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Ian Dempster
Gas Industry Company Limited
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By email: submissions@gasindustry.co.nz

Dear Ian

Guidelines for Gas (Downstream Reconciliation) Rules

Genesis Power Limited, trading as Genesis Energy, welcomes the opportunity to provide a submission to the Gas Industry Company ("the GIC") on the consultation paper "Guideline Notes for the Gas (Downstream Reconciliation) Rules 2008" dated 28 July 2010.

Genesis Energy supports the introduction of a guideline note for the Gas (Downstream Reconciliation) Rules 2008 ("the Rules") and believes it will be of assistance to industry participants. We have outlined two issues below that we believe could be clarified through amendments to the GIC guidelines.

Confidential Information

Genesis Energy recommends that the guidelines clearly define what information would be accepted as "commercially sensitive", in regards to rule 69 (provision of information to an auditor). The rule states that information is considered confidential when:

"...the allocation participant or the allocation agent, who either owns or holds the information, considers that the information is commercially sensitive".¹

Genesis Energy observes that there has been some variability in how this rule has been applied by industry participants. As seen in recent breach proceedings,

¹ Rule 69.5, Gas (Downstream Reconciliation) Rules 2008.

a participant can claim information is confidential or commercially sensitive, when in fact the release of the information would just be commercially “embarrassing” for the participant concerned. Guidance from the GIC around what is acceptable in terms of “commercially sensitive” information would assist with ensuring important information is not deliberately withheld from auditors.

Publication of Draft Audits

Genesis Energy queries why all draft audit reports should be sent to any other allocation participant that the auditor believes “has an interest in the report”.² It is questionable why other participants would have a strong interest in a draft report and we believe some differentiation needs to be made between the different types of audit reports.

Genesis Energy recommends that the guidelines include the following clarification, in regards to when a draft audit report should be sent to other allocation participants:

- *Event audits*: all allocation participants could claim interest;
- *Response audits*: allocation participants would need to show that they have a real interest in the event the audit is responding to (as participants must currently do when joining breach proceedings); and
- *Scheduled baseline or performance audit*: no allocation participant or allocation agent can claim interest in the draft report.

If you would like to discuss any of these matters further, please contact me on 04 495 6354.

Yours sincerely



Karen Boyes
Senior Regulatory Advisor

² Rule 70.2.3, Gas (Downstream Reconciliation) Rules 2008.