

31 May 2010

Dr Mark Berry
Chair
Commerce Commission
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[By email]

Dear Mark

Cross-submission on Initial Default Price-Quality Path for Gas Pipeline Businesses – Issues Paper

1. The Commerce Commission (the Commission) published, in April 2010, an Issues Paper on the initial default price-quality path (initial DPP) for gas pipeline businesses (GPBs) to apply under Part 4 of the Commerce Act 1986 (the Act).
2. GasNet entered two submissions responding to the Issues Paper; the first addressed Section 4 (Form of Price Control), the second the views of GasNet on Sections 1 – 3 and 5 - 9. This submission should be read in conjunction with GasNet's previous submissions and relates to the gas distribution sector only.
3. The Commission received several submissions on the points raised in the Issues Paper. This submission addresses one specific point – addressed by the submissions from the Auckland Energy Consumer Trust (AECT), Vector, and Powerco – namely the setting of an appropriate regulatory period.
4. GasNet notes that Vector (supported by the AECT) proposes an alternative regulatory period commencing 1 October. Vector's proposal is for the regulatory period to commence on 1 October 2012, ending on 30 September 2017.
5. Powerco proposes beginning the initial DPP on 1 July 2012, with price changes coming into effect on 1 October 2012, and a subsequent adjustment on that date in

order to ensure total revenue is equal in net present value (NPV) terms as if prices had changed on 1 July 2012.

6. GasNet would prefer the regulatory period to be aligned with our financial year (1 July to 30 June). This period also corresponds with our information disclosure year, the proposed Initial DPP Determination, and hence the proposed five year regulatory period. As stated in our previous submission, the annual assessment methodology can be designed to accommodate a mid-period price change (i.e. a price change on 1 October 2012). Thus we do not believe it is necessary to make the adjustments proposed by Powerco.
7. Irrespective of which approach the Commission adopts, GasNet does not support an approach that would require us to change our pricing year. This would be an expensive and intrusive process and inconsistent with our current arrangements with gas retailers.
8. For the reasons outlined above, we would prefer the Commissions Option 1 (a July to June assessment period) to be adopted.

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

Yours sincerely

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

Geoff Evans
General Manager