

Keston Ruxton  
Manager, Input Methodologies Review  
Regulation Branch  
Commerce Commission  
PO Box 2351  
Wellington  
(via email to [im.review@comcom.govt.nz](mailto:im.review@comcom.govt.nz))

24 March 2016

Dear Keston

**RE: Comments on advice by Dr Lally to the Commerce Commission on WACC Issues**

1. This submission is on behalf of the Major Gas Users Group (MGUG)
2. MGUG was established in 2010 as a consumer voice for the interests of a number of industrials who are major consumers of natural gas. The Group has actively engaged with the Commission in this IM Review/DPP Reset process.
3. One matter which has been brought to our attention concerns Dr Lally's advice on WACC issues, one of which addresses the current beta uplift applicable to gas pipelines over electricity distribution businesses. We note his view:

‘...I do not favour a differential between the asset betas for the New Zealand electricity distribution and gas pipeline businesses in the present regulatory situation’;<sup>1</sup>
4. This would have a material impact on the cost of pipeline services as it adds circa \$NZ 16 mln per annum to the cost of the services, which is borne by consumers.
5. Based on Dr Lally's advice we believe there is little justification for this continued uplift.
6. This submission is not confidential.

Yours sincerely



Richard Hale  
Hale & Twomey Ltd  
Secretariat for the Major Gas Users Group

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<sup>1</sup> Review of WACC Issues, report to Commerce Commission by Dr Martin Lally, dated 25 February 2016 at page

