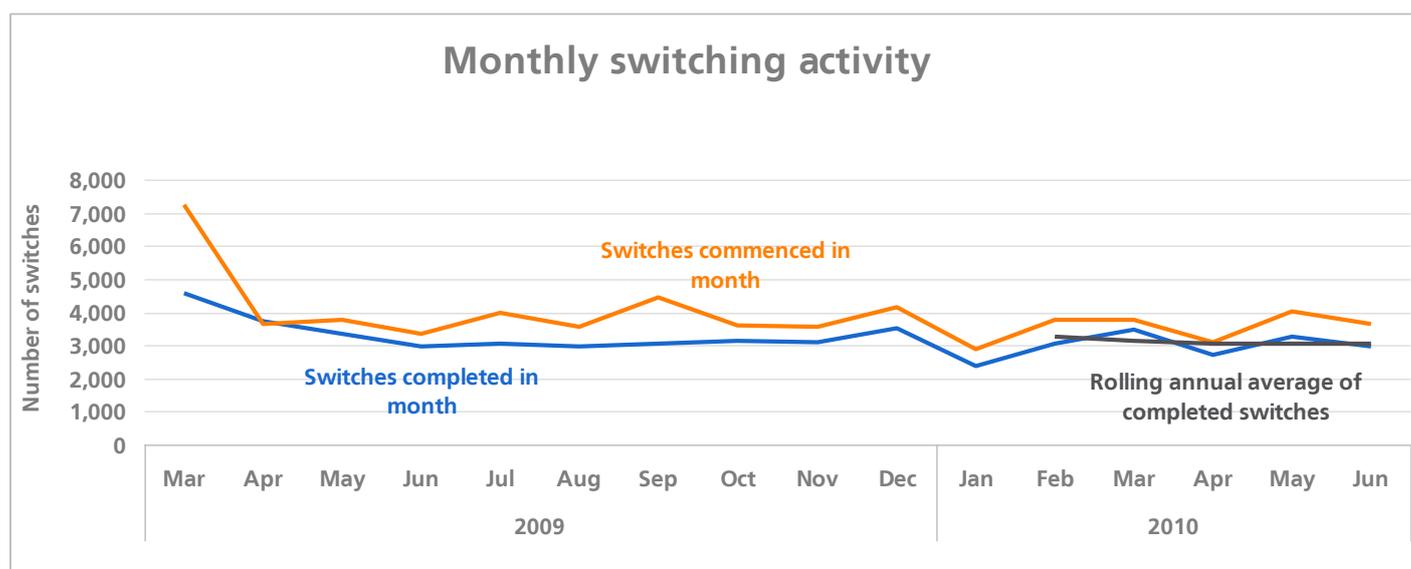


Performance Measures Quarterly Report for the period ending 30 June 2010

1 Switching performance measures

Monthly switching activity

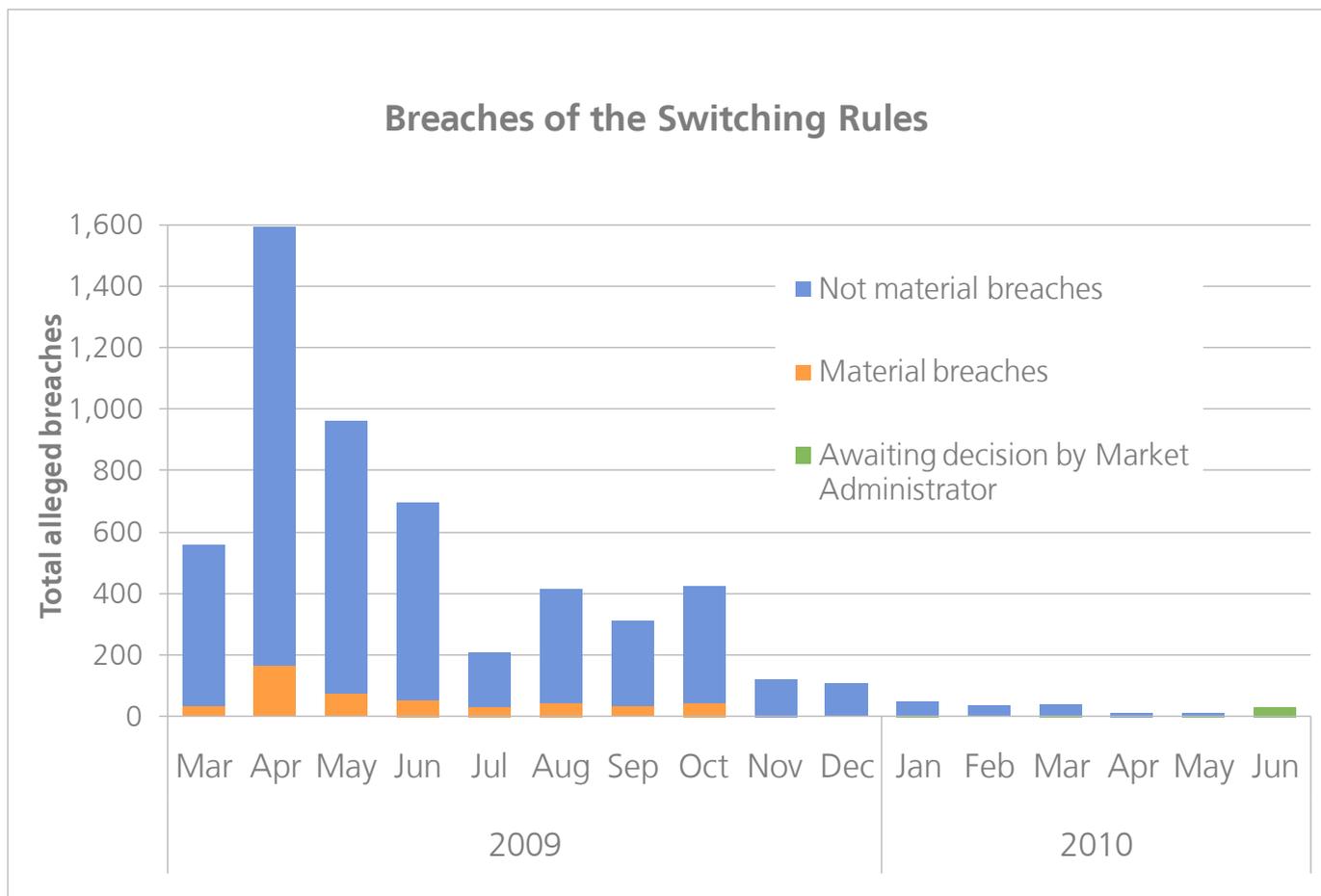
The number of completed switches in a month has remained relatively constant since shortly after the commencement of the Switching Rules. In the 12 months to June 2010, about 3,050 switches occurred per month.



Note that the above chart includes only switches that occurred on open-access distribution networks; switches from open-access to bypass networks (or vice versa) would not be recorded as a switch in the Gas Registry.

Number and severity of breaches to the Switching Rules

The number of switching breaches has fallen significantly since the inception of the Switching Rules.

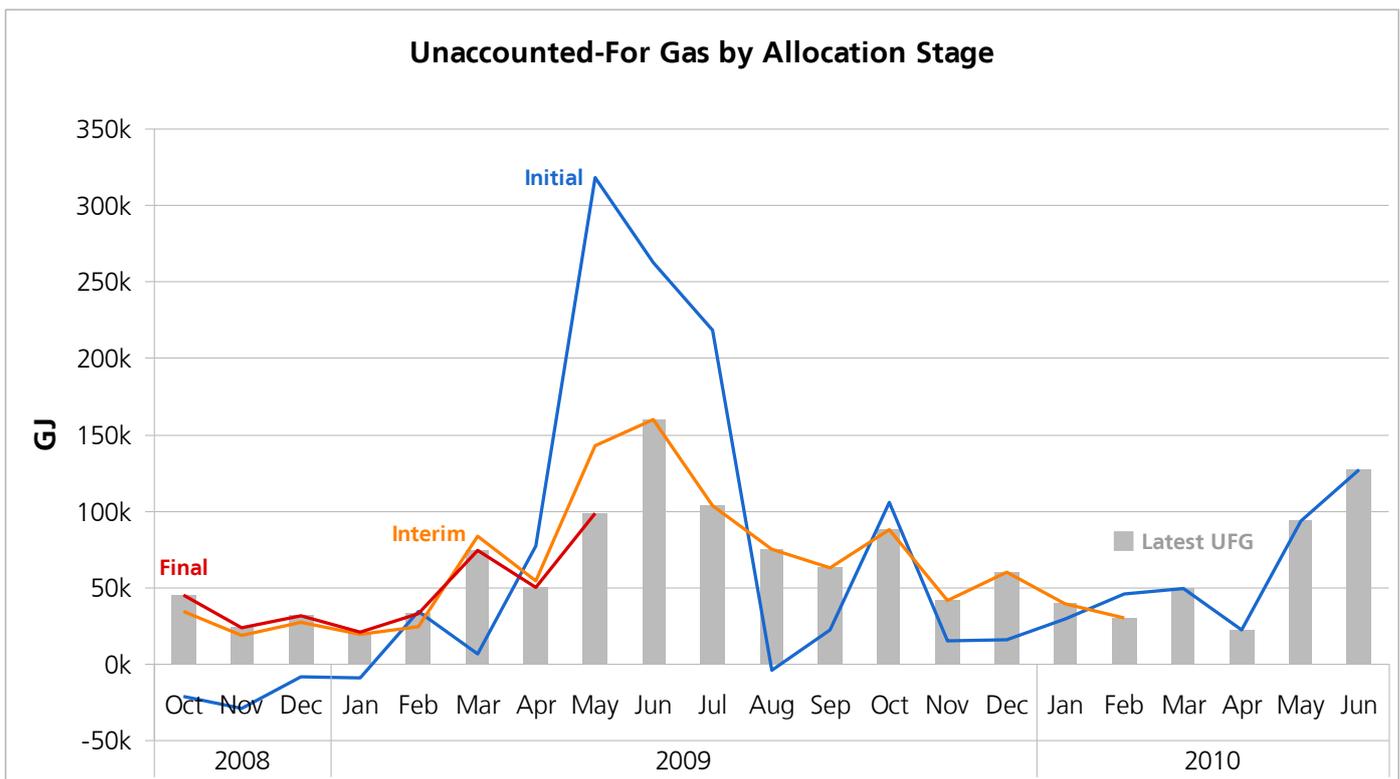


2 Allocation and reconciliation performance measures

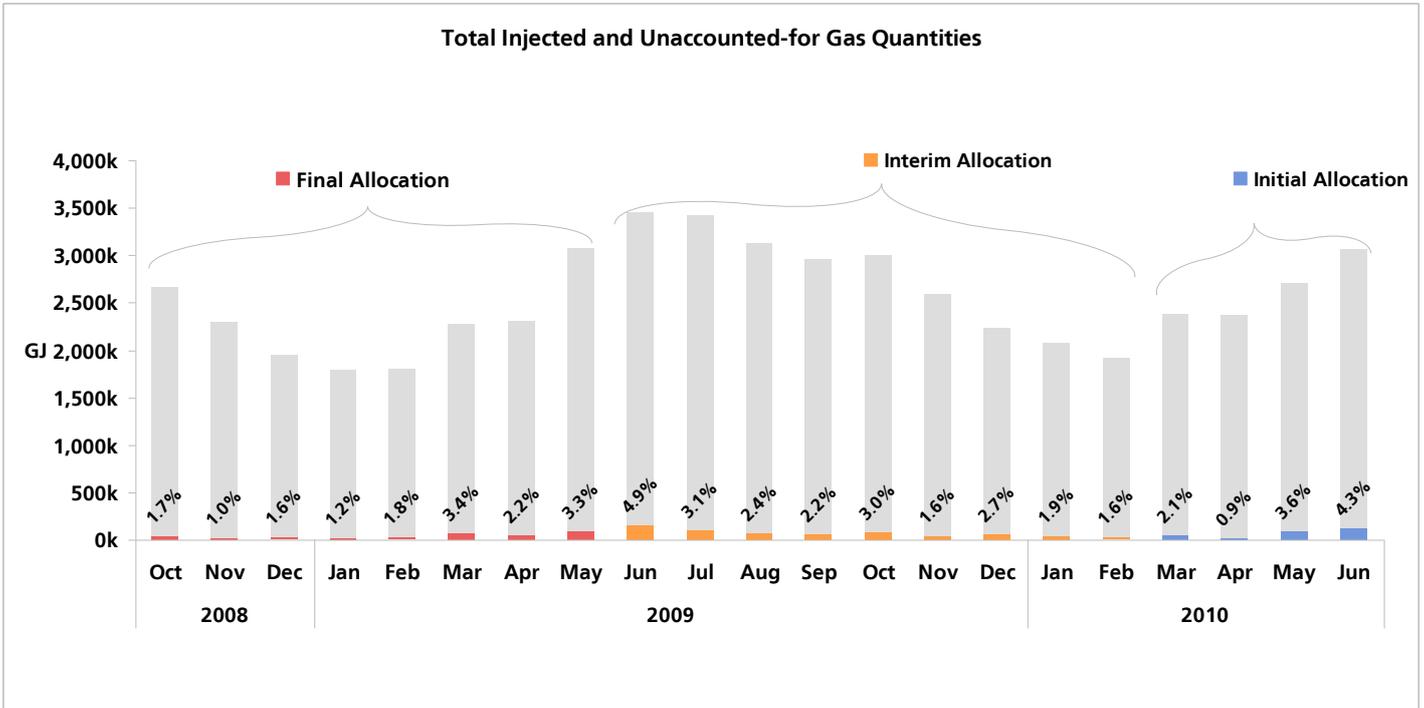
Volumes of Unaccounted-for Gas

This chart illustrates a number of factors. First is the accuracy of the initial and interim allocation stages, compared with the final. The chart shows, for example, the high levels of unaccounted-for gas (UFG) experienced at the initial stage in May, June, and July of last year, and the decrease that occurred with the interim allocation stage. There are also periods where UFG increases with successive allocation stages, as in March and August of 2009.

The grey bars show the UFG by month for the most recent allocation stage available. This data set shows a seasonality trend – there is a greater volume of UFG experienced in winter months than in summer months. However, it appears that UFG in the winter 2010 is less than that experienced in 2009.



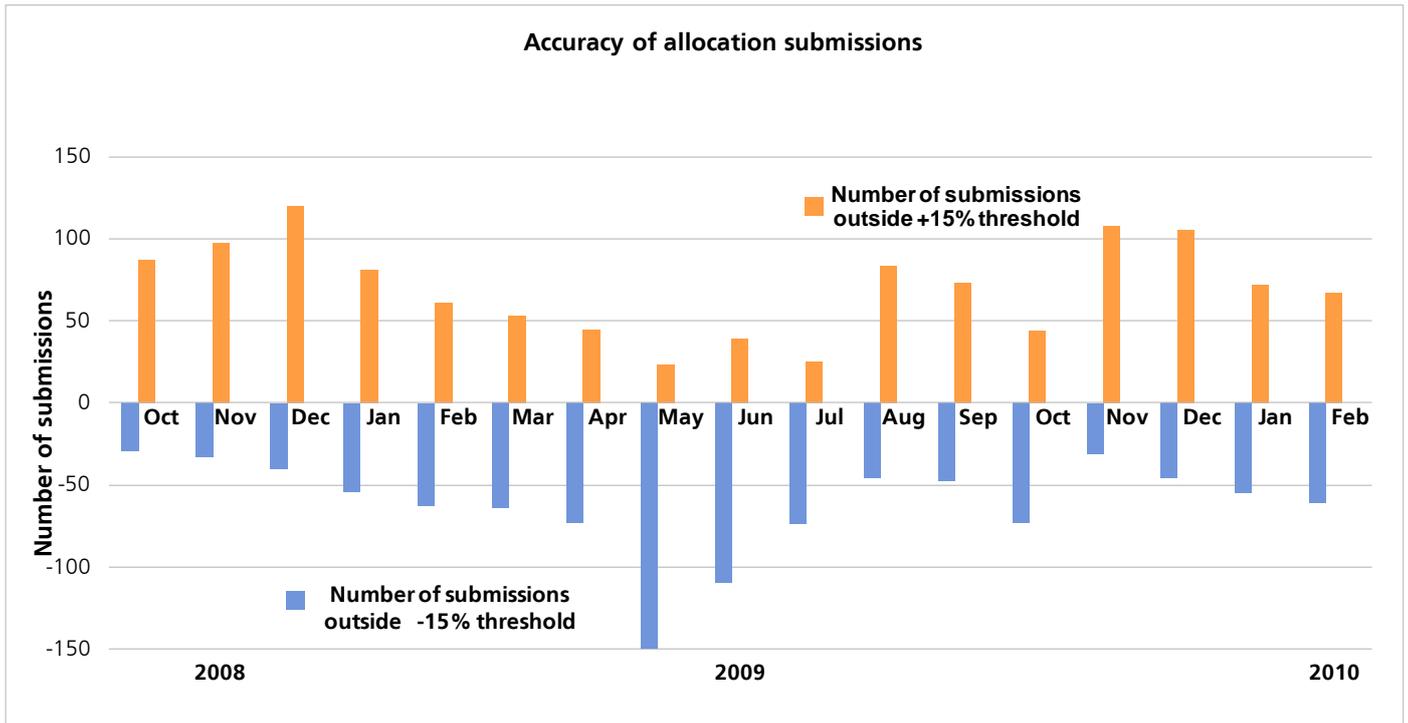
This chart shows the amount of unaccounted-for gas in comparison to the total amount of gas consumed each month. As with UFG volumes, the UFG as a percentage of total gas consumption also follows a seasonal pattern: higher in winter and lower in summer. Within this pattern, however, the data show that, generally, the percentage of UFG in 2010 is lower than the same month in the previous year.



Accuracy of submission data

For this analysis, final submissions were compared to initial allocation submissions for the months they were available (Oct 08 – May 09); other months use interim submissions for the comparison data.

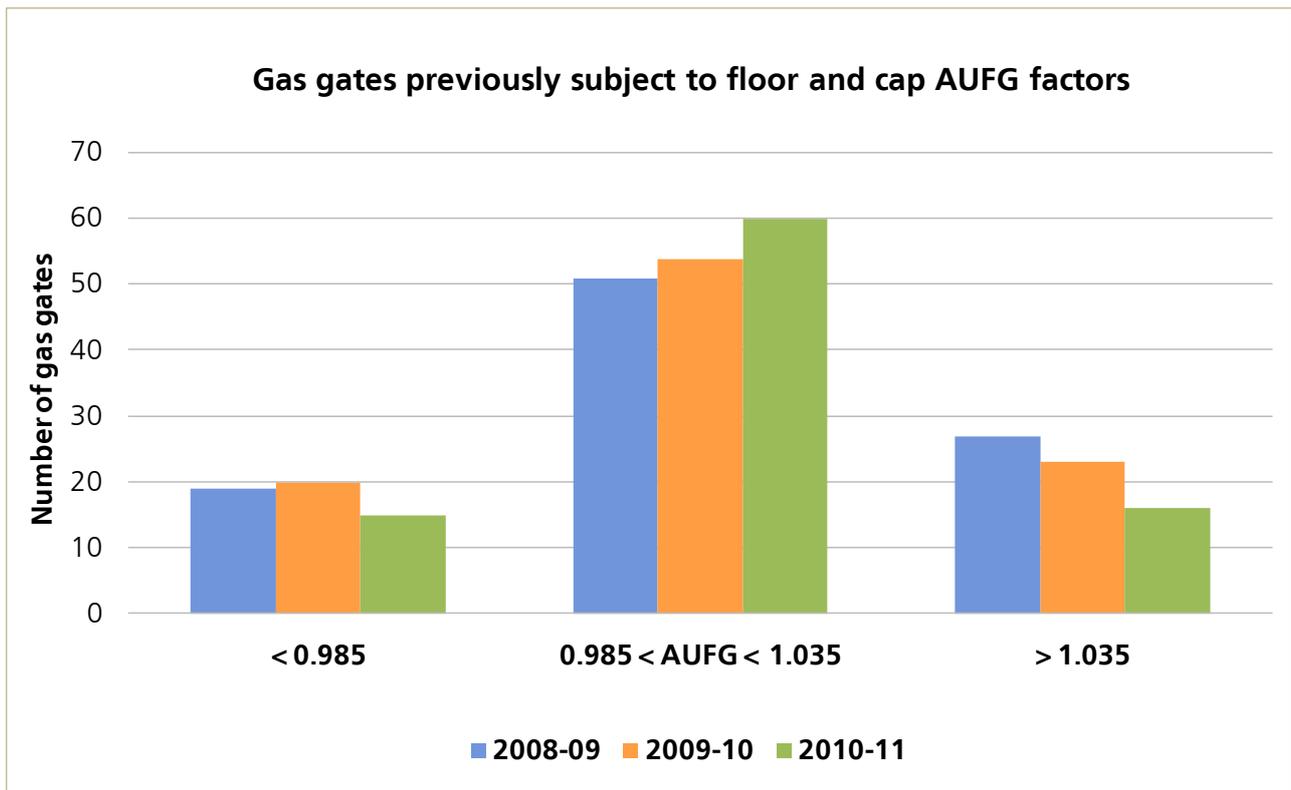
There is a seasonality to the submission inaccuracies: retailers tend to overestimate consumption amounts in the summer and to underestimate in the winter. The most extreme examples of underestimation occurred in May and June 2009; and the resulting UFG prompted industry participants to request the commissioning of an event audit.



Number of gas gates subject to floor and cap AUFG factors

As part of the transitional provisions of the Reconciliation Rules, Annual UFG (AUFG) factors were constrained by a floor and cap. Those transitional provisions have now expired; however, the former cap and ceiling limits are useful as a means of tracking improvements in AUFG factors.

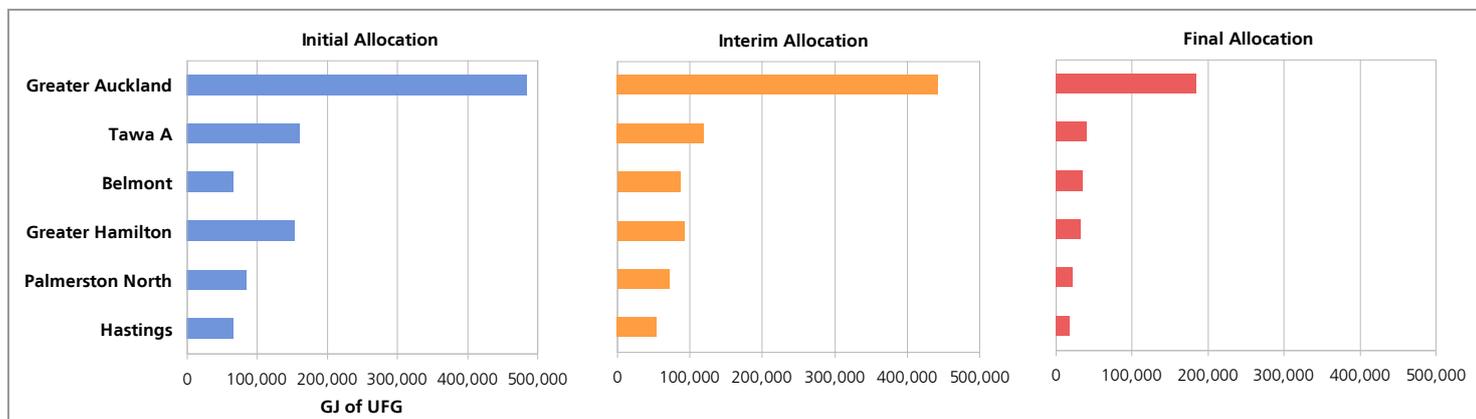
The closer AUFG is to one, the more accurate the consumption submissions have historically been at that gate. The chart below shows that, for the 2010-11 gas year, the number of gas gates whose AUFG is in the middle category has increased, and the number of gas gates that would have been subject to a floor or ceiling has decreased.



Note that the Rulings Panel has ordered that AUFG figures be recalculated as a result of the findings of the event audit of May and June 2009. This calculation is yet to be done, so the data in the chart above are subject to change.

Gas gates where UFG is the highest

Greater Auckland gas gate is by far the largest contributor to UFG of the gas gates, followed by Tawa A, Belmont, Greater Hamilton, and Palmerston North. This pattern is roughly consistent over all three allocation cycles, as shown by the charts below.



Note that the volumes shown in the charts are the cumulative results since the inception of the Reconciliation Rules, which means that the Initial Allocation data represent 21 months; the Interim data, 17 months; and the Final data, eight months.

Audits commissioned

Event audits

There were two event audits commissioned during FY2010, which investigated the high levels of UFG experienced in May and June 2009 at the Greater Auckland and Tawa A gas gates. These audits found:

- Substantial under-reporting of consumption information by one retailer. This under-reporting has been alleged as a breach of the Reconciliation Rules and is being pursued through the compliance process.
- Some discrepancies in relation to retailers' data. These discrepancies have been referred to the relevant retailers for correction.

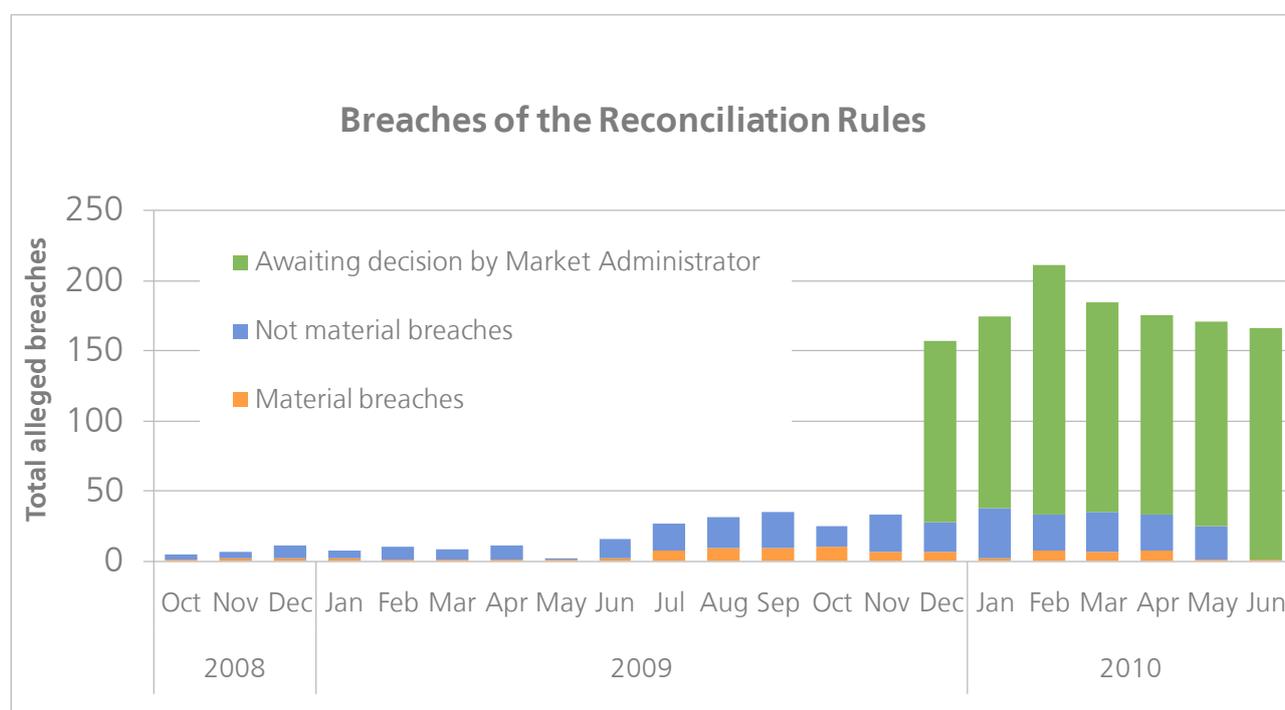
The event audit also highlighted that retailers' forward estimation methodologies did not accurately predict mass market consumption in the event of an abnormally cold month (as May 2009 was). Gas Industry Co is investigating options to place increased incentives on retailers to improve their estimation methodologies.

Performance audits

There were two performance audits commissioned during FY 2010, of E-Gas and of Contact Energy. Both of these audits are under way as at the time of this writing.

Number and severity of breaches of the Reconciliation Rules

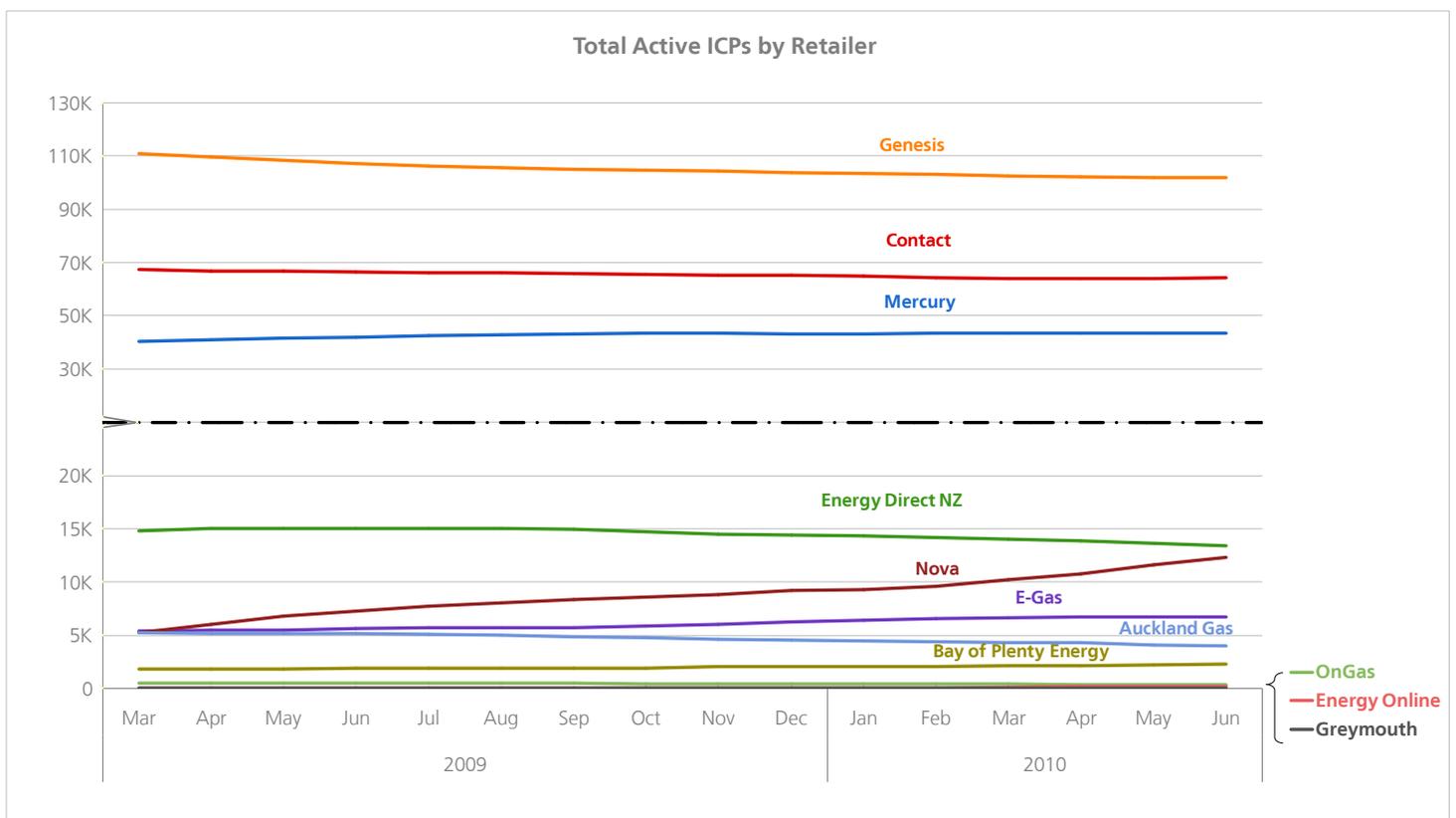
The marked increase in alleged breaches from December 2009 onwards represents breaches of Rule 37, which requires the accuracy of consumption information provided at the initial allocation stage to be within a specified tolerance level of the information provided at the final allocation stage. The Market Administrator is holding consideration of these breaches, pending the finalisation of a protocol for determining their materiality.



3 Market competition performance measures

Market share of ICPs by retailer

Genesis Energy has lost over 9,200 ICPs since the registry began in March 2009; Contact has lost 2,800; and Auckland Gas and Energy Direct have each lost over 1,200. Gaining retailers include Nova, with over 7,000 new ICPs; Mercury, with over 3,300; and E-Gas, with over 1,300. Note that Nova's gain in ICPs is partially offset by Auckland Gas's losses, as the two retailers are owned by Nova, and Gas Industry Co understands that Nova has gone through a process of rationalising its customers among its retail companies.

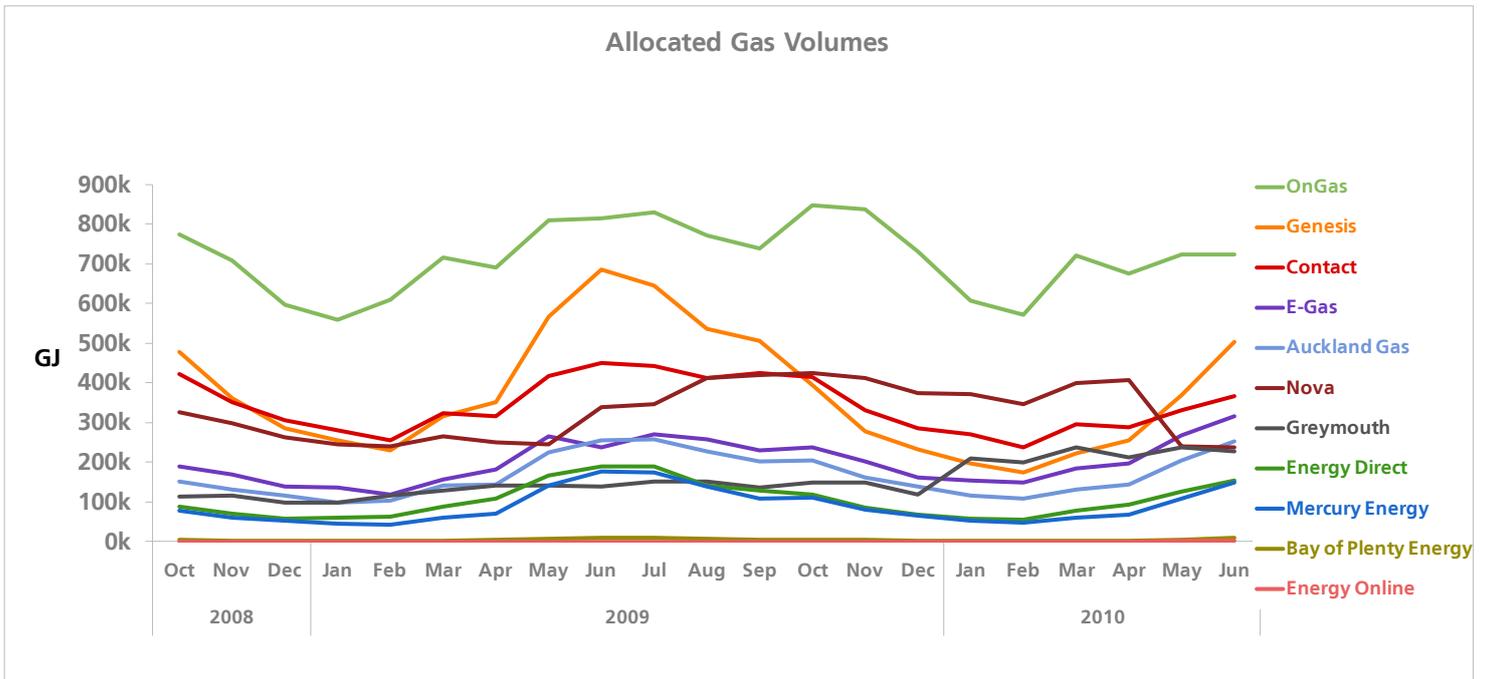


Note that the above chart includes data from ICPs on open-access distribution networks only; information about ICPs on bypass networks is not yet available in the Gas Registry.

Allocated gas volumes

With over a year and a half of data, patterns in consumption volumes are beginning to emerge. Genesis appears to have the most strongly seasonal consumption pattern, consistent with their position as the retailer with the most ICPs, a high proportion of which are small consumers with space heating loads. Contact, another large mass market retailer, also has a pattern of higher consumption

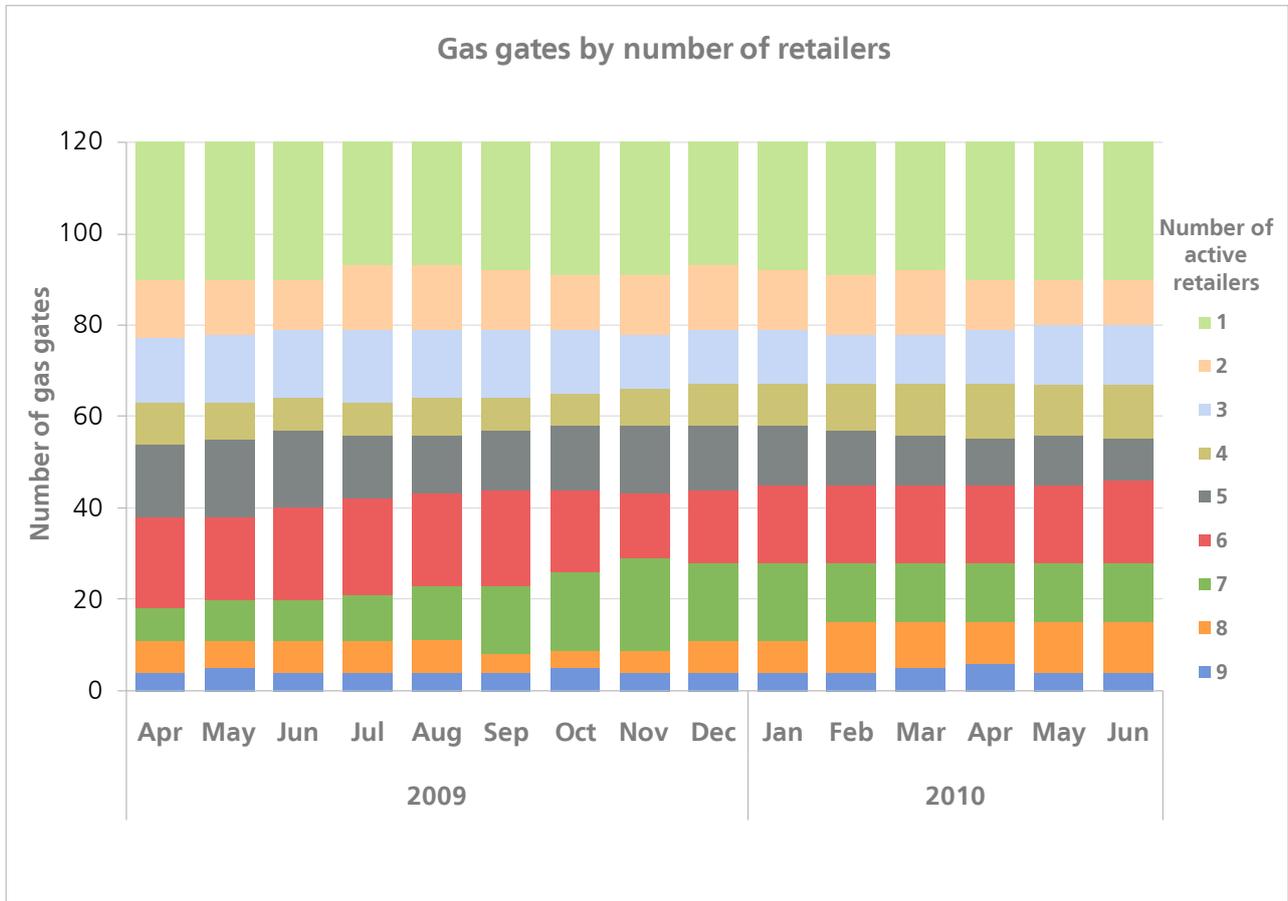
in the winter months. On Gas, in contrast, has relatively few ICPs, but those ICPs are for large industrial and commercial customers, and their consumption shows little seasonality.



Note that data for this chart are a mix of allocation stages: Final for October 08 through May 09; Interim for June 09 through February 10; and Initial for March 10 through June 10.

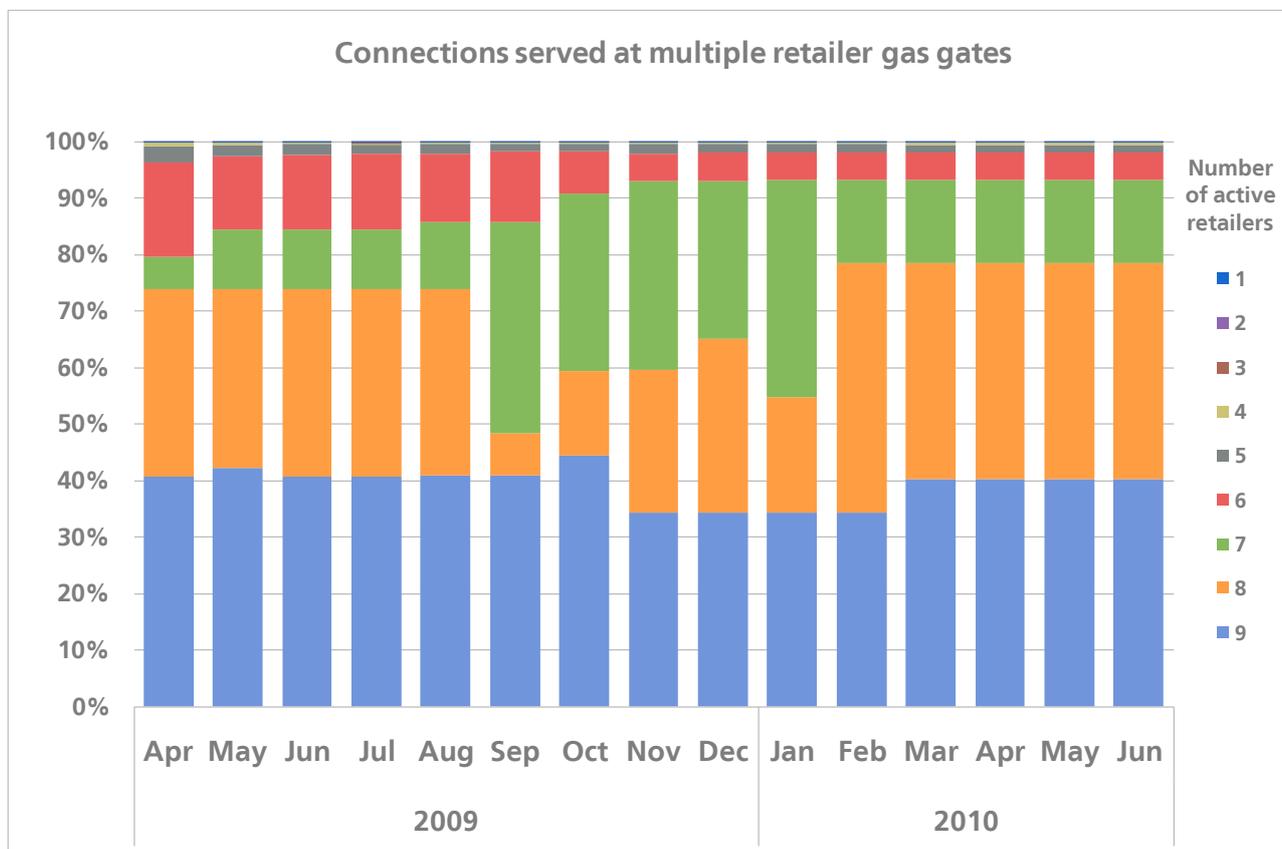
Gas gates by number of retailers

There has been a gradual increase in the number of retailers active at the various gas gates. For example, in April 09, there were fewer than 40 gas gates where six or more retailers operated; by June 2010, there were 46 gates with six or more active retailers.



Connections served by multiple retailers

In April 09, about 80% of ICPs were connected to gas gates where seven or more retailers were active; this proportion rose to over 90% by December 09 and has stayed constant through June 2010.



Note that the above chart includes data from ICPs on open-access distribution networks only; information about ICPs on bypass networks is not yet available in the Gas Registry.

4 Critical Contingency Management performance measures

Events

As required by the Gas Governance (Critical Contingency Management) Regulations 2008, the Critical Contingency Operator (CCO) held a test of the critical contingency management plans on 25 February 2010.

This exercise gave the opportunity to try out the newly designed Transmission System Operator (TSO) and CCO systems and processes in an authentic environment for the first time. The scenario covered

both the Vector and MDL transmission systems and simulated every step of the critical contingency process except for the Imbalance Methodologies.

The test exercise demonstrated that the interface between TSO and CCO works well. Much of the TSO-CCO liaison was carried out face-to-face, as would occur during an actual critical contingency. The majority of Shippers and Retailers also participated in the exercise and used the test as an opportunity to assess their own processes.

A few minor issues arose concerning the operational aspects of critical contingency management, and the CCO has produced recommendations for participants to avoid these concerns in future events. It was also found that there was a low awareness among gas consumers as to their obligations in the event of a critical contingency. The CCO has developed text about critical contingency requirements that retailers can incorporate into customer notices.