

24 March 2017

Project Manager, Gas DPP reset 2017  
Regulation Branch  
Commerce Commission  
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Wellington  
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Nova Energy Limited  
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Dear Sirs

**Cross submission on Gas DPP 2017-Draft Reasons Paper 10 February 2017**

Nova Energy is a major gas supplier to New Zealand industry, commerce and residential consumers. It is a subsidiary company of the Todd Corporation; a major oil and gas producer in New Zealand, and former part shareholder in the Maui gas pipeline.

The reliable supply of natural gas is critical to many major New Zealand industries and electricity generators. Just as important, the continued usage of gas is reliant on consumers having confidence in that supply. If confidence in the reliability of gas supply is lost, the future development of gas markets, and on the back of that; gas exploration and production becomes vastly more difficult for all industry participants.

In reviewing the submissions to the Commerce Commission (Comcom) on the Gas DPP 2017-Draft Reasons Paper, Nova is concerned that Comcom has under-estimated the importance of reliability and security of supply in its considerations. In particular we note:

From MGUG:

8. While the reasoning for Whitecliffs is well understood we are not clear on the Commission's position with regard to Gilbert Stream, nor on the remaining ARR capex. The key question for major users is how the Commission's treatment might impact on demand for a reliable service.

From First Gas:

The proposed reductions to our forecast operational and capital expenditure for our gas transmission and distribution businesses will negatively impact on our ability to manage risk and provide resilient network services.

Since taking over the ownership of gas transmission pipelines, First Gas has put considerable effort into developing a strong understanding of network risks and preparing an Asset Management Plan (AMP) that explains the expenditure levels required to appropriately manage these risks. The Commission has disallowed expenditure that is necessary for First Gas to adequately manage identified safety and resilience risks, and we urge the Commission to reconsider its decisions on GTB capex and opex.

Given the nature of gas transmission, any failure by First Gas to adequately maintain standards of care and maintenance of the gas Transmission network and supporting infrastructure is unlikely to transpire until it becomes too late, i.e. there is either a catastrophic failure or corrosion or some similar gradual deterioration will result in major capital expenditure requirements or outages.

Nova therefore requests that the Comcom very carefully consider the assumptions that it is making in respect of First Gas' capital and opex requirements in coming to its final determination.

Yours sincerely

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Babu Bahirathan  
Chief Executive