

Operational Information

Third Quarter

2010/2011 Financial Year



Part: 1 Introduction

On 6 May 2010, the Electricity Authority (“EA”) released its draft decision on an alleged Undesirable Trading Situation (“**UTS**”) which occurred on 26 March 2011. The UTS involved interim wholesale spot prices exceeding \$19,000 per MWh at certain nodes during a transmission constraint in the Upper North Island. The EA has issued a draft ruling that a UTS (as defined by the market rules) did occur and it is proposing to reset prices at values between \$1,500/MWh and \$3,000/MWh rather than the approximately \$19,000/MWh level that wholesale spot prices reached on 26 March 2011.

The Electricity Authority noted that Genesis Energy had acted at all times within the rules, had not engaged in manipulative or misleading conduct and had not breached any law. Genesis Energy has reviewed the preliminary conclusions, and made a submission to the EA on the draft decision on Friday, 13 May 2011.

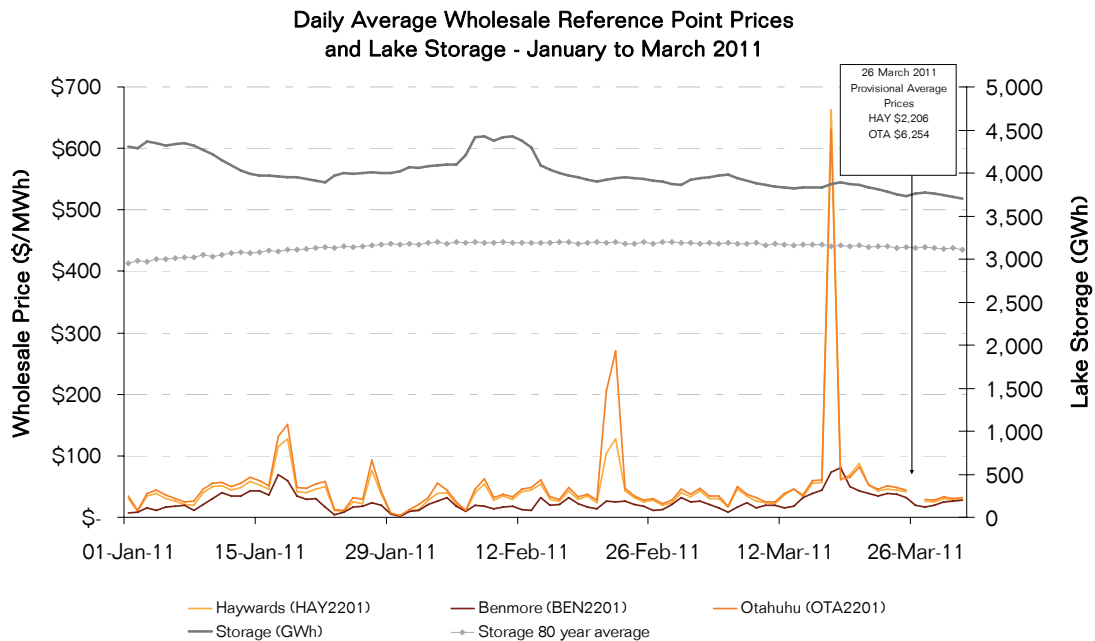
This disclosure includes Genesis Energy’s operational information for the third quarter period ending 31 March 2011 (“**Q3**”) and for the nine month period ending 31 March 2011. The Company intends on reporting financial performance for Q3, following the final decision of the UTS investigation.

Genesis Energy continues to make good progress on its capital bond offer to facilitate the acquisition of the Tekapo A and B power stations in the fourth quarter.

Part: 3 Operations

Wholesale Market Conditions

Hydro conditions in the third quarter were characterised by high inflows and above average lake storage levels. The wet conditions contributed to low average wholesale prices in the wholesale market over Q3. However, the wholesale market did experience some large wholesale price events during the period, most notably on 26 March 2011¹.



Source: COMIT/Genesis Energy

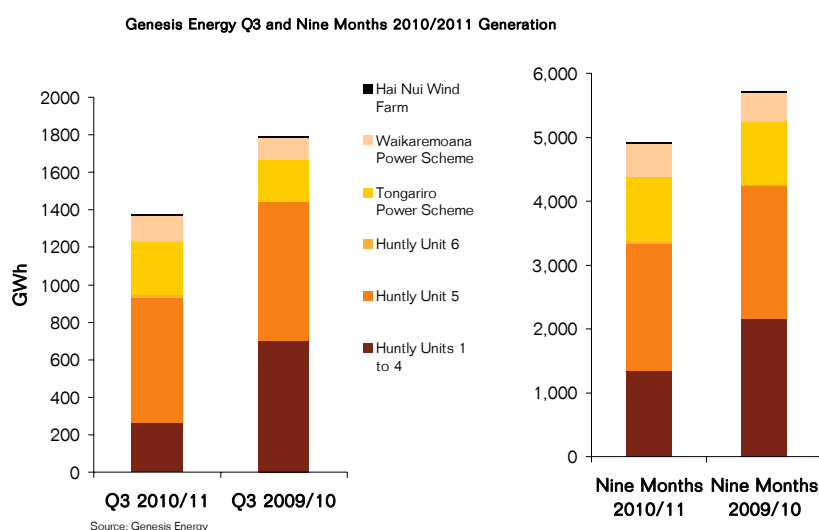
¹ Wholesale Prices shown in the wholesale price chart above are final except for provisional wholesale prices which are shown in the insert box for the alleged UTS event which occurred on 26 March 2011.

Electricity Generation

Genesis Energy's total generation in Q3 for 2010/2011 was down 23% at 1,377GWh, compared to 1,793GWh in the same quarter last year. Generation for the nine months 2010/11 at 4,912 was down 14% on the same period last year.

Thermal generation was down 34% at 945GWh in Q3 2010/2011 compared to 1441GWh in Q3 2009/2010 reflecting lower generation from Huntly Units 1 to 4 (down 62%) and Unit 5 (down 9%).

Renewable generation was up 23% at 433GWh for Q3 2010/2011 compared to 353GWh in Q3 2009/2010, reflecting higher generation from both the Tongariro Power Scheme (up 24%) and the Waikaremoana Hydro Scheme (up 22%).



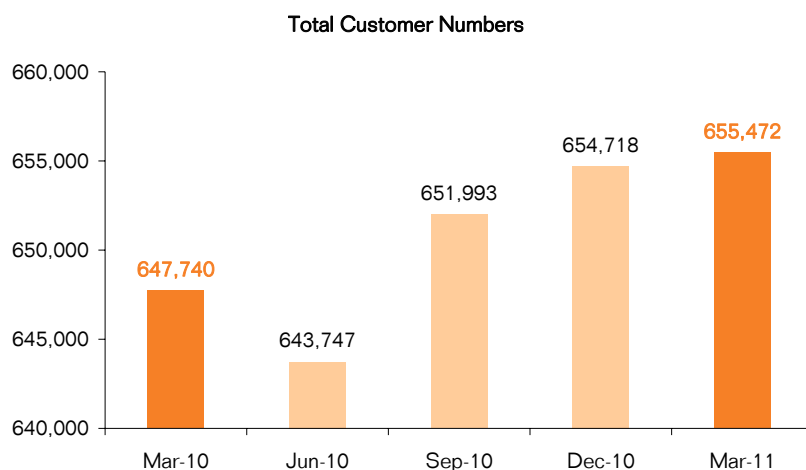
Fuel Supply

The total amount of fuel (coal and gas) used for generation was down 4.8PJ at 8.1PJ compared to 12.9PJ in the same quarter last year. The coal stockpile balance was 1,403 kilotonnes on 31 March 2011, up 9% from the previous quarter.

Genesis Energy's share of the sales from the Kupe oil and gas field for Q3 2010/2011 included 1.4PJ of gas, 173,000 barrels of oil and 5.4 kilotonnes of LPG.

Retail Market

Genesis Energy continued its South Island customer acquisition campaign in Q3 2010/2011. Electricity customers are up 4,200 (1%) at 544,000 compared to 539,800 in the same quarter last year. Gas customer numbers are up 3.3% at 111,500 compared to 107,900 in the Q3 2009/2010. LPG customers are also up by 3,400 at 4,200 in the third quarter compared to 800 in Q3 2009/2010.



Source: Genesis Energy

In Q3 retail electricity sales at 1,228GWh were down by 140GWh on the same period last year. Gas sales at 0.7PJ in Q3 2010/2011 were similar to last year and LPG sales were up 176 tonnes to 212 tonnes compared to the same quarter last year.

The Company continues to make good progress on its programme to roll out Advanced Meters to all Genesis Energy's customers. At the end of March 2011, Genesis Energy had a total of 150,692 advanced meters installed with 26,943 advanced meters being installed in the third quarter. Installation rates are around 2,500 advanced meters per week.

Part: 4 Business Outlook

Market Outlook

NIWA's May 2011 Seasonal Climate Outlook indicates a mild early winter (May to July) for many regions, as La Niña conditions weaken. Neutral conditions are expected in the tropical Pacific by winter. Temperatures for early winter are likely to be average across all the North Island and in Buller, Nelson and Marlborough, and average or above average over the rest of the South Island. However, cold snaps typical of winter will still occur from time to time through the period. Seasonal rainfall is likely to be normal or above normal in the north and east of the North Island, near normal in the southwest North Island and northern South Island, and normal or below normal over the rest of the South Island. River flows are likely to be above normal in the northern North Island, normal or below normal in the western South Island, and near normal elsewhere.

Strong retail competition in both the electricity and gas markets is expected to continue in the fourth quarter 2010/11.

The transfer of Tekapo A and B power station from Meridian Energy to Genesis Energy will occur on 1 June 2011. The acquisition will add 185MW of hydro generating capacity to Genesis Energy's generating portfolio.

Investment Programme

Genesis Energy continues to make good progress towards lodging its resource consents application for the Castle Hill Wind Farm (up to 600MW), located north of Masterton in the Wairarapa.

On 17 March 2011, the Company introduced to its customers with advanced meters the capability to view their consumption data online. The Energy Usage service provides customers with a range of graphs showing hourly, daily and monthly electricity consumption. The service is available via My Account on the Genesis Energy website.

Business Outlook

Genesis Energy will continue to progress its capital bond offer to facilitate the acquisition of the Tekapo A and B power stations in the fourth quarter.

Operational Information

| Genesis Energy Operational Information | Third Quarter (January to March) | | Year To Date (Nine months ending 31 March) | |
|---|-------------------------------------|---------|---|---------|
| | 2010/11 | 2009/10 | 2010/11 | 2009/10 |
| Sales | | | | |
| Retail Electricity Sales (GWh) | 1,228 | 1,369 | 4,315 | 4,856 |
| Retail Gas Sales (PJ) | 0.7 | 0.6 | 3.2 | 3.3 |
| Retail LPG Sales (tonnes) | 212 | 36 | 622 | 132 |
| Wholesale Gas Sales (PJ) | 4.4 | 3.6 | 9.8 | 4.2 |
| Wholesale Coal Sales (PJ) | 0.1 | 0.2 | 0.6 | 0.8 |
| Generation | | | | |
| Gas (GWh) | 725 | 964 | 2,595 | 2,599 |
| Coal (GWh) | 220 | 477 | 765 | 1,651 |
| Thermal (GWh) | 945 | 1,441 | 3,360 | 4,250 |
| Hydro (GWh) | 426 | 346 | 1,532 | 1,440 |
| Wind (GWh) | 7 | 7 | 21 | 22 |
| Renewable (GWh) | 433 | 353 | 1,553 | 1,462 |
| Total Generation (GWh) | 1,377 | 1,793 | 4,912 | 5,712 |
| Gas Purchases (PJ) | 10.8 | 12.1 | 34.7 | 28.7 |
| Coal Purchases (PJ) | 5.1 | 6.9 | 15.7 | 18.5 |
| Gas Used In Internal Generation (PJ) | 5.7 | 7.8 | 21.6 | 21.1 |
| Coal Used In Internal Generation (PJ) | 2.4 | 5.1 | 8.3 | 18.3 |
| Coal Stockpile - closing balance (kilotonnes) | 1,403 | 909 | 1,403 | 909 |
| Retail | | | | |
| Retail Electricity Purchases (GWh) | 1,307 | 1,477 | 4,617 | 5,244 |
| Retail Gas Purchases (PJ) | 0.7 | 0.6 | 3.2 | 3.4 |
| Total Advanced Meters Installed During Period | 26,943 | 13,722 | 90,832 | 35,835 |
| Electricity Customer Numbers [1] | 544,000 | 539,800 | 544,000 | 539,800 |
| Gas Customer Numbers [1] [2] | 111,500 | 107,900 | 111,500 | 107,900 |
| LPG Customer Numbers [1] | 4,200 | 800 | 4,200 | 800 |
| Total Customer Numbers [1] [3] | 655,500 | 647,700 | 655,500 | 647,700 |
| Kupe (Genesis Energy share) | | | | |
| Gas Sales (PJ) | 1.4 | 1.4 | 4.1 | 1.4 |
| Oil Sales (kbbbl) | 173 | 151 | 408 | 151 |
| LPG Sales (kilotonnes) | 5.4 | 3.2 | 17.9 | 3.2 |

Notes:

[1] Customer numbers have been rounded to the nearest hundred.

[2] Excludes vacant accounts

[3] Excludes LPG customers