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Steve Bielby
Gas Industry Company
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Submitted online via www.gasindustry.co.nz

Dear Steve

Coments on FYE2017 Statement of Intent

Genesis Energy Limited welcomes the opportunity to comment on the Gas Industry Company's (GIC's) consultation on FYE2017 Statement of Intent and Levy¹ ("the consultation").

We outline three issues that we would like to see the GIC place greater emphasis on in FY2017. Our answers comments on the consultation questions are attached in an appendix to this letter.

1. Monitoring development of market-based balancing

In 2015 the GIC made the controversial decision to support Maui Development Limited's market-based balancing proposal (MBB). Although we opposed the MBB decision due to the potential costs imposed on shippers and end-consumers, we will now do our part to ensure MBB works as well as possible.

MBB is obviously still new and it is likely that teething problems will arise as participants interact with the market and each other on the platform. For this reason it will be important for the GIC to maintain a close watching brief on MBB problems (and proposed solutions). The GIC will need to ensure clear communications between all parties. In some cases, simply highlighting a potential problem to market participants will suffice, but more significant problems will require more commitment and formal engagement with the sector.

¹ Consultation Paper dated 15 December 2015

2. Enabling a competitive retail gas market

Competition in the gas market – both reticulated gas and bottled LPG – has significantly increased over the last year. New retailers should help drive product innovation and price competitiveness for consumers. But they also present a risk in that they may not all have the same level of understanding as to the safety and operational nuances in the gas markets.

We suggest the GIC needs to:

- Ensure it has clear processes in place for monitoring and providing guidance to new gas retailers; and
- Review whether the current use of system agreements between retailers and network owners can be better standardised to enable more national retail competition.

3. Closed networks are unreasonable barrier to competition

We also note there are still a number of closed reticulated gas networks and infrastructure. In our experience, these closed networks can be a significant and unreasonable barrier to retail competition. Infrastructure investors must be able to make a fair return on their investment, but a fair return does not mean a perpetual retail monopoly. In our view, a competitive retail market will require closed network operators to provide access to retailers on fair and reasonable terms.

Given the potential growth of competition in the retail gas market, we consider it is timely for the GIC, perhaps with MBIE, to consider the broader implications of small monopoly infrastructure owners on consumers.

Access to information

The GIC currently relies on voluntary information disclosure to perform its key market performance and regulatory functions. This is an important feature of the co-regulatory model. Failure to meet this expectation by participants will not only impact on the GIC's understanding of the regulatory issues at hand, but may eventually undermine the effectiveness of the co-regulatory model altogether.

Genesis Energy supports the GIC looking at regulatory options if there is evidence of systematic resistance by participants. But any regulatory intervention must avoid creating new burdens on participants who *are* meeting the current information disclosure expectations.

If you would like to discuss any of these matters further, please contact me on 04 495 3340.

Yours sincerely



Jeremy Stevenson-Wright
Regulatory Affairs Manager

Appendix A: Responses to Consultation Questions

QUESTION	COMMENT
<p>Q1: Do you have any comments on Gas Industry Co's role or Strategy relevant to the development of the Statement of Intent and Levy?</p>	<p>No.</p>
<p>Q2: Do you have any comments on the process for developing Gas Industry Co's SOI and Levy?</p>	<p>No.</p>
<p>Q3: Do you consider there to be any other items that should be included in the Company's intended work programme for FY2017?</p> <p>If so please describe the work required and how that work achieves the outcomes ought under the Gas Act and GPS.</p>	<p>Yes. See cover letter.</p>
<p>Q4: Do you consider there to be any items that should be excluded from the Gas Industry Co's intended work programme for FY2017? Please provide reasons for your response.</p>	<p>No.</p>
<p>Q5: We are particularly interested in industry comment on the forecast gas volumes. Do stakeholders consider the projection reasonable? If not, what would they consider an appropriate gas volume estimate to be?</p>	<p>No.</p>
<p>Q6: Do you have any comment on the proposed levy for FY2017?</p>	<p>No.</p>