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21 April 2006

Ian Dempster  
Senior Advisor – Wholesale Markets  
Gas Industry Company  
PO Box 10-646  
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Dear Ian

#### Review of New Zealand Specification for Reticulated Natural Gas

Genesis Power Limited trading as Genesis Energy welcomes the opportunity to provide comments to the Gas Industry Company (GIC) on the consultation paper entitled 'Review of New Zealand Specification for Reticulated Natural Gas' dated March 2006. Genesis Energy has reviewed the consultation paper and is pleased to have the opportunity to respond to the issues raised in it.

In general, Genesis Energy supports the conclusions reached by the consultants and agrees with the proposed GIC recommendation that no change be made to the standard at this point in time.

However, in our view there are some potential issues that may have to be addressed by the industry in the medium term, particularly given the shift from Maui gas, but at this point in time we do not have the operational experience or supporting information to recommend any changes to the status quo. Our responses to the specific questions raised are set out in Appendix 1 attached to this letter.

If you would like to discuss any of these matters further please contact me on 021 375 061.

Yours sincerely

A handwritten signature in black ink, appearing to read "John Carnegie".

John A Carnegie  
Regulatory Affairs Manager  
Genesis Energy

## Appendix One: Review of New Zealand Specification for Reticulated Natural Gas – Questions for Consultation

QUESTION	COMMENT
<p>Q.01 What is your view of Plant and Platform's recommendation that the specification limits listed in Table 2 of NZS 5442:1999 do not need to be changed?</p>	<p>The existing limits are acceptable and Genesis Energy would not be in favour of any relaxation of them.</p>
<p>Q.02 What is your view of Plant and Platform's recommendation that there is little value to be obtained by undertaking an in-depth, rigorous review of the specification because it would be a costly and time-consuming exercise for stakeholders?</p>	<p>The current standard is the result of an earlier major review and there have not been any changes in the industry that necessitate a further review at this point in time. Given this, Genesis Energy sees no need for a rigorous review at this point in time on the basis that it would be a costly and time-consuming exercise for stakeholders for limited or no net-benefit.</p>
<p>Q.03 What is your view of the recommendation by Plant and Platform that these are matters best left to the stakeholders concerned and that they have the appropriate commercial incentives to handle these matters most efficiently?</p>	<p>Genesis Energy agrees that the three matters raised are best addressed by discussions between the stakeholders concerned and that this should first take place before they are required to be raised in the context of a change to the gas specification.</p> <p>Generally, Genesis Energy believe that there is little alternative to such discussions to understand and resolve potential issues. Once we have more information and experience of the degree and impact of changes in the Wobbe Index ("WI"), there may be a case for considering an addition to the WI specification limit stating that "the WI is to vary by no more than +/- X% over a specified time interval". This may be necessary because the combustion system of some gas turbine plant may require extensive re-tuning if the WI varies beyond certain limits to ensure continuous compliance with resource consent limits.</p>
<p>Q.04 If there are any matters you are aware of that have a bearing on the specification for reticulated natural gas and have not been considered by Plant and Platform please detail these together with their effect(s) on stakeholders.</p>	<p>The industry has yet to experience the introduction of major new gas supplies into the gas transmission system. The commissioning of Pohokura later this year will be the first time that the industry will directly experience potentially significant gas quality changes at various delivery points and any impact this may have on gas turbine plant operations for example.</p>

QUESTION	COMMENT
<p>Q.05 Are there any changes that you are aware of, either recently or in the near future, that have not been accounted for in either NZS 5442 or in the report from Plant and Platform? If so, please provide detail on these.</p>	<p>Genesis Energy is concerned that there are a number of unknowns associated with new gas supplies coming on-stream in the near future which have the potential to have a significant impact on the running of new gas turbine plants.</p> <p>In particular, the new gas supplies may have total inerts content [essentially N<sub>2</sub> + CO<sub>2</sub>] much higher than values found in Maui gas – this seems almost certain for Pohokura gas, for example. There is no current overall specification limit specifically for inerts but values of up to 18mole% are implied. This may have significant implications for minimum load running of some gas turbine plant to stay within consent emission limits. To achieve design operational flexibility a limit of 8mole% is highly desirable.</p>