Guidelines on Electricity Supplied v1.0

Abbreviations used in these guidelines

GXP	**Grid Exit Point**
NSP	**Network Supply Point**
Rules	**Electricity Governance Rules 2003**

Version control

Version	Date amended	Comments
1.0	10/10/07	Creation of guidelines

Objective

1. These Guidelines have been prepared by Electricity Commission (Commission) staff for the purpose of assisting participants and others in interpreting and determining how participants might comply with part J of the Electricity Governance Rules 2003 (Rules) that come into force on 1 May 2008. These Rules relate to the derivation of electricity supplied information to the **reconciliation manager** as required in part J of the Rules. These Guidelines are not legally binding.

2. The general approach set out in these guidelines in no way reduces the requirement upon participants to know and comply with their obligations under the Rules. Neither should it be interpreted as reflecting the Commission's view on the Rules.

3. Bolded words within the text of these Guidelines refer to definitions in part A of the Rules.

The New Rules

4. On 23 November 2006, the Minister of Energy published a Gazette Notice creating a new part J (reconciliation) which has resulted in a substantial rewrite of section VI of part G and the associated reconciliation-related schedules (in particular schedules G7 and G8 of part G) and significant, but less substantial

amendments to parts A, D, E, and H, as well as other sections of part G. The amendments were to ensure that the Rules reflect the recommendations for enhancing the reconciliation system, contained in the Electricity Commission Reconciliation Project Team (ECRPT) final report. The four key recommendations of the ECRPT report were the:

(a) elimination of incumbency;

(b) facilitation and treatment of embedded generation data processing;

(c) development of a compliance and audit regime; and

(d) grouping of grid exit points (GXPs) for reconciliation.

5. These amendments come into force on 1 May 2008.

Relevant New Rules

6. The New Rules define **electricity supplied** as:

> **electricity supplied** means, for any particular period, the information relating to the quantities of **electricity** supplied by **retailers** across **points of connection** to **consumers**, sourced directly from the **retailer's** financial records, including quantities:
>
> (a) that are metered or unmetered;
>
> (b) supplied through normal **customer** supply and billing arrangements;
>
> (c) supplied under sponsorship arrangements; and
>
> (d) supplied under any other arrangement

7. Rule 4.2.2 of part J of the New Rules states that:

> Each **retailer** must deliver to the **reconciliation manager** its total monthly quantity of **electricity supplied** for each **NSP**, aggregated by invoice month, for which it has provided **submission information** to the **reconciliation manager**, including revised **submission information** for that period as non loss adjusted values in respect of :
>
> **4.2.2.1 submission information** for the immediately preceding **consumption period**, by 1600 hours on the 4th **business day** of each **reconciliation period**; and
>
> **4.2.2.2** revised **submission information** provided in accordance with rule 4.1.2, by 1600 hours on the 13th **business day** of each **reconciliation period**.

8. Rule 9.1 of schedule J4 of the New Rules states that:

The **reconciliation manager** must allocate **electricity supplied** quantities, to **reconciliation periods** for reporting and calculation purposes and in the event of unusual circumstances, reallocate quantities on a reasonable basis to reflect the month(s) of actual usage.

Clarification of issues

Scope of Financial records

9. The term *financial records* means the records in the **retailer's** billing system used to invoice customers and, in addition, for sponsorships, promotions, and 'give-away' arrangements. Where **electricity** was supplied but <u>not</u> invoiced, the quantity should be extracted from those systems that are used to record the actual sale quantities.

10. The term *quantity of* **electricity supplied** means the actual quantity sold without any adjustments for losses or any accounting accruals.

Invoice month/consumption period

11. The term **consumption period** is defined in part A of the New Rules which states:

    consumption period means a calendar month during which **electricity** is supplied to **consumers** (and conversely produced by **generators**).

12. The term *invoice month* is the calendar month during which invoices have been issued to consumers.

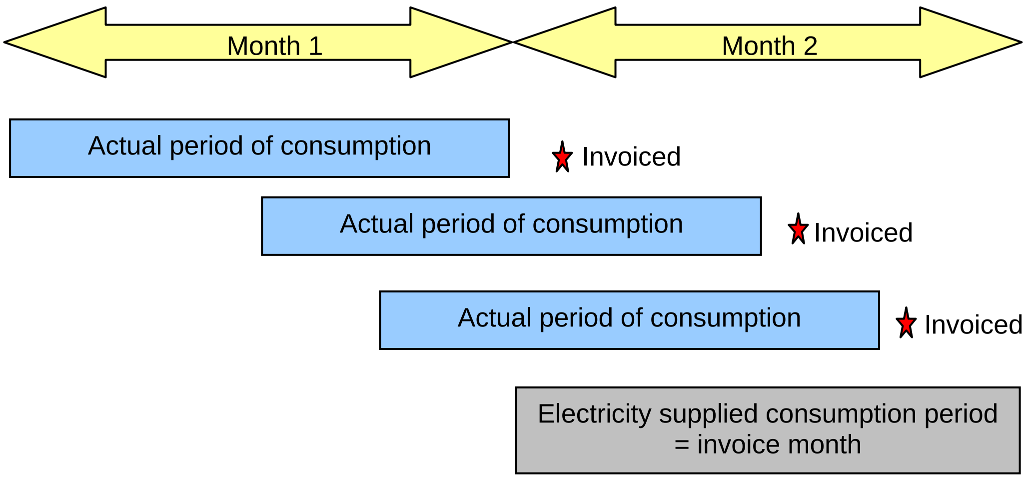
13. The definition of **electricity supplied** within Part A of the Rules requires that submissions of **electricity supplied** information delivered to the **reconciliation manager** for any previous **consumption period** must include all consumption quantities invoiced during that calendar month. In effect, the **consumption period** for the provision of **electricity supplied** is the *invoice month.*

14. It is possible that the actual sales invoiced in a particular month may relate to sales made (consumed) during the previous month(s). The calculation of the **scorecard rating** in the Rules takes this mismatch into account by using a threshold before application of the **scorecard rating** and also introduces a one month offset to correct for the reporting month.

15. For further clarification, the Commission considers that:

    a. Half hour invoices should be reported for the month in which the invoices were issued. Example: Half hour **consumption information** collected for the period 01/05/2007 to 31/05/2007 will be invoiced in 06/2007 and therefore should be reported for the 06/2007 **consumption period**.

b. Non half hour invoices which are issued covering multiple **consumption periods** should be reported in the **electricity supplied** submission for the **consumption period** in which the invoice was issued. Example: If the end date for collecting **consumption information** in June 2007 is 12/06/2007 then an invoice quantity covering 13/05/2007 to 12/06/2007 would be included in the **electricity supplied** submission for the 06/2007 **consumption period**.



Scorecard threshold/mismatch

16. The **scorecard rating** threshold will be notified by the Commission **Board**, and will initially be set at two per cent. The purpose of this threshold is to compensate for the timing issues associated with invoices overlapping **consumption periods** as non half hour invoices are not representative of calendar months and include a proportion of sales made in one or more previous **consumption period**.

Revisions

17. Standard billing procedures do not usually allow for the correction of invoices already sent out. Corrections are usually included in the next invoice run. However, the Rules do allow for revisions of **electricity supplied** information particularly when metering or invoiced volumes are found to be incorrect.

18. Where an invoice is subsequently revised and reissued, a revision file may be generated for the affected **consumption periods** and submitted to the **reconciliation manager**.

    a. For half hour invoices, the **consumption information** should still be reported for the **consumption period** in which it was originally invoiced. Example: Half hour **consumption information** collected for the period

01/05/2007 to 31/05/2007 was originally invoiced in 06/2007 and therefore any revisions should again be reported for the 06/2007 **consumption period**.

b. For non half hour invoices, the end date for collecting **consumption information** still applies. Example: If the end date for collecting **consumption information** in June 2007 is 12/06/2007 then a revised invoice quantity covering 13/05/2007 to 12/06/2007 would be reported in the **electricity supplied** submission for the same original 06/2007 **consumption period**.

19. Revised **electricity supplied** volumes may be submitted to the **reconciliation manager** as **submission information** revisions for any **reconciliation period** that is to be run.

Reconciliation participant adjustment

20. Even though the financial effect of any prior billing errors may be included in the next invoice run, it is expected that the adjusted volume is allocated to the affected invoice periods in relation to **electricity supplied** information. Any spike as a result of lumping revision volume into one month may result in a distortion to the **scorecard rating** for 12 months until the spike drops out. This may or may not cause the application of scorecard ratings within the reconciliation process.

21. Where the financial records have a single invoice or adjustment record that spans more than one **consumption period**, and the **reconciliation participant** considers that the volume extracted will distort the calculation of the **scorecard rating**, the **reconciliation participant** may allocate the financial records subject to the following:

a. the process of allocation is included in the **reconciliation participant's certification** and **audit** process; and

b. the total volume is not changed or double counted in the allocation process.

Reconciliation manager adjustment

22. Rule 9.1 of schedule J4 of part J of the New Rules allows the **reconciliation manager** to perform a re-allocation to the **electricity supplied** volumes (and not an increase or decrease in total volume) in the event that an unusual submission occurs. The **reconciliation manager** will only make such a re-allocation if:

a. the **reconciliation manager** cannot reasonably contact the **participant** concerned to provide revised **submission information**; and either

b. it is necessary for the operation of the reconciliation system; or

c. there is a consequential distortion to reconciliation accuracy.

23. The Commission's expectation is that there will not be many revisions to **electricity supplied** information.

Sources of information

24. The Rules and New Rules can be found on the Commission's website at: http://www.electricitycommission.govt.nz/rulesandregs/.

25. If you require further assistance, please contact the Retail Operations Assistant:

C/o Electricity Commission
P O Box 10041
Wellington
Attention: Retail Operations Assistant

Telephone:	04 460 8873
Fax:	04 460 8879
Email:	retailoperations@electricitycommission.govt.nz