



Vector Limited
101 Carlton Gore Road
PO Box 99882, Newmarket,
Auckland, New Zealand
www.vector.co.nz
Corporate Telephone
+64-9-978 7788
Corporate Facsimile
+64-9-978 7799

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The Gas Industry Company
Level 8, the Todd Building
95 Customhouse Quay
Wellington
www.gasindustry.co.nz

Consultation on special allocations to replace initial with D+1 allocation results

1. This is Vector's submission on the Gas Industry Company's (GIC) proposal to replace initial allocation results with D+1 allocation results (the special allocation proposal). This submission is made on behalf of both Vector Limited and Vector Gas Trading Limited, and it is not confidential.
2. Vector's contact for this submission is:

Anna Casey
Principal Regulatory Advisor
Tel: 09 978 8138
E: Anna.Casey@vector.co.nz
3. Vector would like to acknowledge the effort the GIC and the Daily Allocation Working Group (DAWG) have put into the D+1 trial.
4. However, Vector does not support the special allocation proposal. The proposal is intended to resolve inconsistency that may result from the use of D+1 information for daily balancing, but it will itself cause an inconsistency in the calculation of BPP¹ invoices under the VTC.²
5. Further, because allocation results are used for more than just BPP invoicing, there may be other unintended consequences of the special allocation proposal. However, given the abridged time for consultation we have not had the time to conduct a full analysis of the potential impacts.

Inconsistencies in BPP invoice calculations
6. The proportion of a BPP invoice payable by a Shipper is calculated by reference to the Shipper Allocation Formula³:

¹ Balancing and Peaking Pool

² Vector Transmission Code

³ Note that there are no longer any Non-Code Shippers under the VTC so the "NCS Costs" for this formula will be zero

$$\begin{array}{l} \text{Amount} \\ \text{Payable} \\ \text{by a} \\ \text{Shipper} \end{array} = \frac{\text{Shipper's negative RM}}{(\Sigma \text{SRM} + \text{VRI})} \times (\text{Vector Costs} - \text{NCS Costs})$$

where, in respect of that Pipeline and on the relevant Day:

Shipper's negative RM means the Shipper's negative Running Mismatch;

ΣSRM means the aggregate of all Shippers' negative Running Mismatch;

VRI means negative Vector Running Imbalance;

Vector Costs means the costs paid by Vector in relation to the purchased Gas, or payment to the Incentives Pool Trustee under *section 8.13* (as applicable); and

7. A Shipper's Mismatch (used for calculating its Running Mismatch) is its aggregate Receipt Quantity less its aggregate Delivery Quantity. Delivery Quantities are calculated in accordance with section 6.5 and for Delivery Points with more than one Shipper, the Delivery Quantity is the Allocation Result.⁴
8. If D+1 special allocations replace the current initial allocation, Shippers' Delivery Quantities will be calculated on the basis of D+1 data. Unlike the initial allocation, D+1 allocations do not reflect validated metered quantities.
9. By contrast to Shipper Mismatch, Vector's share of a BPP invoice is not calculated by reference to the Allocation Result. Rather, it is based on negative Vector Imbalance, which is the difference between Vector's receipt quantities and actual consumption of Fuel and Vented Gas, aggregated with UFG, where UFG is calculated as:

$$\text{UFG} = \Sigma \text{Receipts} - \Sigma \text{Offtakes} + \text{Line Pack}_{\text{start}} - \text{Line Pack}_{\text{end}} - \text{Fuel} - \text{Gas Vented}$$

where, in respect of the relevant given time period:

Receipts means the aggregate quantities of Gas measured as having entered a Pipeline at all Receipt Points on that Pipeline within that period;

Offtakes means the aggregate quantities of Gas measured as having been taken at all Delivery Points on that Pipeline within that period;

Line Pack_{start} means the Line Pack at the start of that period;

Line Pack_{end} means the Line Pack at the end of that period;

Fuel means the quantity of Gas used in the operation of equipment on or near a Pipeline (including compressors and line heaters) during that period; and

Gas Vented means any quantity of Gas estimated to have been (deliberately or otherwise) vented during that period;

10. Currently there is no difference between the Allocation Result and the measured Receipts and Offtakes for this formula, as both use the same set of validated metering data. However, if D+1 special allocations are used, these data sets will no longer match.

⁴ The Allocation Result is as defined in the Downstream Reconciliation Rules, and where a special allocation replaces an initial allocation, it is the special allocation.

11. A mismatch between the data used to calculate Shipper Mismatch and that used to calculate Vector Imbalance will mean that Vector and its Shippers' shares of any BPP invoice will not be in the same proportion as they would have been if the same data set were used. Further, there would be an inconsistency in the Shipper Allocation formula as the VRI figure used in that formula is negative Vector Running Imbalance, which is also calculated by reference to measured Offtakes and Receipts rather than the Allocation Result.
12. As a Reasonable and Prudent Operator, Vector cannot use separate data sets to allocate BPP liabilities, where that could result in unfair treatment of one or more parties to the VTC.

Possible transmission invoicing issues and other unintended consequences

13. In addition to its use in BPP invoicing, the Allocation Result is used to calculate Vector's transmission billing. We are concerned that the lack of accuracy in D+1 allocation results, compared to validated metering quantities, will mean an increase in the number of transmission invoices needing correction at a later date.
14. The special allocation proposal is undergoing a fast-track consultation in order to be ready for MBB implementation on 1 October. Vector has not had enough time available to it in that timeframe, particularly in the context of the other preparations it has to make for MBB, to conduct a thorough analysis of the potential impact of using D+1 special allocations instead of initial allocations. There may therefore be other issues not yet identified.

The role of daily BPP information and the special allocation proposal

15. We understand that the GIC does not intend to use D+1 allocations until Vector's Shippers are being provided with daily BPP information. Vector has been participating, in good faith, in the development of a method for providing daily BPP information to its Shippers to alleviate the negative effects of MBB on its Shippers. However, we would be reluctant to go live with daily BPP information if doing so triggers a special allocation process that would be inconsistent with VTC.
16. The issues identified in this submission may be able to be addressed by way of an amendment to the VTC. However, it is not practical or reasonable to expect Vector make substantive amendments to the VTC to implement any D+1 trial changes. Once D+1 arrangements are formalised, for example in regulations, with suitable lead times for changes to be made, we would be happy to consider any necessary amendments to the VTC.
17. Vector is ready to engage with the GIC to find an alternative solution to the inconsistencies between D+1 results and the initial allocation.

Yours faithfully
For and on behalf of Vector Limited



Anna Casey
Principal Regulatory Advisor