

CERTIFICATION OF RENEWABLE GAS

Proposed initial rules
July 2021



Certified Energy

New Zealand Energy Certificate System

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SECTION A

1. Background

Certified Energy is the operator and administrator of the New Zealand Energy Certificate System¹ (NZECS), a system for the certification of energy production. At this time, the NZECS supports the trading of energy attribute certificates for electricity generation. As a specialist provider of energy certification systems and services, Certified Energy is well equipped to expand its service offering to include certification of gas production.

Reducing the amount of fossil natural gas used in New Zealand has been identified as an opportunity to achieve significant emissions reductions. To realise this opportunity, a combination of solutions will be needed. While electrification of process heat and behavioural change (energy efficiency / energy conservation) are important solutions and should be utilised where possible, we see the use of renewable gases in place of fossil gases or other fossil fuels as having the potential to make a meaningful contribution to our national decarbonisation efforts.

In support of the development of renewable gas production capacity, Certified Energy has committed to expanding the NZECS to enable certification of gas production.

As a first step in the process of system development, Certified Energy released a discussion paper outlining key aspects of a possible certification system – for consideration by those likely to participate in, or have an interest in, the system. The discussion paper was the first step in publicising the existence of this new system and was intended to provide information for those interested parties as to the possible structure and nature of the system. This paper gave interested parties an opportunity to offer their feedback and provide guidance on key considerations and changes necessary to support their work.

2. Introduction to this document

Gas certification will be offered under the NZECS, operated and governed through a number of mechanisms and processes. One such mechanism that forms a key part of the governance structure for gas certification is the “Rules”, defining what is possible within the NZECS and outlining the conditions that must be met when performing key activities.

This document outlines what is to be covered in the proposed rules for gas certification. This document also discusses how the rules will form part of the overall governance structure of the system.

Initial rule proposals are laid out in section 6. Discussion is included throughout the document to describe the intent of the rules drafting.

¹ www.certifiedenergy.co.nz

3. Intent of gas certification rules

The rules create a framework for how gas certification is to occur, defining key processes and placing conditions on how these processes are to be performed. The initial rules for gas certification will comprise a number of sections, including:

- Operational boundaries
- Device registration
- Measurement of device output
- Registration of energy user
- Issuance of certificates
- Transfer of certificates
- Redemption of certificates

While we expect that gas certification may develop considerably over time, implementation of these rules will allow Certified Energy to credibly and accurately provide gas certification immediately.

It is the intention of Certified Energy that the rules related to the certification of gas production be considered a part of the overall rule set that governs operation of the NZECS.

4. Exclusion from system rules

The rules outlined in this document do not provide all the detail that will be required to operate the system, but rather focus on the primary activities that will determine the legitimacy of the certification. To this end, the rules will be silent on some areas initially.

Some notable points of interest not addressed in the rules are:

- International trading
While a strong point of feedback from respondents was the importance of integration with international markets, it is not clear at this point exactly what will be required to achieve this objective. For this reason, the rules do not specifically reference international trade requirements, beyond establishing the ability to certify exported volumes via redemption of certificates against a gas storage device.
- Trading of certificates
An NZ-EC is a tradable instrument, and as such we expect trading to happen freely between parties. At this point, there are no requirements placed on users of the system as to how they must trade, other than those requirements relating to the relevant transaction steps as defined in section B.

Certified Energy anticipates playing a role to support transactions in the short to medium term, and to encourage market activity that improves the visibility of, and access to, the market, in order to maximise positive outcomes for all involved.

- Allowable claims

We recognize that one of the purposes of energy certification is to enable consumers to declare a position to their stakeholders based on their certificate purchases. We also recognize the importance of making sure that these claims are factual and not misleading.

In New Zealand, claims made based on redeemed NZ-ECs will be governed by consumer law, including the Fair Trading Act 1986, Consumer Guarantees Act 1993 and the Advertising Standards Code, and as such, do not see a need to seek to govern allowable usage claims² within rules for gas certification.

Expansion of the rules to include additional topics will take place in consultation with the industry through the process explained below in section 5.3.

5. Overall governance

The rules are a part of the overall approach to governing gas certification and developing it to be fit for future use. In addition to the rules are a number of mechanisms, including:

5.1 Certified Energy Advisory Board

The Certified Energy advisory board³ provides strategic guidance into the focus and function of the NZECS. The board is comprised of five senior professionals from energy, economic, commercial, legal and sustainability backgrounds. Oversight by this group contributes to the measured strategic development of Certified Energy and the NZECS.

5.2 Gas Technical Advisory Committee

As proposed in the discussion paper and expanded upon in the response paper, the Gas Technical Advisory Committee (G-TAC) will provide a gas industry-specific perspective on proposed system changes. The G-TAC will perform a number of functions:

- Contribute to decisions on suggested changes to be considered,
- Input into the change assessment process, and
- Give general oversight of performance of gas certification.

5.3 Gas certification change process

The process of change itself will form an important part of the governance structures for gas certification. As discussed in the response paper, the process for change ensures:

- anyone can propose a suggestion,
- all suggestions will be reviewed;
- all suggested changes that meet certain criteria will be assessed;
- all changes being assessed will be consulted on;
- all changes and outcomes will be publicly published.

² Although guidance as to what may constitute a legally allowable declaration may be made available to users of the system.

³ <https://www.certifiedenergy.co.nz/about>

SECTION B

6. Proposed initial system rules

The following rules are proposed to apply to gas certification under the NZECS.

6.1 Operation of the system

6.1.1 *New Zealand energy certificate system*

- a) The NZECS is administered by the New Zealand Body for Certificate Issuance (NZBCI), trading as Certified Energy (CE).
- b) CE is the New Zealand issuing agent for the NZECS, issuing New Zealand Energy Certificates (NZ-ECs or Certificates). One NZ-EC corresponds to the production of 1 megawatt hour (MWh) of energy.
- c) The only certificate instrument currently recognised under the NZECS is the NZ-EC; available for issuance from any eligible Production Device located within the country boundary of New Zealand.
- d) The NZ-EC is intended to underpin a range of eligible renewable energy production types, in order to verify the proper transfer of production attributes within the NZ market boundary.
- e) Where gas production is certified under the NZECS, the NZ-EC will correspond to the production of 1 megawatt hour (MWh) of energy on a Higher Heating Value (HHV) basis.
- f) The rules governing the creation and management of NZ-ECs are outlined in Section C.

6.1.2 *Certificate class*

- a) NZ-ECs denoting the verified attributes of gas production shall be classed as 'New Zealand Gas'. This classification is applicable to all gaseous fuel types produced within the New Zealand market boundary.
- b) These rules pertain to any certificates recognised by the NZECS and used for the purpose of certifying gas production.

6.1.3 *Registry*

- a) The NZECS registry (**Registry**) is the online platform within which users of the NZECS (**Account Holders**) shall transact NZ-ECs and make changes within their trading accounts.

6.1.4 *Production year*

- a) All activities and transactions relate to a specific 12-month period (Production Year) and are time-bound to particular date ranges within that year.
- b) No NZ-EC issued in relation to production output (Output) that occurred within a particular Production Year can exist in any other Production Year, except where that output has been shown to be placed in a storage facility, intended either for

eventual domestic or international consumption, as by the redemption of Certificates as described in section 6.7;

- c) Within the Production Year a number of key dates govern the process of gas certification. These are:
- i. 1 October in Production Year X: the first day of the NZECS Gas Production Year – NZ-ECs related to this Production Year can be issued against Output occurring from this day forward.
 - ii. 30 September in Production Year X: the last day of the NZECS Gas Production Year – the last day of Output for which Certificates can be issued that relate to this Production Year.
 - iii. 31 October in Production Year X+1: the last day that Account Holders can perform transactions that relate to Production Year X. This is also the last day that an Account Holder can be registered in the system.
 - iv. 31 November in Production Year X+1: the date by which the official supply mix of all registered Users and gas retailers will have been calculated and communicated.
 - v. 31 December in Production Year X+1: the date by which all actions and processes relating to Production Year X will have been finalised, and the date by which the residual supply mix will have been calculated and published.
 - vi. Requests for extensions or adjustments to this timeline may be granted at the discretion of Certified Energy, where no other Account Holder is unfairly disadvantaged by the granting of the request;
 - vii. Where an extension is granted, it shall be available to all Account Holders, who shall be duly notified.

6.2 Registering a Production or Storage Device ("Device")

6.2.1 Information required for all Device registration

- a) For the purposes of gas certification, an NZ-EC can only be issued in relation to the associated Output of a registered Device;
- b) Output from a registered Device can comprise new production, or gas that has been stored, and is now being released, from a storage device.
- c) Any Device may be registered in the Registry by:
 - i. the owner of the Device; or
 - ii. an agent duly authorised by the owner, who has provided adequate evidence:
 - of such authorisation; and
 - that it can comply with the requirements of the Rules with respect to the imposition of duties on the owner and/or operator of the Device;
- d) Applicants for registration of a Device must provide the following information to CE before registration can be completed:
 - i. the applicant's name and address and any additional contact details;
 - ii. the identifying number of the Registrant account into which the Certificate in respect of the Output of such Device is to be Issued;

- iii. demonstration applicant's authority to request registration of the Device;
 - iv. the location of the Device, being its:
 - latitude and longitude; or
 - region, city and postal code;
 - v. details of any pipeline injection point(s) for the Device;
 - vi. the output gas type of the Device;
 - vii. the date on which that Device was, or is expected to be, commissioned;
 - viii. details of any payments (other than payments arising from the sale of Certificates):
 - which have been received by any person in relation to the Device under any Government or other public support schemes; and
 - that are due to accrue to any person in relation to the Device under any public support scheme;
 - ix. a diagrammatic explanation of that Device, including details of the location of any pipeline injection point(s) for the Device;
 - x. the name commonly used to identify the Device;
 - xi. the expected annual Output of that Device; and
- e) Additional information as detailed in sections 6.2.2-6.2.4 as required by the Device type.
- f) Applicants for registration of a Device will be subject to audit and, as part of that, are obliged to provide the NZECS (or an appointed agent) access to the Device in order to verify the information provided in connection with that application, and any application for registration is to be rejected where such access is not provided upon reasonable request.

6.2.2 Production Device registration

- a) In addition to the information described in section 6.2.1, applicants for registration of a Production Device must also provide the following information to CE before registration can be completed:
- b) the type and nature of the Production Device, where this reflects:
 - i. the type of gas comprising the Output (including proportional composition);
 - ii. all relevant inputs into the production process;
 - iii. details of the technology used in the production process; and
- c) the maximum daily gas deliverability of the Device (MWh/day HHV).

6.2.3 Storage Device registration

- a) In addition to the information described in section 6.2.1, applicants for registration of a Storage Device (which includes any Storage Device that is to be used for eventual export) must also provide the following information to CE before registration can be completed:
 - i. the storage capacity of the Storage Device;
 - ii. the stored volume of working gas within the Storage Device (i.e. excluding any volume of cushion gas);

- iii. the primary purpose of the Storage Device (e.g. storage and release of gas within NZ, or storage for gas being exported from, or imported to, New Zealand.)

6.3 Measurement of output of registered Device

- a) In relation to the measurement of Output for the purposes of establishing an NZ-EC, the following criteria apply:
 - i. All devices must be fitted with gas measurement systems that meet NZS 5442 and measure injections into storage and withdrawals from storage separately;
 - ii. The Registrant must provide sufficiently detailed Output and/or Input data for any purpose reasonably required in the operation of the NZECS;
 - iii. Notwithstanding paragraph a)ii. the Registrant may permit CE to source data on the Output and/or Input of a registered Device from the Gas Industry Company (GIC) for the purposes of operating the NZECS and NZECS Registry;
 - iv. CE may request evidence of the process undertaken by the Registrant to ensure that Output and/or Input data is accurate, and may withhold the ability to issue Certificates against that Output if CE considers that the Output data may be inaccurate;
 - v. the Registrant of a Device is wholly responsible for the delivery, quality and accuracy of measured values with respect to the Output and/or Input of any Device registered within the NZECS.

6.4 Registration of Energy User

6.4.1 Nature of an Energy User

- a) An Energy User that wishes to redeem NZ-ECs against its account to match its gas consumption (User) must be registered on the Registry by a Participant Account Holder; which has provided adequate evidence that:
 - i. it has been authorised by the User to do so; and
 - ii. that it is the only entity authorised to act in relation to the attributes of the Users' consumed gas.
- b) A User's consumption is seen to be all of the gas supplied to its network or pipeline Installation Control Point (ICP), where the supply of that gas is used in the operations of that User.
- c) Where a User has control of the ICP, and where a portion of the gas supplied to that ICP is used in the operations of a separate entity located at the same site, those volumes are seen to be excluded from the consumption of the User.
- d) Where an entity that wishes to certify their consumption is operating on a site that is supplied by an ICP that is controlled by another party, they may be registered as a sub-ICP energy user (Sub-ICP Energy User), with registration subject to requirements as laid out in section 6.4.2.

6.4.2 Registering an Energy User or Sub-ICP Energy User

- a) When registering an Energy User that is not a Sub-ICP Energy User, the Participant must provide the following information to the NZECS at the time of application:
 - i. the applicant's name and address and any additional contact details;
 - ii. a contact for the Energy User and contact details including, but not limited to, email and mobile phone details;
 - iii. the location of the Energy User;
 - iv. details on the nature of the Energy User, including but not limited to industry, number of ICPs, and expected annual gas consumption by type;
 - v. the trading name of the Energy User, if relevant.
- b) When registering a Sub-ICP Energy User, the Participant must provide the following information to the NZECS at the time of application:
 - i. the applicant's name and address and any additional contact details;
 - ii. a contact for the Sub-ICP Energy User and contact details including, but not limited to, email and mobile phone details;
 - iii. the location of the Sub-ICP Energy User;
 - iv. details on the nature of the Sub-ICP Energy User, including but not limited to industry, and expected annual gas consumption;
 - v. the network ICP from which the Sub-ICP Energy User receives supply;
 - vi. the name of the organisation that has control of the network ICP;
 - vii. a high-level description of the controlling organisations operations;
- c) An Energy User User and a Sub-ICP Energy User must be registered within the NZECS Registry prior to the end of the last day of the first month following the end of the Production Year for which they wish to transact.

6.5 Issuance of certificate

6.5.1 Request for Issuance

- a) An NZ-EC may only be issued for Output from any Device which has been registered in the Registry, as per point 6.2 above.
- b) A Certificate may only be issued against Output occurring within the Production Year to which the Certificate is to relate, as per point 6.1 above.
- c) Issuance of a Certificate can be initiated by submitting a Request for Issuance⁴, providing the following information to the NZECS at the time of request:
 - i. the identity of the relevant Device, where this shall include:
 - the identification number which has been assigned to the Device and optionally,
 - the name of the Device as specified in the application for registration of that Device.
 - ii. the location of the relevant Device, being its:
 - latitude and longitude; or
 - region, city and postal code;
 - iii. the identity of the requesting party;
 - iv. details of the Output against which Certificates are to be issued, including:

⁴ The requirements of a Request for Issuance may be met automatically where requested via the Registry.

- the type of gas comprising the Output (including proportional composition);
- v. all relevant inputs into the production process;
- vi. details of the technology used in the production process;
- vii. the volume of carbon dioxide equivalent emissions associated to the Output; including
 - the volume of scope 1 carbon dioxide equivalent emissions; or
 - the volume of biogenic carbon dioxide emissions;
- viii. the first day on which the Output to which it relates was produced; and
- ix. the last day on which the Output to which it relates was produced.

6.5.2 Issuance of certificates

- a) CE retains the right to perform verification of details provided in the Request for Issuance prior to authorising Issuance;
- b) NZ-ECs issued in response to a Request for Issuance are to contain information as follows:
 - i. the identity of the relevant Device, where this shall include:
 - the identification number which has been assigned to the Production Device and optionally,
 - the name of the Device as specified in the application for registration of that Device.
 - ii. the location of the relevant Device, being its:
 - latitude and longitude; or
 - country, city and postal code;
 - iii. the date on which the Device was commissioned; as verified by CE during the registration process for that Device;
 - iv. the date of issue;
 - v. a unique serial number as identifier of this issuance;
 - vi. where the relevant Device is a Storage Device, the identity of the originating Production Device, where this shall include:
 - the identification number which has been assigned to the Production Device and optionally,
 - the name of the Production Device, as specified in the application for registration of that Production Device, or, where the energy was produced outside of New Zealand, the name of the overseas Production Device shown on any accompanying certificate(s),
 - vii. details of the Output against which Certificates are to be issued, including:
 - the type of gas comprising the Output (including proportional composition);
 - viii. all relevant inputs into the production process;
 - ix. details of the technology used in the production process;
 - x. the volume of carbon dioxide equivalent emissions associated to the Output; including
 - the volume of scope 1 carbon dioxide equivalent emissions; or
 - the volume of biogenic carbon dioxide emissions;
 - xi. the first day on which the Output to which it relates was produced; and
 - xii. the last day on which the Output to which it relates was produced.

6.6 Transfer of certificate

- a) An NZ-EC may be transferred without cost between Registrant and Participant Account Holders within the Registry.
- b) Transfer of a Certificate can be initiated within the Registry by submitting a Request for Transfer, providing the following information to the NZECS at the time of request:
 - i. the number and type of Certificate(s) to be transferred;
 - ii. the name and account number of the recipient account; and
 - iii. the name and account number of the account from which the Certificate(s) are to be transferred.

6.7 Redemption and cancellation of an NZ-EC

6.7.1 *Redemption of certificate*

- a) NZ-ECs can be redeemed only once, and once redeemed are removed from circulation.
- b) A Certificate can only be redeemed against the associated consumption of a registered User or a registered Sub-ICP Energy User.
- c) Where the Certificate being redeemed is of class 'New Zealand Gas', energy consumption of the registered Energy User against which the Certificate is being redeemed must be of gaseous fuel.
- d) Redemption of a Certificate can be initiated within the Registry by submitting a request for redemption.
- e) A request for redemption of a Certificate against an Energy User or a Sub-ICP Energy User must meet the criteria set out below:
 - i. the request for redemption must state, amongst other things, the User / Sub-ICP Energy User to whom redemption is to apply;
 - ii. the Energy User / Sub-ICP Energy User must be registered within the account of the Participant;
 - iii. a request for redemption must be accompanied by a verifiable record of the consumed electricity of the Energy User / Sub-ICP Energy User for the period for which redemption is sought; and
 - iv. redemption of Certificates may not exceed the consumed energy of the User / Sub-ICP Energy User for the period for which redemption is sought; as evidenced by the consumption record provided.

6.7.2 *Cancellation of certificate*

- a) An unredeemed NZ-EC may not continue to exist beyond the end of the Production Year in which it was Issued.
- b) A Certificate that has been issued and remains within the Registry beyond 31 October of the relevant Production Year X +1 will be cancelled for the purposes of returning these attributes to residual supply.
- c) This cancellation will take place without cost and without notice.