

COMMERCE COMMISSION

Please refer to:

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4 August 2010

Allan Carvell  
Group General Manager Regulation and Pricing  
Vector Limited  
PO Box 99882  
Newmarket  
**Auckland**

Dear Allan

**Re: DPP Price Methodology for Gas Pipeline Businesses**

I refer to your letter of 2 August 2010, in which Vector expresses its support of the letter from the Electricity Networks Association (ENA) of 23 July 2010 that raises a number of issues in respect of the Commission's process for determining starting price adjustments pursuant to Part 4 of the Commerce Act 1986. In particular, Vector considers that the reasoning in the ENA letter applies equally to gas pipeline businesses.

I responded to ENA's letter on 30 July 2010 (a copy of this response is attached).<sup>1</sup> As set out in my response to ENA, the Commission stands by its current process for consultation on input methodologies and the starting price adjustment process for default price-quality paths (DPP).

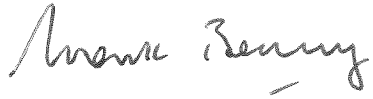
The Commission has carefully considered the relevant provisions of Part 4 of the Commerce Act when reaching views on all aspects of the new regulatory regime. Parliament clearly did not intend that starting price adjustments would be specified in an input methodology, a matter that was directly contemplated by the Commerce Committee when considering the Commerce Amendment Bill. Even if some element of doubt remained, the provisions of Part 4 do not support ENA's interpretation. Rather, starting price adjustments form part of the DPP determination.

The Commission will be publishing a discussion paper on starting price adjustments for DPPs for consultation shortly. This consultation process will inform interested parties of the Commission's current views and proposals in respect of the setting of starting prices going forward. The Commission welcomes Vector's views as part of that process on the proposed framework for setting starting prices, the interrelationship between the setting of starting prices and the draft input methodologies, and any other matters Vector considers relevant.

<sup>1</sup> This correspondence is also available at <http://www.comcom.govt.nz/input-methodologies/>. See Commerce Commission, *Re: Starting price adjustments*, Letter from Dr Mark Berry to Alan Jenkins, 30 July 2010.

If you have any residual comments or concerns relating to input methodologies or starting prices, then I encourage Vector to submit on those points as part of the Commission's consultation process.

Yours sincerely

A handwritten signature in dark ink, appearing to read "Mark Berry". The signature is fluid and cursive, with a horizontal line under the name.

Dr Mark Berry  
Chair, Commerce Commission