

4 March 2022

Matthew Clark
Manager, Price-Quality Regulation
Commerce Commission
PO Box 2351
WELLINGTON

Sent via email: regulation.branch@comcom.govt.nz

Dear Matthew

Proposed Weighted Average Cost of Capital IMs amendments

First Gas Limited (Firstgas) welcomes the opportunity to respond to submissions on the Weighted Average Cost of Capital (WACC) components of the Commerce Commission's (Commission) draft reasons paper "*Proposed amendments to input methodologies for gas pipeline businesses related to the 2022 default price-quality paths*" released on 10 February 2022.

We are making this cross-submission on behalf of our gas transmission business (GTB) and gas distribution business (GDB). Nothing in this cross-submission is confidential.

We agree with the Commission making corrections to the Input Methodologies (IMs) that support incremental improvements to the price-quality paths or correct technical errors in the existing IMs.¹

We have comments on two areas of proposed change:

- **We support the amendments to WACC parameters to reflect a four-year regulatory period²:** We endorse the view expressed in submissions supporting the alignment of the risk-free-rate and debt issuance costs to the regulatory period.
- **We support the update to the Tax Adjusted Market Risk Premium) TAMRP to reflect the most recent estimate.** As outlined by the Commission, the TAMRP is an economy-wide parameter that was last updated in the IMs for gas pipeline businesses in 2015.³ We agree with the submissions from Powerco and Vector that it makes sense to update this component of WACC to the most recent estimate when setting price-quality paths.

We note that submitters have raised other issues that are more substantive or complex in nature. We believe these concerns are better considered during the upcoming 2023 Input Methodologies review, where they can benefit from a more extensive discussion and review.

Contact details

If you have any questions regarding this submission, please contact me on 027 472 7798 or via email at karen.collins@firstgasgroup.co.nz.

Yours sincerely

¹ Paragraph 2.21, *Proposed amendments to input methodologies for gas pipeline businesses related to the 2022 default price-quality paths Draft reasons paper*, Commerce Commission, 10 February 2022.

² Ibid, paragraph 3.11

³ Ibid, paragraph 3.69

A handwritten signature in black ink, appearing to read 'K. Collins', with a long horizontal flourish extending to the right.

Karen Collins
Regulatory and Policy Manager