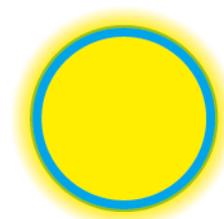


28 January 2016

Keston Ruxton  
Manager, IM Review  
Regulation Branch  
Commerce Commission  
PO Box 2351  
WELLINGTON 6143



Dear Keston

**RE: Feedback on gas pipeline sector-specific issues relating to the input methodology review and resetting of the gas default paths in 2017**

Please find attached Powerco Limited's submission on the Commerce Commission's request for feedback on gas pipeline sector-specific issues relating to the input methodology review and the resetting of the gas default paths in 2017.

Our submission provides further commentary on the items raised at the gas sector stakeholder meeting on 8 December 2015 and also highlights some additional gas industry specific issues which we suggest should be included within the scope of the IM review and /or the process to reset the default path (s).

With respect to our comments on the scope of the IM review, we have restricted our feedback to gas-specific matters. Our views on cross-sector IM topics will be provided as part of the relevant wider IM consultation, including our submission on the Commission's cost of capital update paper published on 30 November 2015.

We fully support the Commission undertaking a periodic review of the Part 4 rules with the aim of continuing to develop the IMs and price-quality path mechanisms based on cross sector experience. However, we urge caution when considering blanket approaches to electricity and gas, and transmission and distribution services. What may work in one setting may not necessarily work in another due to structural, product and competitive differences between the respective markets.

Accompanying our submission is short paper, prepared for Powerco, by Concept Consulting which aims to draw out some of the differences between gas and electricity businesses which are relevant when considering the regulatory settings that should apply in each case<sup>1</sup>. The Concept Consulting paper should be read in conjunction with Powerco's submission.

We appreciate the Commission's positive approach to stakeholder engagement at this early stage in the Gas DPP reset process. In our view the gas stakeholder meeting held on 8 December 2015 was very insightful and significantly progressed discussions.

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<sup>1</sup> Concept Consulting, "Relative long-term demand risk between electricity and gas networks", Prepared for Powerco, 27 January 2016

We recommend that the Commission continue to closely engage with stakeholders and provide further opportunities for comment through the IM review and gas resetting processes.

Thank you for the opportunity to submit on this consultation. If you wish to discuss any of the points made, or clarify any matters, in the first instance please contact Oliver Vincent, tel. (06)757 3397, email [oliver.vincent@powerco.co.nz](mailto:oliver.vincent@powerco.co.nz).

Yours sincerely

A handwritten signature in blue ink that reads "Vincent". The signature is stylized, with a large, looped 'V' and a horizontal line extending to the right.

Oliver Vincent  
Regulatory Policy Manager