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Andrew Walker, Policy team
Gas Industry Company
By email: consultations@gasindustry.co.nz

Tēnā koe,

Proposed gas reconciliation and switching rules – practical implementation and balance in an emerging industry

Powerco is subject to the gas governance arrangements as a distributor, registry participant, and potential renewable gas injecting party. We welcome the opportunity to respond to the Gas Industry Company (GIC) consultation on proposed rule changes for downstream reconciliation and switching arrangements.

We support the general direction of these changes, particularly in confirming (draft) detailed arrangements for reporting of renewable gas injection into the distribution system. Regulation needs to carefully balance the costs and benefits of administrative changes. In the case of emerging industry changes, such as injection of renewable gas into the distribution system, care and balance is important to ensure a new industry is not weighed down by unjustified reporting, and that requirements are reasonable.

We acknowledge that further design work is planned for the renewable gas injection proposals. While there is a short window for this prior to actual injection occurring, we encourage the GIC to work with the industry (both distributors and biomethane producers) to progress this at pace, as confirmation of arrangements will be needed sooner rather than later.

The consultation document does not directly address costs and benefits, nor acknowledge or discuss difficulties with some proposals raised in previous consultations. Some proposals are just not possible for us to implement, such as providing information on meter communication status. We would be pleased to provide further explanation if the implementation difficulties we raise are not clear enough.

We have responded to some of the specific proposals in the attached table. This submission does not contain any confidential information. If you have any questions regarding this submission or would like to talk further on the points we have raised, please contact Irene Clarke Irene.Clarke@powerco.co.nz.

Nāku noa, nā,

EWilson

Emma Wilson
Head of Policy, Regulation and Markets
POWERCO

POWERCO

Responses to proposed rule changes

Rule reference	Comments
Reconciliation Rules	
Transition – renewable gas injection Discussion document section 2	We agree with the proposed approach to leave these changes dormant until required, however progress on the design must continue promptly distribution injection is anticipated within the next 2 years. The changes will be significant for distributors. We recommend including both distributors and biomethane producers in the design phase.
Rule 6.2.1 – allocation groups	Allocation group 1 should be 20TJ and above only (with telemetry). Otherwise there will be significant cost for limited benefit. We recommend updating definitions and rules accordingly
Rule 19.1 – industry body may exempt allocation participant	We suggest adding to this, to include "distribution injection point" within the exemption provisions. This would provide a practical pathway for low-volume biomethane projects to transition into the market without being subject to potentially disproportionate D+1 compliance costs during the early stages of market development
Rule 26.3 – General obligations of allocation participants	Clarification is required that obligations imposed under Rule 26.3 are proportionate to the role of distribution injecting parties and recognise the differing scale and maturity of renewable gas injection facilities compared with traditional gas gate arrangements. The rule should avoid imposing operational requirements for low volume injection exceeding that necessary to support accurate reconciliation at gas gates.
Rule 27.C.2 – Reporting gas composition values	Maintain current practice of D+1 allocations on the next business for gas compositions values for low volume gas distribution injection. Add to this or utilise updated exemption process 19.1 above.
Rule 39A2.3- Retailer to give gas gate trading to allocation agent	We propose updating to address the scenario where the retailer takes injected gas on a distribution network and sells on another network.
Rule 42.2.1(b) – Provision of daily injection information for D+1 allocation	The proposed information requirements should be proportionate to the scale of injection. For small distribution injection facilities, the compliance burden associated with daily reporting should be balanced against the incremental reconciliation benefit achieved. We recommend the addition of an exemption provision under Rule 19 to provide an appropriate mechanism to address this.
Rule 45 – Global method of allocation	Clarification is required regarding the treatment of renewable gas attributes where biomethane is notionally traded between networks. While the proposed amendments accommodate physical injections at distribution injection points, additional guidance may be necessary regarding reconciliation treatment where renewable gas certificates or environmental attributes are transferred independently of physical gas flows.

Switching Rules	
Schedule 1 Part C – registry field for communicating flag Discussion document section 2 and 3.3	As highlighted in Powerco's response to previous consultations, it would not be possible for Powerco to provide this registry field as we do not manage the meter communications or data for smart meters. This is managed by a third party, and it is not visible to Powerco. Any changes to our ICP management system front-end CWMS such as new fields would come at a significant cost, or in fact may require replacing our entire system at the current stage of our system's life. While replacement is planned this will not occur within 6 months (the period suggested in the discussion document), or even 12 months. A requirement to change our ICP billing management system earlier than planned would bring forward costs to Powerco and our customers. A longer transition is recommended to avoid complicated costly workarounds to our ICP management system ahead of being able to fully replace our system. In the absence of moving to a meter equipment provider model, which has not been proposed in these changes, this registry field for communicating flag must be included in Schedule 1 **Part B** as a parameter maintained by retailers, not in Part C. The retailer will know if the meter is communicating and can supply this data to the registry.