

14 March 2022

Andy Burgess
Acting General Manager – Infrastructure Regulation
Commerce Commission
Wellington 6140
By email to regulation.branch@comcom.govt.nz

Dear Andy,

Submission to the Commerce Commission on gas networks draft default price path

The Electricity Networks Association (ENA) appreciates the opportunity to submit to the Commerce Commission (Commission) on its draft default price-quality paths (DPP) for Gas Pipeline Businesses (GPBs). This submission is on behalf of ENA's members (listed in the appendix to this submission), the electricity distribution businesses (EDBs) of New Zealand. This submission is not confidential.

New Zealand's push to decarbonise its economy will have a material consequence for the future of both gas and electricity distribution business. However, consequences for these two sectors will be very different.

EDBs will see demand for their services increase as transport, process heat and home heating transition away from fossil-fuel sources to electricity, necessitating increased investment and changes to the way assets are used.

For GPBs the future is less certain. as recognised by the Commission in its draft decision noting that *“there is uncertainty about the role of gas in New Zealand’s pathway towards net-zero carbon emissions”*¹ and that *“in the long-term, natural gas pipelines and networks may need to wind-down or be repurposed to carry alternative low or no carbon gases.”*²

ENA welcomes moves by the Commission to ensure that the Part 4 regulation regime is responsive to the uncertainty and challenges facing both gas and electricity distributions. ENA members have an active interest in ensuring that this is done equitably and efficiently to ensure long-term benefit to consumers.

EDBs have much in common with GPGs both regulated by the Commission under Part 4 of the Commerce Act. This submission focuses on an issue at the core of Part 4 regulation, Financial Capital Maintenance (FCM).

Financial Capital Maintenance (FCM)

ENA is pleased to see the Commission has reaffirmed its commitment to the foundation principle of Part 4 regulation - ex-ante FCM maintenance. This will promote confidence around investment for suppliers in all regulated industries.

Maintaining the Commission’s commitment to ex-ante FCM ensures suppliers in all regulated industries continue to have incentives to invest and promotes the long-term benefit of consumers in line, with the Part 4 purpose.

EDBs and the ENA have long supported the inclusion of accelerated depreciation mechanisms in the Part 4 regime via the input methodologies. The ENA therefore welcomes the Commission’s decision to accelerate depreciation by shortening asset lives for DPP3, as this mitigates asset stranding risk while retaining incentives for investment to maintain safe and reliable networks.

Please get in touch with ENA if you’d like to discuss our submission. Contact Keith Hutchinson (keith@electricity.org.nz, 021 0849 9419) in the first instance.

Yours sincerely,



Keith Hutchinson

Regulatory Manager

Electricity Networks Association

¹ Commerce Commission, Default price-quality paths for gas pipeline businesses from 1 October 2022: Draft Reasons Paper (10 February 2022), at X5

² Commerce Commission, Default price-quality paths for gas pipeline businesses from 1 October 2022: Draft Reasons Paper (10 February 2022), at X8

Appendix A – ENA Members

The Electricity Networks Association makes this submission along with the support of its members, listed below.

Alpine Energy
Aurora Energy
Buller Electricity
Counties Power
Eastland Network
Electra
EA Networks
Horizon Energy Distribution
Mainpower NZ
Marlborough Lines
Nelson Electricity
Network Tasman
Network Waitaki
Northpower
Orion New Zealand
Powerco
PowerNet
Scanpower
The Lines Company
Top Energy
Unison Networks
Vector
Waipa Networks
WEL Networks
Wellington Electricity Lines
Westpower