

26 March 2021

Attn: Submissions analysis team  
Climate Change Commission

**Submitted via online upload**

### **Submission on Climate Change Commission's draft advice**

Thank you for the opportunity to comment on your draft advice to Government.

The Commerce Commission helps ensure that New Zealand's markets are competitive, consumers are well informed and protected, and sectors with little or no competition are appropriately regulated. We do this by enforcing laws relating to competition, fair trading, and consumer credit contracts, and through our specific regulatory responsibilities in the electricity lines, gas pipelines, telecommunications, dairy and airport sectors (and the fuel sector from August this year).

Given the significance of decarbonisation to the New Zealand economy and to consumers in general – and, in particular, for a number of the industries we regulate more closely (such as electricity and gas networks) – we read your draft advice with great interest.

As the important process of decarbonisation progresses, it is for Government to decide on the actions and timescale needed. At this stage, we would like to highlight two considerations relevant to the Commerce Commission's role and the sectors we regulate – competition and certainty.

On competition, we encourage the Climate Change Commission and policy makers to consider how best to enable competition and markets to deliver outcomes for consumers and to manage risk in delivering against decarbonisation targets, alongside intervention needed to promote particular outcomes. We would be happy to engage in how competition can be included in the framing of any initiatives, to deliver these long-term benefits for New Zealand consumers.

On certainty, this is important for regulated sectors and those who invest in them. Certainty is particularly valuable for electricity and gas networks. These sectors face challenging decisions about managing and investing in expensive and long-lived assets for the benefit of their consumers – a challenge which gets harder in times of uncertainty. While uncertainty

exists, that can generally be expected to increase the costs to network businesses, which are ultimately recovered through the prices paid by New Zealand consumers.

The uncertainty about the future demands on electricity and gas networks will affect the different sectors in different ways. We will need to consider this as part of two significant upcoming regulatory processes: resetting price-quality paths for gas pipeline businesses, which we must conclude by May 2022; and reviewing the rules, processes and requirements underpinning our regulation of electricity and gas networks (input methodologies review), which we must conclude by December 2023.

For electricity networks, the input methodologies review will provide an opportunity for us to ensure that our regulatory rules support the increased electrification of the economy, including by ensuring that our rules appropriately incentivise innovation, the adoption of new technologies, demand response management, and allow for the successful integration of electric vehicles. For gas pipelines, a central issue for both the input methodologies review and the price-quality path reset will be how we ensure that our regulatory rules appropriately support a decline in gas use. One likely consequence of declining gas use is that the gas networks' costs will need to be recovered from a smaller customer base, which is likely to increase the prices consumers pay to remain connected to gas networks.

We look forward to continued engagement with the Climate Change Commission and with Government and are happy to provide any input or assistance from us as work progresses. We are a member of the Council of Energy Regulators, the other members being the Ministry of Business, Innovation and Employment, the Electricity Authority, the Gas Industry Company, and the Energy Efficiency and Conservation Authority. So we also stand ready to assist you and Government in that capacity.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Sue Begg', written in a cursive style.

**Sue Begg**

**Deputy Chair**