From: Ray Ferner [mailto:ray.ferner@rinnai.co.nz]
Sent: Wednesday, 16 November 2011 12:33 p.m.
To: Sandy Thambiah
Subject: RE: Gas Industry Company - 2011 Co-regulatory Forum Friday 18 November

Hi Sandy,

The main issue for the downstream sector is the current poor performance in terms of attracting new domestic customers to gas and the profile that gas has as a sensible energy option for New Zealanders.
Current appliance sales trends are significantly negative. If this cannot be reversed, the capability and capacity of the downstream appliance sector will be compromised as companies pursue alternative options.

There has been much discussion on the barriers that new customers have in connecting to gas. It is an option for customers to connect to gas, unlike electricity and at present in many cases the barriers are greater than the perceived benefits. Connection complexity, fixed charges, lack of awareness of the performance, cost advantages and lifestyle advantages of gas.

Retail marketing focus has been on switching. While a competitive market is important for customers, switching does nothing for growing the market or the positioning of gas in the consumers minds. The current market structure has failed to deliver the settings that encourage retailers to be strong advocate for gas.

The indicative work programme includes "Telling the Gas Story". This is the most important consideration from the downstream sector's perspective.

The Gas Association and LPG Association have a small PR entity, "Gas New Zealand" to tell the gas story but a limited budget. GIC could play a role in coordinating a meaningful effort to promote gas.

The rest of the work programme looks appropriate and necessary.

If it is possible to join the meeting by teleconference, please let me know

Regards

Ray Ferner
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From: Ray Ferner [mailto:ray.ferner@rinnai.co.nz]
Sent: Friday, 18 November 2011 8:14 a.m.
To: Steve Bielby
Subject: Domestic Gas

Hi Steve,

I have put a few notes on paper as follows.
I will call in at 10:30 and take your lead on if I should go through these. I guess it will depend a bit on the context of the meeting and your view on what is best at that time. I will have to leave at about 10:50 in any case.

I have sent a copy of the notes and also the presentation that Andrew and I made to the GIC conference to Martyn Dudley.

Situation

- Low rate of new connections
- Falling appliance sales
- Low profile of gas benefits
  - Lifestyle
  - Economic
  - Healthy Home
- Marginalized as a space heating solution which reduces the overall appeal and economic argument
- Heat pump domination of space heating despite the Heat pump solution being less effective that gas and a similar cost (but of course includes cooling)
- 169 units of gas heaters sold to EECA insulation programme versus 19,000 heat pumps

Reality

- Gas is being totally undersold in the New Zealand market
- Gas is economically compelling
- Gas is available
- Gas provides better performance in the home
- Using gas directly is a more efficient use of NZ's resources
- Using gas directly has a lower emissions profile
- Using gas directly diversifies NZ's energy mix

Why is it like this?

- Domestic use of gas has no voice in NZ
- It is an OPTIONAL fuel but the industry is not marketing it as such - we are not selling the benefits.
- No industry focus on growing domestic use
- No consistent message in the market
- Complicated offer
- Industry generated barriers to consumers - especially fixed charges

What to do?

- Is there a business case to grow domestic gas?
- Certainly there is in the appliance and trades sector
- Is there some way that the industry can co-operate to create a compelling gas story and communicate it
- Does the GIC have a role in this?
- Should consideration be given to resourcing some approach to growing the domestic opportunity?

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