as a result of the Industry Workshop.

6.1 Key issues and responses from submissions on the Statement of Proposal, including feedback received at the Industry Workshop

In progressing the development of the rules and in responding to stakeholder submission, Gas Industry Co has been mindful of the equivalent electricity regime which is already in place. Many of the proposed rules are loosely based on equivalents in the electricity rules. This is appropriate. Many industry participants operate in both the gas and electricity markets and it is helpful if operationally there are similarities between the gas and electricity reconciliation regimes. However, there are also key differences between the two fuels. Key differences include high technical losses on electricity networks, that electricity use is instantaneous and that wholesale electricity prices are more variable.

Gas Industry Co considers the proposed measures take sensible account of the electricity precedents while they are also appropriately tailored for the New Zealand gas industry.

Dealing with the transition to the 'go-live' date for the gas registry

At this stage, Gas Industry Co is working towards a go-live date of 1 October 2008 for the Reconciliation rules. However, because of delays in Ministerial approval of the Gas (Switching) Rules 2008 (the 'Switching Rules'), the gas registry will now not be operational until March 2009. At the time that the Statement of Proposal was released, the draft Reconciliation Rules assumed that the gas registry would become operational at the same time as those rules. However, as the delay in implementation of the gas registry was communicated to industry participants during the submissions period, a number of submissions commented on this issue.

Three submissions favoured changing the go-live date for the Reconciliation Rules, one favoured changing the transitional arrangements and others (including from some retailers which are likely to be most affected) were silent.

Having taken the submissions into account, Gas Industry Co's preferred approach is to retain the 1 October 2008 date and include a number of transitional provisions to allow for the gas registry not being operational until 1 March 2009. This approach was set out in the Updated Proposal and the rationale explained, particularly the desirability of getting the improvements in place as soon as possible and the administrative advantages of commencing at the start of a gas year. There was no suggestion at the Industry Workshop that this should be changed.

Dealing with the allocation of gas between TOU and non-TOU customers, especially during the transitional period

An issue discussed intensively throughout 2007 was that of managing the allocation of gas between TOU and non-TOU customers. This is both a technical and commercial issue and submissions tend to be polarised depending on the makeup of the retailer's customer base. Analysis of this issue has been particularly difficult due to the lack of high quality information and the inability to accurately predict if and, if so, how UFG levels will change following the introduction of the draft rules.

Based on the submissions, Gas Industry Co considers that there is no strong evidence that TOU meters contribute less on average to UFG than non-TOU meters and that, in the long-term, there is most merit in continuing to allocate a more stable level of UFG to TOU customers. This approach is not supported by all stakeholders.

Given the problems with information quality, the Statement of Proposal proposed applying a national average rate of UFG during an initial transitional period. Three submissions suggested that, despite the information uncertainties, a per gas gate approach during the transitional period was preferred to the national average approach.

The draft rules thus adopt a per gas gate UFG factor for use in the transitional period, with a national average only to be applied if gas gate data is not available (for example, on gas gates that are not shared and not covered by the Reconciliation Code). The per gas gate transitional UFG factor will have a cap and floor applied to it (a factor of 1.035 and 0.985) to limit 'rate-shock' in UFG allocations to either TOU or non-TOU customers. Where the proposed approach is inequitable (for example, where there is one large TOU customer and a very small number of non-TOU customers at a particular gas gate) the transitional exemption provisions in the rules provide a means to apply a fairer allocation.

The approach described above was set out and fully explained in the Updated Proposal. There were no adverse comments on the proposed approach at the Industry Workshop.

Exemptions from the rules

Although submissions generally supported the need for exemptions, there were strong calls for more details on the process and a better assurance that exemptions would be applied in a way that did not unfairly advantage individual parties.

In response to industry submissions, the process requirements in the rules have been expanded. For example, the updated rules now require that Gas Industry Co may only grant an exemption following consultation with substantially affected persons and if satisfied the granting of an exemption will better achieve the purposes of the Reconciliation rules. Once the rules are made by

the Minister, Gas Industry Co also expects to develop operating guidelines on how the exemptions process will operate.

The expanded process was set out and fully explained in the Updated Proposal. There were no adverse comments on the approach proposed at the Industry Workshop.

Status of metering standard NZS 5249

The rules include some references to the 2004 version of NZS 5259 which is the standard for gas measurement and metering. Submitters were generally concerned about this as they are only required to comply with the 1997 version of the standard under the Gas Regulations 1993.

Gas Industry Co considers the concerns about regulatory inconsistency are overstated as the rules only apply certain specific obligations in the standard. In addition, the MED recently released a consultation paper in which it proposes to amend the Gas Regulations to refer to the 2004 standard. Accordingly, the reference to the 2004 standard is retained in the proposed rules.

Submitters were also concerned about regulatory duplication, arguing that as participants are already required to comply with the standard in the Gas Regulations it is not necessary to include it in the Reconciliation rules. However others, such as Contact, recognised that compliance with the standard is crucial to the effective operation of the rules and it was therefore important for it to be included in them so that compliance could be enforced through the compliance regime.

Introduction of standardised billing methodology

While there has been persistent support from some industry participants for the rules to mandate the introduction of a standardised billing and estimation methodology, other retailers are opposed to it. The proposed rules do not include this requirement. Although a standardised methodology has attractions, it potentially adds large compliance costs and its development would be a major distraction to the implementation of the core reconciliation proposal. Gas Industry Co has decided to set aside this issue for future consideration.

Funding options and allocation of costs

The draft rules require retailers to fund ongoing allocation costs under a dedicated funding process set out in the rules, rather than through the annual levy process specified in the Gas Act for the funding of Gas Industry Co. There was broad support for this.

In relation to allocation of costs, the draft rules in the Statement of Proposal allocated costs to retailers based on allocated volumes. As with submissions on previous consultation papers (including the January 2007 Paper that proposed a different approach), submissions on this were mixed. Three submissions on the Statement of Proposal supported the volume-based approach,

three supported cost allocation based on customer numbers, and two provided alternative approaches. In particular, submitters with large numbers of TOU customers opposed the volume-based approach.

The submission from the current allocation agent supported the funding by volume proposal. Further, informal discussions with him indicate that a substantial proportion of time is spent tracking and checking TOU information to ensure that consumption from TOU customers is correctly recorded and reported.

Accordingly, Gas Industry Co has taken the submissions into account but has decided to continue with the proposal to allocate costs based on gas volumes.

Cost benefit analysis of rules compared to pan-industry agreement

There were no submissions strongly opposed to NZIER's cost benefit analysis. Some submissions suggested that the potential for a pan-industry agreement should be further investigated by Gas Industry Co, or that certain costs did not reflect actual costs (although detailed information was not provided to substantiate these claims). However, none of the submissions challenged the primary finding that there was net benefit in implementing new reconciliation arrangements. Further analysis by Gas Industry Co has also indicated that the net advantage of the rules over a pan-industry agreement has, if anything, strengthened as a result of the delay in the gas registry.

For the reasons discussed elsewhere in this paper, Gas Industry Co's view is that a regulatory arrangement is the reasonably practicable option that provides the most net present value benefit.

Need for further consultation

Three submissions on the Statement of Proposal specifically stated that a further round of consultation was required to better resolve technical issues. Extensive consultation has already occurred, starting with the GART in 2006, two discussion papers, the opportunity for feedback on the draft Statement of Proposal paper, and formal consultation on the Statement of Proposal. Since then, the Updated Proposal has been released to participants and opportunities for feedback provided both at the Industry Workshop and prior to this recommendation being submitted. Over this period of time, most options for dealing with issues have been canvassed.

There remains a small potential risk that a participant may challenge the rules based on a perceived lack of compliance with section 43L. Such a challenge would likely focus on the aspects of the proposal that have been amended since release of the Statement of Proposal.

Gas Industry Co considers the risk of a successful challenge to be low. In particular, Gas Industry Co considers that the changes made to some detailed aspects of the proposal since the Statement of Proposal was released were made in accordance with a proper consultation process. The

changes were made in response to the views of industry participants and MED, and generally relate to minor process and detail issues surrounding the application of the allocation and reconciliation rules, many of which have already been the subject of previous consultation. The approach taken by industry participants at the Industry Workshop was very productive and the general sense was one of approval for the initiative taken in holding the workshop. Subsequent to the workshop, Gas Industry Co provided industry participants with another opportunity to comment on the revised rules prior to this recommendation being finalised. In the circumstances, Gas Industry Co considers a further formal round of consultation is not required and that it has complied with its consultation obligations.

Allocation Agent process

Some submissions suggested that the draft rules in the Statement of Proposal did not sufficiently prescribe either the process for appointing the allocation agent or the process that the allocation agent must follow.

Gas Industry Co has made a number of changes to the draft rules attached to the Statement of Proposal in response to these submissions, in particular requiring that the allocation agent maintain a website for the purpose of publishing information, tightening the process in relation to corrections and requiring performance of allocations even in the event that participants fail to provide the required consumption information.

In relation to the appointment terms and process, Gas Industry Co considers it appropriate that the rules maintain some flexibility. However, to the extent practicable, Gas Industry Co confirms it will seek industry views on both the process and terms of the allocation agent's appointment.

The changes set out above were incorporated in the Updated Proposal and did occasion some discussion at the Industry Workshop. No change was made as a result.

Process for audits

A number of submissions commented on the draft audit arrangements, including the need for the process and scope of those arrangements to be bolstered. Gas Industry Co considers it appropriate for the *potential* scope of audits to be at the broad end of the spectrum. However, under the proposed rules, Gas Industry Co will take care to ensure that audits are appropriately scoped and that scope creep does not occur.

Timing issues in regard to allocation process

The current allocation agent's submission raised strong concerns that the proposed timing of the various processes was not workable, with a few other submissions also noting some timing concerns. Gas Industry Co reviewed all of the time frames in the rules and proposed a number of

changes. Streamlining the allocation timeframes should decrease the allocation agent's costs. The changes were circulated to industry participants in the Updated Proposal and discussed at the Industry Workshop. Minor changes were made as a result.

Protection of confidentiality

Some of the submissions did not consider that the draft rules attached to the Statement of Proposal went far enough to protect confidentiality. As a general principle, Gas Industry Co is in favour of improving information availability in this area. However, if the operation of the rules results in legitimate confidentiality concerns, this may be an area where an exemption is appropriate.

Reasonable endeavours to reduce UFG

A number of submissions noted that the draft rules attached to the Statement of Proposal did not include sufficient measures to incentivise the industry to improve UFG. In response to this, Gas Industry Co has included a general obligation on all industry participants to use reasonable endeavours to remedy the cause of UFG or reduce UFG occurring at a gas gate.

This approach was included in the Updated Proposal.

Application of seasonal adjustments for consumption information

The draft rules attached to the Statement of Proposal provided for the application of seasonally adjusted daily shape values to meter readings in preparing consumption information for submission to the allocation agent. However, the submissions from Contact and Genesis suggested that the provisions needed further technical refinements and clarification. In response to submissions, Gas Industry Co made some changes to the intended content of the seasonal adjusted daily shape values and the process of applying those values to meter readings.

The proposals for application of profiles and seasonal adjustments were also discussed at the Industry Workshop and the results of that discussion are set out separately below.

Amendments made as a result of the Industry Workshop

At the Industry Workshop agreement was reached with participants on substantive technical changes as follows. For convenience these changes include those made prior to the workshop (and available for discussion) but not included in the Updated Proposal:

- a provision has been included to address the lack of gas information needed to invoice for ongoing fees for the first two months after go-live, and drafting changes were made prior to the workshop to ensure consistency with feedback from the MED on the switching rules;

- Gas Industry Co is now required to formally consult with allocation participants prior to setting information exchange formats, and to give 3 months notice prior to implementation;
- changes have been made to allow retailers to forecast seasonal shape values or other methodologies for applying to historic estimates, but the entire consumption information submitted for an initial allocation (rather than just forward estimates) must now be accurate within the required percentage of error when compared to the consumption information submitted for a final allocation;
- the rules now provide for Gas Industry Co to develop guidelines on the methodology used by the allocation agent in determining whether or not to register a deemed profile submitted by a retailer, and to consider disputed determinations; and for the compulsory ongoing review of determinations;
- changes have been made so that the annual reconciliation of gas quantities and the report on the accuracy of initial consumption information is now carried out monthly by the allocation agent on a rolling previous 12 month basis; and
- changes have been made to the pre-registry transitional provisions to provide more time for the allocation agent to resolve disputes as to who is the responsible retailer for a consumer installation, and to give the allocation agent access to information from 'allocation participants' generally (rather than just 'distributors') to resolve disputes.

6.2 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 extensive opportunity for industry comment, including the GART in 2006, two discussion papers, opportunity for feedback on a draft Statement of Proposal, including draft rules, the release of the Updated Proposal and numerous industry workshops.

Industry participants broadly support the need for a revised and mandatory downstream allocation and reconciliation regime. While particular issues remain contentious, there is strong industry consensus that sensible compromises need to be made. Gas Industry Co's view is that the draft rules represent a robust compromise and that the proposal overall is the reasonably practicable option that best meets the regulatory objective.

7

Potential Risks

The key risks with the proposal which have been identified by Gas Industry Co are:

- **Challenge from an industry participant on the need for further consultation:** As discussed above, changes have been made to the proposal since the release of the Statement of Proposal and there is some risk that an industry participant may challenge the decision to proceed to a final recommendation without a further round of formal consultation. Gas Industry Co's view is the risk is low and it is confident it has met its consultation obligations. Gas Industry Co also notes the very constructive industry reaction to the Industry Workshop and the minor amendments made to the rules.
- **Delay affecting the proposed implementation date:** The timeframe to achieve the go-live date of 1 October 2008 is tight. Unforeseen delays may jeopardise Gas Industry Co's ability to implement the proposal by the go-live date. If Gas Industry Co becomes aware that the go-live date is unachievable, it will seek urgent rule changes to allow an alternative date to be selected – most probably to coincide with the go-live date for the registry or failing that the commencement of the next gas year. The changes that would be required and the timing of the associated processes, will be scoped as a part of implementation contingency planning.
- **Difficulties in appointing the allocation agent and auditors:** The appointment of an appropriate allocation agent may be problematic, particularly if the incumbent allocation agent decides not to pursue the role. Issues to be considered include the establishment of appropriate allocation systems and the management of allocations during the transitional period (for example, given the current lack of standardisation of the data submitted by industry participants). Industry participants have also suggested that existing relationships and the size of the New Zealand market may affect Gas Industry Co's ability to fill other key roles (such as the appointment of auditors). However, in relation to both the allocation agent and other roles, there are expected to be a sufficient depth of candidates able to be identified, including international companies, with relevant experience and Gas Industry Co is confident it will be able to implement the rules and appoint qualified, appropriate service providers.
- **Technical errors in the rules:** Despite the rules being provided to industry participants in several drafts, prior to both the Statement of Proposal and the Industry Workshop, there was limited engagement on the precise mechanics of the draft rules. There is a risk that technical

errors may be discovered in the rules following their approval. This risk will be mitigated primarily by using the transitional exemption provisions. Urgent rule changes to address any such technical errors will be made as a last resort only.

- **'Rate shock'**: There is some risk that changes to the allocation of UFG will result in an increase in the amount of UFG being charged to customers. Gas Industry Co understands that the potential for industry participants to directly pass on increases in UFG to customers is more acute in relation to large TOU customers. Pricing for mass market customers may also be affected but the precise impact is difficult to assess and will depend on each retailer's process for calculating mass market retail prices. For example, relevant factors will include whether retailers calculate their mass market customer charges on a per gas gate or a more regional basis (Gas Industry Co understands many retailers adopt a regional pricing approach), the level of gas volume 'margin' in retailers' take-or-pay contracts, and the impact of rectifying the unfair levels of UFG being allocated to some mass market customers through the current 'differencing' method of allocation.

The design of the proposal, and in particular the design of the transitional arrangements, is intended to mitigate any potential rate shock. This will be done in the first instance through the application of the cap and floor on allocations to TOU customers, but the transitional exemptions will be used to deal with any extraordinary circumstances.

- **Significant short-term adverse financial impacts on some retailers**: The proposal is likely to result in significant changes to UFG allocation at some gas gates, particularly those where UFG is large and there is a significant reduction in the amount of UFG being allocated to the previous 'incumbent' retailer. The transitional arrangements will help mitigate these adverse affects by capping the UFG allocation to TOU customers, such that the UFG factor will not go above 1.035 or below 0.985 for those customers.

In terms of the policy rationale, at some gas gates where the differencing method of allocation is being applied the bulk of UFG is being unfairly allocated to the incumbent retailer to the advantage of all the non-incumbent retailers at that gas gate. Where this is the case the financial impact of the draft rules on the non-incumbent retailers at such gas gates may have to be accepted as the first step towards correcting the current inequalities.

- **Risks due to the lack of a central registry**: As noted above, the proposal includes transitional arrangements to address the lack of a central registry on the go-live date. The central registry is to be established under the switching rules which come into effect on 13 March 2008 and is not expected to be operational until March 2009. The transitional arrangements in relation to the registry involve resolution by the allocation agent of disputes relating to customer installation data. One possible risk is a failure to satisfactorily resolve any such disputes. The impact of this risk will depend on the number of disputes that eventuate. However, even given

the above risk, the proposal represents a significant improvement on the status quo as there is currently no agreed process for the resolution of such disputes.

Gas Industry Co considers that these risks are not sufficient to detract from the overall benefits of the proposal. Also, the risks of not proceeding with the proposal need to be taken into account. Downstream allocation and reconciliation needs improvement. The proposals represent a significant improvement on the status quo and in meeting the Government's objectives for the gas industry.

8

Gas Act objectives and MED consultation

8.1 Consideration of Gas Act objectives

The 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 43ZO of the Act, Gas Industry Co must have regard to those objectives and outcomes when making recommendations 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.”

Section 43ZN of the Act sets out the other objectives which are:

- (i) the facilitation and promotion of the ongoing supply of gas to meet New Zealand’s energy needs, by providing access to essential infrastructure and competitive market arrangements;
- (ii) barriers to competition in the gas industry are minimised to the long-term benefit of end-users;
- (iii) incentives for investment in gas processing facilities, transmission, distribution, energy efficiency and demand-side management are maintained or enhanced;
- (iv) delivered gas costs and prices are subject to sustained downward pressure;
- (v) risks relating to security of supply, including transport arrangements, are properly and efficiently managed by all parties;
- (vi) consistency with the Government’s gas safety regime is maintained; and

Paragraph 5 of the GPS adds that, consistent with the overall objective and the other objectives in the Act, the Government is seeking certain other specific outcomes which include:

- (b) Energy and other resources are used efficiently;
- (e) The full costs of producing and transporting gas are signalled to consumers;

- (g) The quality of gas services and in particular trade-offs between quality and price, as far as possible, reflect customers' preferences;
- (j) The gas sector contributes to achieving the Government's climate change objectives by minimising gas losses and promoting demand-side management and energy efficiency."

Also, more specifically in relation to allocation and reconciliation, paragraph 9 of the 2004 GPS sets out the Government's expectation that Gas Industry Co will develop and submit to the Minister for approval proposed arrangements, including regulations and rules where appropriate, providing for effective industry arrangements in certain areas. In relation to reconciliation, Gas Industry Co is to develop and propose arrangements for:

- ...protocols and standards applying to wholesale gas trading, including quality standards, balancing and reconciliation.
- ...
- The establishment of consistent standards and protocols across distribution pipelines so that gas market participants can access distribution pipelines on reasonable terms and conditions.
- The establishment of gas flow measurement arrangements to enable effective control and management of gas. "

The specific downstream reconciliation objective is even more clearly presented in the draft 2008 GPS, as follows:

Establish and maintain effective and efficient arrangements for the allocation and reconciliation of downstream gas quantities.

In the Statement of Proposal, the objective of the proposal was stated to be to recommend arrangements for "more efficient and accurate downstream allocation and reconciliation of gas quantities". Further, that such arrangements should:

- ensure the protocols and standards for reconciling and balancing downstream gas, and providing and disclosing of data and information, are efficient, fair, and reliable;
- standardise data exchange protocols across the industry and ensure the correct data are communicated to all affected parties in a timely manner;
- provide for consistent, transparent, and enforceable processes;
- facilitate retail competition and ensure barriers to competition are minimised;
- establish more transparency of the full costs of balancing and reconciling gas; and
- provide for more accurate identification and fairer allocation of the amount of UFG

Gas Industry Co's detailed analysis of the proposal against the regulatory objective is set out in Appendix 1. This concludes that establishing the downstream allocation and reconciliation arrangements in accordance with this recommendation is the most reasonably practicable option for delivering the regulatory objective.

8.2 Consultation with MED

Representatives of the MED have been briefed regularly by Gas Industry Co on the development of both the downstream allocation and reconciliation arrangements and the compliance and enforcement arrangements. MED has been issued with all relevant documents in conjunction with the industry stakeholders identified in Appendix 2.

Detailed discussions occurred with MED in November 2007 and January 2008 and full account was taken of those discussions in preparing the proposals attached.

MED officials were provided with a copy of this recommendation prior to it being approved by the Gas Industry Co Board for release to the Minister. Comments from MED have been taken fully into account. Advice from the Energy and Communications Branch of MED is that they agree with the policy settings for downstream reconciliation, and are generally comfortable with the legal drafting for incorporating those policy settings into the recommended rules.

8.3 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 and the assessment completed under section 43N in both the Gazette and on the Company's website.

The notice of recommendation to be published in the Gazette is attached as Appendix 3.

A draft of the notice to be published on Gas Industry Co's website is attached as Appendix 4.

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.

9

Recommendation

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 Gas (Downstream Reconciliation) Rules 2008 in the form attached as Appendix 5 to this recommendation.

10 Appendices

The following appendices are attached to this recommendation:

- Appendix 1: Assessment
- Appendix 2: List of stakeholders for consultation
- Appendix 3: Notice for Gazette
- Appendix 4: Notice for website
- Appendix 5: Rules

Appendix 1: Analysis of reasonably practicable options against the regulatory objective

Option 1 – Status Quo

Note: Gas Industry Co does not consider that continuation of the Status Quo is a reasonably practicable option as it fails to deliver the regulatory objective. However, analysis of the Status Quo is presented below for completeness.

Objective	Objective requirement	Meets objective requirement?	How objective met/not met
Efficiency	Protocols and standards for reconciling gas are efficient	No	Lack of transparency/ too much confidentiality/ Irregular updating of loss factors/ Appointment of Allocation Agent problematic/ No transparent, workable, enforceable, mandatory governance arrangements
Efficiency	Provides standardised data exchange protocols	No	No standardised file formats or data requirements
Efficiency	Ensures correct data is communicated to all affected parties in a timely manner	No	Inadequate timeframes/ wash-up timings inappropriate
Accuracy	Reconciliation produces accurate results	No	Inconsistent estimation methodologies/ Issues with frequency of meter reading/ lack of effective incentives to provide accurate information/ ad hoc corrections problematic
Fair	Protocols and standards for reconciling gas are fair/ equitable	No	UFG allocation untenable on some gates/ Lack of transparency
Fair	Provides accurate identification and fairer allocation of the amount of UFG	No	UFG allocation untenable on some gates/ Lack of transparency
Reliable	Protocols and standards for reconciling gas are reliable	No	No effective compliance/ not auditable/ inaccurate information

Objective	Objective requirement	Meets objective requirement?	How objective met/not met
Reliable	Consistent, transparent, and enforceable processes	No	No transparent, workable, enforceable, mandatory governance arrangements
Reliable	Is auditable	No	No workable audit process in current arrangements
Reliable	Effective compliance regime	No	No effective mechanism that monitors and enforces compliance with the provisions in the Reconciliation Code and allocation agreements
Barriers to competition minimised/ Facilitates Retail Competition	Transparency around full costs of balancing and reconciling gas	No	No transparency surrounding UFG and its allocation/ Lack of transparency
Barriers to competition minimised / Facilitates Retail Competition	Provides a reconciliation process, which does not create barriers to new entrant participants	No	Any new entrant would be faced with uncertainty surrounding reconciliation processes and the costs/ obligations involved

Option 2 – Pan-industry agreement

Objective	Objective requirement	Meets objective requirement?	How objective met/not met
Efficiency	Protocols and standards for reconciling gas are efficient	Yes	Introduction of transparent, workable, enforceable, mandatory governance arrangements/ standardised processes
Efficiency	Provides standardised data exchange protocols	Yes	Requirement to comply with any data exchange protocols developed by the industry and published by Gas Industry Co
Efficiency	Ensures correct data is communicated to all affected parties in a timely manner	Yes	Processes to enable reconciliation are more clearly defined and timeframes for allocation are clear
Accuracy	Reconciliation produces accurate results	Yes	Historical Estimation methodologies defined and requirement for calculation of forward estimates (including requirement that initial submission be within 15% of final submission Meter reading obligations to ensure more accurate reconciliation data
Fair/Equitable	Protocols and standards for	Yes	Measures to ensure more

Objective	Objective requirement	Meets objective requirement?	How objective met/not met
	reconciling gas are fair/ equitable		accurate reconciliation data is submitted be in place which would ensure fair and correct allocation of gas quantities Methodology for allocating UFG defined
Fair/Equitable	Provides accurate identification and fairer allocation of the amount of UFG	Yes	Methodology for allocating UFG defined UFG amounts published so more transparent
Reliable	Protocols and standards for reconciling gas are reliable	Yes	Measures to ensure more accurate reconciliation data is submitted be in place which would ensure fair and correct allocation of gas quantities Introduction of compliance processes
Reliable	Consistent, transparent, and enforceable processes	Partly	Governance arrangements introduced – rely on cooperation of parties – not easily enforceable
Reliable	Is auditable	Partly	Audit processes in place – rely on cooperation of parties – not easily enforceable
Reliable	Effective compliance regime	Partly	Monitoring and compliance regime set out – rely on cooperation of parties – not easily enforceable
Barriers to competition minimised/ Facilitates Retail Competition	Transparency around full costs of balancing and reconciling gas	Yes	Processes defined and therefore more transparent UFG amounts published
Barriers to competition minimised / Facilitates Retail Competition	Provides a reconciliation process, which does not create barriers to new entrant participants	Yes	Development of robust reconciliation processes and availability of information mean that new entrants will have the necessary information required to enter the gas retail market

Option 3 – Regulatory arrangement

Objective	Objective requirement	Meets objective requirement?	How objective met/not met
Efficiency	Protocols and standards for reconciling gas are efficient	Yes	Introduction of transparent, workable, enforceable, mandatory governance arrangements/ standardised processes
Efficiency	Provides standardised data exchange protocols	Yes	Requirement to comply with any data exchange protocols developed by the industry and published by Gas Industry Co

Objective	Objective requirement	Meets objective requirement?	How objective met/not met
Efficiency	Ensures correct data is communicated to all affected parties in a timely manner	Yes	Processes to enable reconciliation are more clearly defined and timeframes for allocation are clear
Accuracy	Reconciliation produces accurate results	Yes	Historical Estimation methodologies defined and requirement for calculation of forward estimates (including requirement that initial submission be within 15% of final submission Meter reading obligations to ensure more accurate reconciliation data
Fair/Equitable	Protocols and standards for reconciling gas are fair/ equitable	Yes	Measures to ensure more accurate reconciliation data is submitted be in place which would ensure fair and correct allocation of gas quantities Methodology for allocating UFG defined
Fair/Equitable	Provides accurate identification and fairer allocation of the amount of UFG	Yes	Methodology for allocating UFG defined UFG amounts published so more transparent
Reliable	Protocols and standards for reconciling gas are reliable	Yes	Measures to ensure more accurate reconciliation data is submitted be in place which would ensure fair and correct allocation of gas quantities Introduction of compliance processes
Reliable	Consistent, transparent, and enforceable processes	Yes	Governance arrangements introduced
Reliable	Is auditable	Yes	Audit processes in place
Reliable	Effective compliance regime	Yes	Monitoring and compliance regime set out
Barriers to competition minimised/ Facilitates Retail Competition	Transparency around full costs of balancing and reconciling gas	Yes	Processes defined and therefore more transparent UFG amounts published
Barriers to competition minimised / Facilitates Retail Competition	Provides a reconciliation process, which does not create barriers to new entrant participants	Yes	Development of robust reconciliation processes and availability of information mean that new entrants will have the necessary information required to enter the gas retail market

Appendix 2: List of stakeholders for consultation

Age Concern
AGL
Arete Limited
Auckland Gas Company
Austral Pacific Energy
Bay of Plenty Electricity
Bell Gully
BRG
Bridge Petroleum
Carter Holt Harvey
Castalia
Clifford Chance Law Office
Commercial Chambers
Commerce Commission
Concept Consulting
Consumers Institute
Contact Energy Ltd
Craftware Computing Ltd
Degussa Peroxide Ltd
E-Gas
Electricity and Gas Complaints Commission
Electricity Commission
Energy Direct NZ
Energy Efficiency and Conservation Authority
Energy Link Ltd
Exergi
Fletcher Building Ltd
Four Winds Communication
Gas Association of New Zealand
Gas Net
Genesis Energy
Greymouth Gas NZ Ltd
Greymouth Petroleum
Greypower
Heinz Watties Ltd
HP Consulting & Integration
J H Vernon Consultancy
Kensington Swan
LECG
Loyalty NZ Ltd
LPG Association of New Zealand
Major Electricity Users Group
Marsh Limited
Maui Development Ltd
M-Co
Methanex New Zealand
Mighty River Power
Ministry of Civil Defence and Emergency Management
Ministry of Consumer Affairs
Ministry of Economic Development
Ministry of Research, Science & Technology
Multigas (NZ) Ltd
National Council of Women
New Zealand Oil and Gas Ltd
New Zealand Refining Co Ltd
Neil Walbran Consulting Ltd
New Zealand Steel
NGC Metering Ltd
Norske Skog Tasman Ltd
Nova Gas Ltd
NZ Water and Wastes Association
NZX
O-I New Zealand Ltd
OMV New Zealand Ltd
On Gas Industrial & Commercial
Origin Energy NZ
Pan Pac Forest Products Ltd
Parliament
Parsons Brinkerhoff Associates
Penshaws Ltd
PEPANZ
Powerco Ltd
Pricewaterhouse Coopers
RBZ Energy Ltd
Russell McVeagh
Shell (Petroleum Mining) Ltd
Shell Todd Oil Services Ltd
Simpson Grierson
Stigley & Co
Strata Energy Consulting
Swift Energy Ltd
Tap Oil Ltd
Tatua Co-op Dairy
Tetenburg & Associates
The Australian Gas Light Company
Thorndon Chambers
Todd Energy Ltd
Transpower
Vector Ltd
Wanganui Gas Ltd
Westech Energy

Appendix 3: Notice for Gazette

Notice of Making of an Assessment and Recommendation for Gas Governance Rules

This notice of a recommendation and assessment for gas governance rules 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 and the assessment completed under section 43N of the Act.

Recommendation

On 12 March 2008 Gas Industry Co made a recommendation to the Minister of Energy for approval of the Gas (Downstream Reconciliation) Rules 2008 to provide for the establishment of a downstream allocation and reconciliation regime. The rules will:

- implement a number of mandatory information quality measures;
- provide for the appointment of a single downstream allocation agent by Gas Industry Co;
- establish that the month end daily allocation service will be performed using a specified global methodology on all gas gates to ensure that gas quantities and UFG are more fairly and accurately allocated across all retailers;
- provide for greater transparency through publication of a range of information, including UFG quantities;
- mandate clear, transparent governance structures and related processes;
- allow for the performance of audits and the establishment of a compliance regime; and
- provide for the granting of exemptions by Gas Industry Co, where appropriate.

A recommendation for amendments to the proposed Gas (Compliance) Regulations was made in conjunction with this recommendation.

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

Dated at Wellington this th day of March 2008.

For and on behalf of Gas Industry Co
Rt. Hon. James Bolger ONZ,
Chair

Appendix 4: Notice for website

Under section 430 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 and the assessment completed under section 43N of the Act.

On 12 March 2008, Gas Industry Co made a recommendation in respect of arrangements for the allocation and reconciliation of downstream gas quantities. The text of this recommendation, including the assessments under section 43N of the Act, are available through the website link below:

Recommendation to the Minister of Energy on Arrangements for the Allocation and Reconciliation of Downstream Gas Quantities

Appendix 5: Gas (Downstream Reconciliation) Rules

GAS (DOWNSTREAM RECONCILIATION) RULES 2008

Pursuant to sections 43F, 43Q and 43S of the Gas Act 1993, the Minister of Energy, 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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Schedule

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 28th 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;

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;

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 by 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 Prior to the **go-live date**, the **allocation agent** in consultation with the **industry body** must develop 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 on the **go-live date**.

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 the ongoing costs related to allocation and reconciliation and will include –

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 role 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 1st **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** on its website 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** on its website 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 1st **business day** of each month, the **industry body**, or the **allocation agent** if required to do so by the **industry body**, must invoice every person to whom rule 15.4 applies with that person's share of the estimated **ongoing allocation costs**, 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** on its website a breakdown of the actual **ongoing allocation costs** for that **gas year**.
- 17.3** No less than 10 **business days** after publication of the 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 (modified as necessary to refer to the actual **ongoing allocation costs**); and
 - 17.3.2** The amount of the estimated **ongoing allocation costs** paid by that person during the applicable **gas year**.

18. General provisions regarding fees

- 18.1** The due date for payment of:
 - 18.1.1** An invoice issued under rule 16.6 is the 20th day, or following **business day**, of the month in which the **retailer** receives the invoice; and
 - 18.1.2** Any other invoice or credit note is the 10th **business day** after the date on the invoice or credit note.
- 18.2** Any person who is liable to pay any fee under rules 15 to 18 inclusive, and who fails to make payment of such fee on or before the date on which it falls due, is liable to pay an additional fee of 10% of the amount of the fee that is unpaid.
- 18.3** The additional fee becomes payable and due on the 10th **business day** after the date that the **industry body** notifies the person that an additional fee is payable.

- 18.4** 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 will be added to the invoices 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, at the time the:

24.4.1 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 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** and the **allocation agent** under one or more of these rules:

25.1.1 The **industry body**, after consulting with **allocation participants**, may give notice to **allocation participants** specifying one or more information exchange file formats that **allocation participants** must provide information to the **allocation agent** in; and

25.1.2 No later than 3 months after receiving the notice, **allocation participants** must provide information to the **allocation agent** in the 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**.

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.

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 0800 hours on the 4th **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 9th **business day** of the 4th 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 14th **business day** of the 13th 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_P 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_P.

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_{CI} is the gas quantity in **GJ** allocated to a **consumption period** for a **consumer installation**

GJ_{P1} 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**

A₁ 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**

B₁ 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_{P1}

GJ_{P2} 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**

A₂ 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**

B₂ 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_{P2}.

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 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**.

39.2 The notice must –

39.2.1 Identify the **gas gate**; and

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

39.2.3 Be given no later than the final **business day** of the month in which the acts specified in rules 39.1.1 and 39.1.2, as applicable, occur.

40. Retailer reporting requirements

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

40.1 By 0800 hours on the 1st **business day** of each month a report on the proportion (in terms of volume) of historic estimates contained within the consumption information provided by the **retailer** to the **allocation agent** for the previous **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 10th **business day** of October in each **gas year** a report on the dates, frequency and number of **validated register readings** obtained in accordance with rule 29.5 during the previous **gas year**.

Transmission system owner obligations

41. Provision of daily injection information

Every **transmission system owner** must provide to the **allocation agent** by 0800 hours on the 4th **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**.

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 estimated daily energy quantities that were injected on the previous day at that **gas gate**.

Allocation agent obligations

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 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 consumption information previously provided to the **allocation agent** in respect of a **gas gate** 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.

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:

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

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:

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

Where:

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

$GRP_{d(1,2,\dots,\text{final})}$ 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;

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**;

45.2.7 Aggregate for each **retailer**, 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:

$$M_{UFG} = (\sum EI_m - \sum AQ_{1 \& 2}) / \sum CI_{3-6}$$

Where:

M_{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 0800 hours on the 5th **business day** of each month;
- (b) for **interim allocations** by 0800 hours on the 11th **business day** of each month;
- (c) for **final allocations** by 0800 hours on the 16th **business day** of each month; and

46.4.2 The **annual UFG factor** which will apply for each **gas year** by the 1st **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 0800 hours on the 5th **business day** of each month, the **allocation agent** must –

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

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**.

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 11th **business day** of each month, the **allocation agent** must –

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

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**.

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 16th **business day** of each month, the **allocation agent** must –

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

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**.

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 quantities billed to consumers when compared with consumption information provided to the **allocation agent** for the previous 12 billing months.

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

52.2.1 Each **retailer** must, by 0800 hours on the 11th **business day** of each month, provide to the **allocation agent** the total quantities billed, by **gas gate** and aggregated by invoice month, for the previous billing month.

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

- (a) the total quantities billed provided by each **retailer** for each **gas gate** in accordance with rule 52.2.1 for the previous 12 billing months; 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 previous 12 billing months.

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

52.3 In this rule, any reference to –

52.3.1 “previous billing month” or “previous 12 billing months” refers to the month or 12 months, as applicable, prior to the previous **consumption period**; and

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

- (a) supplied through normal customer supply and billing arrangements;
- (b) supplied under sponsorship arrangements; and
- (c) supplied under any other arrangement.

53. Allocation agent reports

53.1 By 1200 hours on the 1st **business day** of each month, the **allocation agent** must **publish** the **seasonal adjustment daily shape values** for every **gas gate**.

53.2 In respect of each **gas gate**, by 0800 hours on the last **business day** of each month, the **allocation agent** must **publish** the following reports for each **initial allocation**, **interim allocation**, **final allocation** or **special allocation** performed in that month:

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 (or, where necessary, estimated by the **allocation agent** in accordance with rule 43); 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 5th **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.

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.

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 **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 (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** –
- (a) 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
- (b) 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**

$\sum EI_{t2}$ 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**)

$\sum CI_{t2}$ 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 1st **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**.

ICP information during the pre-registry period

82. Pre-registry period

In rules 83 and 84, **pre-registry period** means the period commencing on the **go-live date** and ending on the go-live date specified and defined in rule 5 of the Gas (Switching Arrangements) Rules 2008.

83. Allocation participant obligations during pre-registry period

For the purposes of rules 26, 28, 29 and 30, during the **pre-registry period**, the obligations on **allocation participants** set out in those rules apply but only to the extent those obligations are able to be complied with as a result of the application of rule 84.

84. Responsible retailer and associated information during the pre-registry period

Despite anything else in these **rules**, during the **pre-registry period** the following rules apply:

- 84.1 Allocation group** means one of the **allocation groups** set out in rule 6.2 and to which each **consumer installation** is assigned in accordance with rule 29.
- 84.2 Responsible retailer** means, for a particular **ICP** or **consumer installation**:
- 84.2.1** The **retailer** whose retailer code is shown on the **distributor's** ICP database for that **ICP** or **consumer installation** for all or part of a **consumption period**; or
- 84.2.2** In the event of a dispute under rule 84.3, the **retailer** determined as the **responsible retailer** by the **allocation agent**.
- 84.3** If an **allocation participant** disputes the retailer code shown on a **distributor's** ICP database, then:

84.3.1 The **allocation participant** may give notice of that dispute to the **allocation agent**; and

84.3.2 No later than 20 **business days** after receiving such notice, the **allocation agent** must:

- (a) determine who is the **responsible retailer** for the purposes of allocations under these **rules**, after having regard to the views (if any) of the affected **allocation participants** concerned; and
- (b) give notice of its determination to the affected **allocation participants** concerned.

84.4 The **allocation agent** may require an **allocation participant** to provide to the **allocation agent** any information relevant to ascertaining who is the **responsible retailer** for an **ICP** or **consumer installation**, whether that information is held on the **distributor's** ICP database or otherwise.

84.5 For the purposes of rule 23.1:

84.5.1 The nominated office, postal address, facsimile number and electronic address of **retailers, distributors** and **meter owners** is the information provided to the **allocation agent** under rule 84.5.2; and

84.5.2 Prior to the **go-live date**, each **retailer, distributor** and **meter owner** must provide to the **allocation agent** its telephone number, physical address, facsimile number, email address, and postal address; and indicate whether they are a **retailer, distributor** or **meter owner**.

Schedule

Metering errors

Rule 44.5

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

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