



11 Chews Lane
PO Box 10568
The Terrace
Wellington 6143
New Zealand

Genesis Power Limited
trading as Genesis Energy

Fax: 04 495 6363

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John McLaren
Chief Advisor
Regulation Branch
Commerce Commission
WELLINGTON

By email: regulation.branch@comcom.govt.nz

Dear John

Revised Draft Decision on the Initial Default Price- Quality Paths for Gas Pipeline Services

Genesis Power Limited, trading as Genesis Energy, welcomes the opportunity to provide a submission to the Commerce Commission (“the Commission”) on the consultation paper “Revised Draft Decision on the Initial Default Price-Quality Paths for Gas Pipeline Services”, dated 24 October 2012.

As New Zealand’s largest retailer of gas, we support the intent of the Default Price-Quality Path (“DPP”) to promote outcomes for consumers that are consistent with that of a competitive market. The Commission’s expectation that the initial DPP will reduce transmission and distribution charges for consumers that have potentially been paying too much is a positive outcome.

As acknowledged by the Commission, however, there is still considerable work to be done to ensure consumer demands on service quality continue to be met. The Commission is proposing that just one quality standard should apply to Gas Pipeline Businesses for the initial DPP. Genesis Energy suggests that without more meaningful quality standards in place, there is risk that the proposed price controls may incentivise reductions in expenditure to the detriment of quality standards and necessary future investment in gas infrastructure. We consider that the recent constraints around peak access to the Northern Pipeline, as well

as the Maui Pipeline Outage, highlight the importance of reliability and quality standards.

In addition Genesis Energy would also encourage the Commission to re-evaluate the cost-effectiveness and practicability of an integrated price and quality DPP once more comprehensive standards are in place. We consider that an integrated approach will give regulated suppliers better incentives to innovate and invest to improve quality of supply. This type of incentive structure should be prioritised.

If you would like to discuss any of these matters further, please contact me on 04 495 6357

Yours sincerely



Lizzie Wesley-Smith
Regulatory Advisor