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# **Gas Control Inquiry**

## **Draft Framework Paper**



*Supplementary submission to Commerce Commission*  
*5 September 2003*

## Contact welcomes this inquiry into the potential net benefits of price control

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### Purpose

- In the course of making its oral submission to the Commerce Commission's hearing on the draft Framework Paper, a number of supplementary issues arose
- This document presents Contact's views on those supplementary issues

**At this point, Contact believes the services below fall into the scope of the inquiry - metering is the only exception because it is already contestable**

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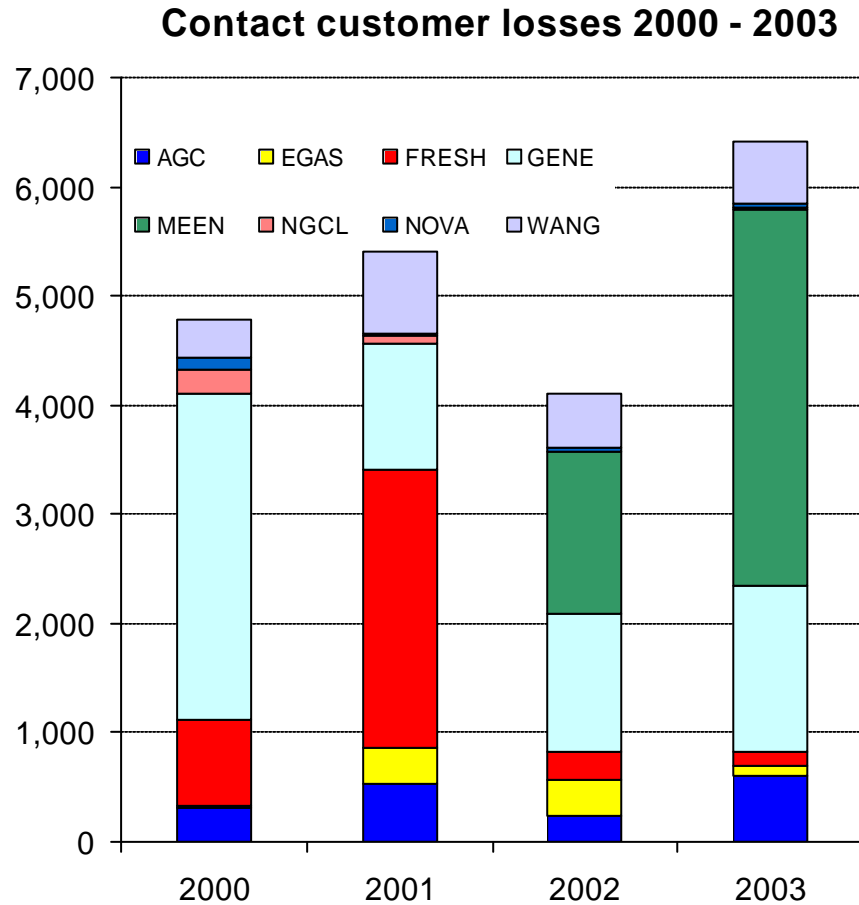
## Services definition

Potential components of “gas services”:

- Transport of specification gas ✓
- Transport of non-specification gas ✓
- Gas blending ✓
- Gas storage (i.e. linepack) ✓
- Gas compression ✓
- Gas flow management ✓
- Metering ✓
- Allocation and reconciliation services (e.g. UFG) ✓
- Gas quality monitoring ✓
- Odourisation ✓

**Contact has experienced significant loss of customers to competitors - almost 20,000 customers on an initial base of 111,000**

## Evidence of customer switching in gas market



- A significant number of Contact's residential and commercial customers have switched to competitors
- In aggregate<sup>1</sup>, Contact's gas customer base has fallen from around 111,000 in 2000 to 98,500 as at 30 June 2003



Source : Contact Energy - Genesis includes losses to TransAlta which occurred prior Genesis purchase of business in 2002

1 - Includes gains and losses

## There is evidence of some switching to alternative fuels in response to higher prices for gas

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### Evidence of switching to alternative fuels

- Contact is aware of the following evidence of customers switching or considering switching to alternative fuels:
  - some small domestic users (e.g. only a gas cooking appliance) have switched to bottled gas to avoid incurring fixed charges
  - wood processor is replacing gas with biomass
  - sawmill is replacing gas with biomass
  - a timber dryer is using wood waste rather than gas
  - construction company is reportedly considering switching from gas to coal
  - Huntly power station has largely switched from gas to mostly running on coal
- In addition, Contact is in the process of reinstating oil-firing capability at New Plymouth power station with the expectation that gas-firing operation will reduce very significantly