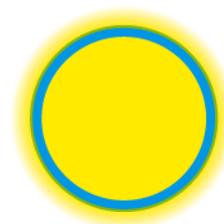


13 February 2012

Matthew Lewer
Chief Adviser
Regulation Branch
Commerce Commission
Wellington

[Sent by email to: regulation.branch@comcom.govt.nz]



Dear Matthew

Powerco Submission on Deferral of Gas Default Price-quality Path

1. Powerco welcomes the opportunity to comment on the Draft Decision: *Initial Default Price-quality Path for Gas Pipeline Service – Deferral of Commencement Date*, published by the Commerce Commission (Commission) on 3 February 2012.

Powerco supports the deferral

2. Powerco supports the Draft Decision to defer the commencement of the initial default price-quality paths (DPP) for gas distribution and gas transmission businesses (GPBs).
3. Requiring GPBs not subject to the Gas Authorisation to remove CPI increases that have occurred since 30 June 2010 would be unreasonable, inequitable and inconsistent with the intention of Part 4. It is also highly unlikely that GPBs will make a customised price-quality path (CPP) proposal before the additional input methodologies (IMs) are published due to the level of uncertainty involved. The solution most consistent with the purpose of Part 4 is to defer the DPP commencement date to 1 October 2013.

There will be sufficient constraints on Powerco after the Gas Authorisation ends

4. We agree that s 55F(2) will act as a sufficient constraint on the prices charged by Powerco after 1 July 2012. The new information disclosure requirements will also require disclosure of performance on response times to emergencies (RTE) and ensure we maintain a high level of quality and safety. As RTE is a safety measure, there are already very strong incentives to respond as quickly as possible to emergencies.

Certainty needed on proposed start date

5. In paragraph 7 the Commission outlines options on when to commence the DPP and states, "The initial DPPs would commence as soon as practicable after these additional input methodologies [the starting price adjustment IMs] have been determined taking effect on a relevant quarter, but no later than 1 October 2013".
6. Powerco recommends the Commission commits to a start date of 1 October 2013 in its final decision. This will provide more certainty for suppliers and there is unlikely to be a strong case for using a date other than 1 October 2013. For example, Powerco

has outlined in previous submissions to the Commission why the regulatory year should start on 1 October. In summary this is because:

- a. It is important the regulatory year, pricing year and information disclosure period are aligned to minimise compliance costs.
- b. Powerco has agreements with retailers to only change prices once a year, and 1 October is the industry norm for the price change.

7. Thank you for considering the points in this submission. I can be contacted on 021 730 348 or at Richard.Fletcher@powerco.co.nz .

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Fletcher', written in a cursive style.

Richard Fletcher
GM Regulation and Government Relations