

8 March 2019

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Grace Clapperton-Rees
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Gas Industry Company
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Sent via email: Grace.Clapperton-Rees@gasindustry.co.nz

Dear Grace

TOU Metering Correction at GMM08801

We would like to thank the Gas Industry Company (GIC) for the opportunity to comment on the proposed resolution of the alleged breach 2018-169, that was due to a TOU metering error at the Greater Mount Maunganui gas gate (GMM08801). We appreciate that this is a complex issue due to the scale of the error and the number of parties involved. We therefore agree with the GIC that a pragmatic way forward must be found, particularly given the current workload of all industry participants.

As a gas transmission and distribution business owner and operator, we find ourselves caught by this third-party error, and facing a potentially significant resource and cost burden to resolve the situation. This comes at a time when we are progressing the Gas Transmission Access Code (GTAC) to implement on 1 October 2019. GTAC implementation must be our primary focus, and we are unlikely to be able to divert resources away from the GTAC and our BAU tasks to resolve this metering issue.

We support the GIC's recommendation that option 3 is the best way to reduce the impact of applying the correction while resolving the issue. All BAU allocations relating to this incident will have been processed by 1 October 2019 and therefore, will have been dealt with prior to GTAC go live.

We note that all options presented in the paper include a financial settlement to some degree. It therefore seems logical to extend this process as far as possible to reduce the burden on the industry. Should the GIC decide that some or all of the errors must be resolved through special allocations, we believe the following points will need to be considered:

- Changes in prior years' transmission or distribution revenue will require re-invoicing and re-allocation at a significant cost;
- Any changes in prior years' transmission or distribution revenue will impact our regulatory reporting, and wash-up amounts for future years. This would require discussion with the Commerce Commission;
- The potential for shippers to retrospectively request changes to capacity reservations with "perfect hindsight" given potential overruns on their prevailing capacity reservations; and
- Not all information may be held directly by First Gas due to the change in control that occurred in 2016.

All these issues will require substantial commercial, regulatory, finance and legal input. We do not feel that we would be able to resource this within our current operations budget, and our costs for the year would be substantially increased. We would also request that resolution of the issue be delayed until after the implementation of the GTAC in order for us to prioritise implementation of the new code.

Please contact me on 027 472 7798 or via karen.collins@firstgas.co.nz if you have any queries on the matters raised in our submission.

Yours faithfully

A handwritten signature in black ink, appearing to read 'K. Collins', with a long horizontal flourish extending to the right.

Karen Collins
Regulatory Policy Manager