



19 September 2003

Gas Pipelines Inquiry
Commerce Commission
P O Box 2351
Level 10, 44-52 The Terrace
WELLINGTON

Dear Sir/Madam

Cross Submission on the Gas Pipelines Control Inquiry Submissions & Conference

Genesis has observed that some submitters on the Gas Pipelines Control Inquiry Draft Framework Paper made assumptions in their submissions about the actions of dual-fuel retailers and Genesis in particular. These assumptions have, in some cases, been based on a flawed understanding of Genesis' gas business. Accordingly, Genesis seeks to correct the public record with respect to these matters.

Submitters intimated that dual-fuel retailers were able to switch gas from their retail to their generation businesses and that this was currently a driver in the conduct of their retail gas businesses. For Genesis' part, we are not operating our retail gas business with the object of switching gas to our generation business. Neither is this as straight forward to do as submitters implied. To this end, we provide the following information to give some context to this assertion of submitters.

- From a business perspective, gas for each of generation and retail are sourced separately, and as such are not commercially substitutable in the manner implied by submitters.
- The volume of gas involved in recent disconnects by low use customers due to implementation of fixed charges is insignificant in the context of operating Huntly Power Station. One submitter estimated the number of disconnections due to the introduction of fixed charges on its network to be 400 customers who consumed less than 10GJ of gas per annum. Based on this estimate, and making the generous assumption that they actually used a full 10GJ, the gas 'saved' would fuel Huntly Power Station at full operation (1000MW) for approximately 25 minutes. Proportionally, the gas volume associated with these customers represented less than 0.1% of Genesis' gas retail business.
- The majority of Genesis' customers were already on fixed and variable charges. The introduction of a fixed charge to those without them was to standardise them with the rest of our customer base and match market practice generally. For the consumer segment involved, given their

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consumption was so low and that they enjoyed no fixed charge, Genesis would query whether they were truly representative of the retail gas market.

We forward herewith a schedule 'Gas Marketing Initiatives' which we believe demonstrates our commitment to growing our gas retail business. We can confirm that despite a number of disconnections gas sales volumes are growing in aggregate.

We trust this sets the record straight and hope in future that significant industry participants seek clarification direct from Genesis when commenting on Genesis' business.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Maureen Shaddick', written in a cursive style.

Maureen Shaddick
General Counsel & Company Secretary

Encl.