GREYMOUTH GAS

Commerce Commission
By email: im.review@comcom.govt.nz

19 July 2023

Dear Commerce Commission

Re: 2023 IM Review – reticulated natural gas

Greymouth (and others, notably the Major Gas Users Group) have repeatedly raised with the Commission that the Part 4 regulation is not fit for purpose for gas pipelines in the context of declining demand – specifically the Commission's approach:

1. Is accelerating (through increased prices) asset stranding by pricing consumers out when for many consumers there is no viable alternative.
2. Is ignoring the likelihood that pipelines will be required beyond 2050 to transport natural gas, as a transition fuel and allowing for sequestration innovation.
3. Is ignoring the likelihood that pipelines will be repurposed to transport lower carbon gases when such gases become viable.
4. Is ignoring feedback that consumers cannot withstand the excessive price increases (15-100% on some First Gas pipelines) on monopoly regulated assets.

The Commission says it is constrained by legislation. However, it has made no effort to redress the situation, for example by seeking guidance from its Minister (at least not publicly) or by recommending to parliament legislative amendments. Instead, the Commission is ploughing ahead with settings that are resulting in unsustainable price increases. This approach is neither in the best interests of consumers (as consumer groups have said), nor the climate if that causes carbon leakage.

Greymouth considers that the Commission has erred in relying on high-level concepts which – while they work in steady / growth industries, do not work in degrowth industries. Notably, the Commission:

- Is unwilling to discuss Financial Capital Maintenance from a non-neoclassical perspective (e.g. Regulated Asset Base adjustments (without GPB compensation) together with reduced asset lives, to mirror competitive markets);
- Has not addressed how much cost is related to safety; and
- Has not addressed or explained why non-minimal investment should be incentivised *in the context of declining demand*.

Consumers wanted the cap to be amended to have regard for these matters. Absent that – and given declining demand is with us – the Commission's decision creates a policy gap. I.e. the Commission says *"[it does] not guarantee that [GPBs] will always be able to recoup their historical* *investments from consumers"* – therefore the question is when, in the context of declining demand, will GPBs be unable to recoup their investments from consumers? In saying this, it should be noted that in the case of the gas pipeline assets, they have already returned their cost price many times.

And which party / mechanism will ensure that consumers get affordable and efficient monopoly regulated pricing if the Commission will not act?

Yours sincerely,

[redacted]

Chris Boxall
Commercial Manager

Cc – Gas Industry Company Limited; The Minister, Green party, Opposition parties (National and Act)