

Firstgas Group



30 August 2021

Attn: Matthew Clark
Gas DPP Reset Manager
Regulation Branch
Commerce Commission
44 the Terrace, Wellington 6011

E: Regulation.Branch@comcom.govt.nz

Dear Matthew,

Joint submission by Vector, Powerco and First Gas – Gas Infrastructure Suppliers on the Default Price Path 2022-2027 Reset

1. Firstgas, Vector and Powerco – as significant operators of gas pipeline businesses (GPBs) in the North Island of New Zealand have sought expert advice on the upcoming Default Price Path (DPP) reset.

2. We have asked three experts to provide advice on how to best manage the impact of New Zealand's transition to Net Zero 2050 and what that means for managing the risk of partial capital recovery from the lower utilisation as contemplated by the recent recommendations of the New Zealand Climate Change Commission.
3. We attach three expert reports from Frontier Economics, Houston Kemp and Oxera. The reports consider the relative merits of adopting a nominal return model for setting prices, the benefits of accelerating depreciation to manage long-run price instability and what has been done in other jurisdictions.
4. We would welcome the opportunity to engage on these important topics and how they can be best considered for the forthcoming DPP.

Kind regards



Andrew Kerr

Powerco, Head of Policy, Regulation



Richard Sharp

Group Manager, Economic Regulation and Pricing



Ben Gerritsen

General Manager, Customer and Regulatory