

<b>Subject</b>	<b>Gas (Downstream Reconciliation) Rules 2008 Guideline note rule 52 – annual reconciliation</b>
<b>Version</b>	<b>1.0</b>
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## **1. Introduction**

- 1.1 Rule 52 of the Gas (Downstream Reconciliation) Rules 2008 (“the Rules”) sets out the process for annual reconciliation, which compares, over the previous 12 months, the gas quantities invoiced to consumers against the gas quantities supplied as consumption information for allocation.
- 1.2 The purpose of this note is to provide guidance on how rule 52 is to be given effect to by allocation participants and the allocation agent. It has been developed in consultation with allocation participants and endeavours to assist those participants and the allocation agent in interpreting and determining how they might comply with rule 52 in practice.
- 1.3 This note is explanatory in nature and is not legally binding. It needs to be read in conjunction with the Rules and the general approach set out in this note in no way reduces the requirement upon participants to know and comply with their obligations under the Rules.
- 1.4 In due course, Gas Industry Co will consider whether a rule change is appropriate to provide additional clarity surrounding the operation of rule 52.

## **2. Rule 52 – terminology**

- 2.1 In this guideline note:
  - “*Quantities billed*” means the total *quantities billed* to consumers (or to a retailer itself) in a calendar month, as identified by the date of the invoice falling within that calendar month

and as sourced directly from a retailer's financial records. *Quantities billed* include quantities supplied under any sponsorship, promotions, or other similar 'give-away' arrangement, and also vacant consumption where this consumption has been accounted for in a retailer's financial records. However, please note unbilled vacant consumption or adjustments for accounting unbilled sales accruals are not included, as such consumption or adjustments have, at that point, not yet been accounted for in a retailer's financial records.

- "*Billing month(s)*" refers to the period (calendar month or months or part month or part months) in which a consumer consumed (or was estimated to have consumed) the quantity of gas referred to in an invoice.<sup>3</sup>
- "*Consumption period*" means a calendar month during which gas is supplied (or deemed to have been supplied) to consumers.
- "*Invoice month*" refers to the calendar month in which the date of the invoice (ie in the date field of an invoice) from a retailer to a gas consumer (or to the retailer itself) falls.

### 3. Background

- 3.1 For time-of-use ("TOU") consumers billed for a complete calendar month, the quantities submitted for allocation for a particular *consumption period* should align very closely (if not exactly) with the quantities invoiced shortly after the end of that *consumption period*. This one month offset between when consumption occurs and when invoicing takes place is typical for TOU consumers, but less so for non-TOU consumers.
- 3.2 For non-TOU consumers, a comparison of consumption quantities for a *consumption period* with invoiced quantities in the following month will only provide a sanity check of the accuracy of the consumption quantities. This is because invoices may include consumption billed to consumers based on actual and estimated meter reads and meter reads spanning one or more *consumption periods*. While the comparison for non-TOU information is likely to be less exact in the short-term, over a period of 12 months, the comparison will become more accurate and provide information that may highlight areas of concern. Accordingly, non-TOU information is treated identically to TOU information for the purposes of the annual reconciliation under rule 52.
- 3.3 As all gas meters are required to be read at least once per annum<sup>4</sup>, 12 months of consumption information is expected to materially align with 12 months of billing information (lagged or

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<sup>3</sup> Note "*previous billing month*" is also defined in rule 52.3.1 – referring to the month prior to the previous *consumption period* ie month<sub>t-2</sub>, which is 2 months prior to the current month<sub>t-0</sub>.

<sup>4</sup> Rule 29.4 provides that TOU meters in allocation group 1 or 2 must have daily register readings, non-TOU meters using between 250GJ and 10TJ must have monthly register readings, and other non-TOU meters must have register readings at least once every 12 months (unless exceptional circumstances apply).

offset by one month).<sup>5</sup> If the variance is significant, it may point to an issue with the interface between a retailer's billing and reconciliation systems and/or a reporting issue.

#### 4. Rule 52.2.1 – provision of information by retailers

- 4.1 The total *quantities billed* in an *invoice month* may pertain to consumption spanning one or more months or part months and be based on actual or estimated meter reads. The retailer is to provide the allocation agent with the total *quantities billed* to all consumers (or to the retailer itself) where the date of the invoice falls within the same *invoice month*, irrespective of the *billing month* to which the invoice relates.
- 4.2 By way of example, in November a retailer provides the allocation agent with the October *invoice month* information – total *quantities billed* – that pertains to the consumption month(s) of October or earlier – *the billing month(s)*.

*Under rule 52.2.1, retailers are to provide to the allocation agent, in month<sub>t0</sub>, with their total billed quantities of gas that were invoiced in month<sub>t-1</sub> (eg in December 2008, retailers are to provide their quantities of gas invoiced in November 2008).*

#### 5. Rule 52.2.2 – comparison by the allocation agent

- 5.1 To give effect to rule 52.2.2, the allocation agent compares the sum of the total *quantities billed* for the 12 months up to and including the last *invoice month* (ie month<sub>t-1</sub>) received from retailers against the sum of the best available consumption information, as submitted to the allocation agent under rules 31, 32 and 33, for the 12 months up to and including the *previous billing month* (ie month<sub>t-2</sub>).
- 5.2 The allocation agent applies a one month lag in its comparison of *invoice month* information against consumption information, because the *invoice month* generally lags behind the relevant *billing month / consumption period* by one month (particularly in relation to TOU consumption)<sup>6</sup>.
- 5.3 By way of example, in November 2009 retailers will provide the allocation agent with invoicing information for October 2009 (ie total *quantities billed* for the October 2009 *invoice month*), and the allocation agent will in November 2009 compare the total *quantities billed* for the *invoice months* November 2008 – October 2009 against consumption information for the *consumption periods* October 2008 – September 2008.
- 5.4 The allocation agent will commence carrying out the as-billed comparison report from December 2008 for the months following the go-live date, even though the allocation agent will not yet

<sup>5</sup> The comparison will almost certainly never align perfectly, due to the different billing practices amongst retailers. However, over a period of 12 months, the level of misalignment is not expected to be material.

<sup>6</sup> A one month lag is not always present as the invoice month and the billing month may be the same in a lot of cases. For example, some retailers may read and bill their customer in the same month but provide that consumption information for allocation in the following month. In addition non-TOU consumption may actually relate to one or more previous *billing months*. Nevertheless, a one month lag is still applied for consistency purposes given that over time any misalignment reduces in significance.

have received 12 months of historical invoice or consumption information.<sup>7</sup> Participants should note that, until 12 months of historical invoice or consumption information has been provided, caution should be taken in drawing any inferences from the comparisons.

*Under rule 52.2.2, in month  $t_0$ , the allocation agent is to compare the total billed quantities of gas that were invoiced in month  $t_{-1}$  with the consumption information for month  $t_{-2}$ :*

Example 1: In December 2008, the allocation agent is to compare total billed quantities of gas in invoices dated November 2008 against the consumption information submitted for October 2008;

Example 2: In January 2009, the allocation agent is to compare the sum of total billed quantities of gas in invoices dated in November and December 2008 against the sum of consumption information submitted for October and November 2008;

Example 3: In November 2009, the allocation agent is to compare the sum of the total billed quantities of gas in invoices dated during the 12 months November 2008 – October 2009 inclusive against the sum of consumption information submitted for the 12 *consumption periods* October 2008 – September 2009 inclusive.

## 6. Worked Example

6.1 A worked example on the operation of rule 52 is set out below.

- The current month is November 2009.
- On the 11th business day of November 2009, a retailer provides the allocation agent with the total *quantities billed* to consumers (or the retailer itself) with an invoice date in October 2009, which will be billed quantities relating to consumption in September 2009 (or consumption since the previous invoice across one or more months or part months up to and including September 2009). (In the GAS070 file, the "Month Billed" field will contain "10/2009".)
- On the 14th business day of November 2009, the allocation agent publishes the results, for that retailer, of comparing the total *quantities billed* for the 12 month period up to and including October 2009 against the consumption information provided to the allocation agent by that retailer for the 12 *consumption periods* up to and including September 2009. (In the GAR080 file, the "Last Month Billed" field will contain "09/2009".)

<sup>7</sup> Rule 76.2 provides that the reports by the allocation agent under rules 52 and 53 do not apply to consumption periods prior to the go-live date. Accordingly the 12-month comparison only applies to consumption periods subsequent to the go-live date.