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28 August 2017

Dear Matt

**RE: Feedback on process for resetting default price-quality paths for gas pipeline businesses**

1. Thank you for the opportunity to provide feedback on the process the Commission undertook to reset the price quality paths for gas pipeline businesses. This feedback is provided on behalf of the Major Gas Users Group (MGUG) and nothing in this is confidential.
2. While the Commission is seeking feedback on the process for resetting the DPPs we do not feel as though we can ignore the significance of the consultation processes running concurrently alongside the IM. This is where we found the process particularly challenging.
3. The opportunity to include GPBs into the IM process was identified early on by the Commission despite the reset for the gas DPP not due to be finalised until May 2017. MGUG welcomed this initiative on the basis that members' experience with the settings was less than satisfactory and allowing these conditions to continue until 2022 before realising any benefits wasn't acceptable to members.
4. But there was a downside with the timing of the IM review in that the process perhaps prevented the opportunity for a clearer assessment of the regulatory outcomes for GPBs. We saw this as illustrated by the following problems with the regulatory settings, including;
  - a. significant price shocks to pipeline charges;
  - b. continued uncertainty around the timing for investment in Maui pipeline security;
  - c. lack of innovation in products and services despite extensive engagement through the GIC;
  - d. and the sale of pipelines above their RAB value suggesting that profitability might be higher than intended under S52A outcomes.
5. We found the demands of the two processes challenging and difficult to engage effectively in the process. We would note that on a topic such as monopoly regulation engagement is inherently asymmetric because consumers with relatively small resources are asked to compete with submissions against the concentrated interest of suppliers. We see this as a weakness where the Commission relies on often quite technical evidence from economic experts for it to consider. It is not surprising that suppliers are able to invest more in this process to convince the Commission of its case.

6. To help improve consumer engagement it might be beneficial if the Commission were to provide on-line resources to make clearer and demystify various topics related to the regulatory inputs, outputs, controls and linkages between them.
7. In some cases the Commission set up focussed dialogues with consumer groups, which was helpful (we think for the Commission as well). An ongoing dialogue with identified consumer groups on more focused topics may also assist in helping to build consumer capacity for future engagement.
8. We acknowledge the Commission was aware of these issues and worked hard to try and address this imbalance by encouraging consumer input. However some aspects felt disjointed and confusing and often the engagement meant dealing with different Commission staff members on separate topics where the sensitivity to the linkages with other work streams was unclear. For example the Commission's emerging view on Form of Control was for a pure revenue cap for GTB and weighted average price cap for GDBs. Constant Price Revenue Growth (CPRG) is a subset of the form of control topic dealing with forecasts under a weighted average price cap. MGUG was invited to attend the 25 May 2016 workshop on CPRG which covered the reliability of demand forecasting for GDBs only. MGUG's expectation was that the Commission had only developed emergent, not firm, views on form of control. We were surprised therefore about the limited scope of the CPRG work-stream, particularly that it didn't include forecast issues for GTBs should a weighted average price cap be adopted as the final decision on the form of control. In our view this would have been the right forum to demonstrate and debate the Commission's evidence on this but this was largely prevented because of too narrow a scope definition for CPRG.
9. We sense that running a parallel IM process meant that Commission was already cementing a view on DPP settings whilst technically topics were still under consideration. Although Comcom strenuously asserted that DPP findings could be modified if IM emerging views were altered it did seem to raise the bar for burden of proof to change emerging views.
10. That aside we think the Commission's wider and more intensive engagement process produced positive outcomes for the final decision. This was most evident in the development of a quality standard for transmission businesses. And although the process was demanding we appreciated the opportunity to be fully part of the engagement process.

Yours sincerely



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