

10 February 2012

Dr Mark Berry
Chair
Commerce Commission
P O Box 2351
Wellington

Telephone; (06) 349 2050
Fax; (06) 349 0135
www.gasnet.co.nz

[By email]

Dear Mark

**Submission on Initial Default Price-Quality Paths for Gas Pipeline Services,
Deferral of Commencement Date, Draft Decision**

1. Following the December 2011 consultations on the “Initial Default Price-Quality Paths for Gas Pipeline Businesses, Draft Reasons Paper”, dated 21 November 2011 the Commerce Commission (the Commission) has now published a further Draft Decision “Initial Default Price-Quality Path for Gas Pipeline Services – Deferral of Commencement Date”, dated 3 February 2012.
2. The purpose of this subsequent Draft Decision is to propose a deferral of the commencement date of the Initial Default Price-Quality Path (DPP) to apply to gas pipeline businesses (GPBs) until after the current consultation on additional Input Methodologies (IMs) for the DPP and the Commission has completed its work on assessing the options for setting initial starting prices. This is expected to be no later than 1 October 2013.
3. The consequence of the deferral is that the Commission no longer plans to implement an Initial DPP on 1 July 2012, and require GasNet to reduce its prices to back out the impact of CPI since 30 June 2010.
4. In our submission of 19 December 2011 we strongly opposed the proposed 1 July 2012 reset and submitted that the reset should be deferred until the other work streams had been completed. We therefore support the proposed deferral, and agree with the factors in favour of the deferral as set out in paragraph 9 of the Draft Decision.

5. We note that the Commission considers that there may be some downside to the deferral (as set out in paragraph 10 of the Draft Decision) in that suppliers may earn above or below normal returns during the period of the deferral and the opportunity for claw back as a remedy is not likely. We note that it is not possible to measure above or below normal returns until the Commission has finished its other work streams. In addition GasNet does not support claw back because it is inconsistent with the other Part 4 provisions for prices prior to the Initial DPP (as set out in our submission of 19 December 2011) and is inconsistent with regulatory certainty.
6. Accordingly we fully support the Draft Decision to defer the Initial DPP reset for GPBs and abandon the previous proposal to roll back prices for GasNet at 1 July 2012, to back out the impact of the CPI since 30 June 2010.

Closing Remarks

If you have any queries in relation to this submission, please contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Geoff Evans', written over a light grey rectangular background.

Geoff Evans
General Manager