

Total Utilities Management Group Ltd

submission on the Retail Competition and Transmission Pipeline: Statement of Proposal

Good afternoon Ian

You know of our background so I don't need to reiterate our industry background etc.

To cut to the chase, we support 100% the proposed 'follow the end user' model. By making year on year comparisons of RFP responses to a given TOU client RFP we can prove that this issue is now significantly retarding competition in the TOU part of the natural gas market.

Certain existing suppliers have a vested interest in the retention of the existing 'grandfathering' provisions in the Vector Transmission Code (VTC).

Other suppliers are clearly being penalised by these anti-competitive clauses. Indeed, we have a non-TOU education sector client in the Waikato, where this very issue has this week cost our client +/- \$7k/year on a load of 6700 GJ/year i.e. one particular retailer had 'won' the quote but effectively had to rescind their offer due to their lack of spare booked capacity.

Whilst other suppliers are being forced by circumstances to refuse to hand over booked capacity relating to a given TOU site to an incoming retailer - if they did release capacity, this act would not be reciprocated by their competitors in parallel circumstances.

The recent sale of the E-Gas customer base further concentrates booked transmission capacity in fewer hands.

Until resolved, this issue will preclude any new gas retailers entering the market i.e. no matter how much gas they had available and no matter how good their pricing was, a new retailer would be hard pressed to get started let alone challenge the market leaders.

One final point, as a compromise medium term solution, couldn't the GIC facilitate agreement on the basis of:

- Half the booked capacity of a TOU site being allocated to the incoming retailer and
- The remainder staying with the existing retailer owing to the portfolio-related arguments of some parties.

Hope above is of use - please let me know ASAP if you have any queries.

Best regards
Richard

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