

24 July 2017

Gas pipeline businesses, consumers and representatives, and any other interested parties

Dear stakeholder

Feedback on process for resetting default price-quality paths for gas pipeline businesses

1. We are interested in receiving your feedback on the process that we undertook to reset default price-quality paths for gas pipeline businesses. Your feedback will help us understand what worked well from a process perspective, what could be improved, and how any improvements could be made.
2. I would like to take this opportunity to thank all stakeholders that provided input on technical matters through multiple rounds of consultation. We remain grateful to all of those that engaged on the technical issues, and we were assisted by the constructive tone and quality of the submissions and cross-submissions.
3. With the help of this input from stakeholders, we were able to introduce a number of improvements to the technical approaches used in resetting default price-quality paths. The most notable change introduced at this reset was setting expenditure forecasts based off suppliers' own asset management plans (AMP's). We also introduced several new initiatives including incorporating regionally tailored demand forecasts into our CPRG forecasts and introducing a new quality standard based on major interruptions for the GTB.
4. Following extensive consultation, the price-quality paths are now finalised. As a result, we are no longer seeking further views on the technical issues involved in setting default price-quality paths. Our reasons for these decisions are set out in our final reasons papers.

Process for providing feedback

5. We would welcome your feedback on any aspect of our process, and we request that responses are provided by 28 August 2017. Please address your responses to Matthew Lewer (Manager, Price Quality Regulation, Regulation Branch) c/o regulation.branch@comcom.govt.nz
6. Please include 'Feedback on process for setting gas default price paths' in the subject line of your email.

7. The Attachment to this letter draws your attention to certain aspects of our process to help you provide your views. A more comprehensive timeline of our process can be found in the reasons paper that accompanied our final determination.¹

Yours sincerely

A handwritten signature in blue ink that reads "Sue Begg". The signature is written in a cursive, flowing style.

Sue Begg
Deputy Chair
Commerce Commission

Enclosed: Attachment A – Key features of the process

¹ Commerce Commission “Gas DPP 2017 Reasons Paper” (31 May 2017), which is available on our website: <http://www.comcom.govt.nz/regulated-industries/gas-pipelines/gas-default-price-quality-path/2017-2022-gas-dpp/>

Attachment A: Key features of the process

Purpose of attachment

- A1 This attachment highlights key features of our process for determining the reset of the default price-quality paths for gas pipeline businesses and the related amendments to the input methodologies.

Key features of process

- A2 Key features of the process include:
- A2.1 early engagement with stakeholders on specific issues through workshops;
 - A2.2 additional submission opportunities relative to previous resets with the publication of the process and issues paper in March 2016, workshop presentation material in June 2016, early exposure financial model in July 2016, IM implementation paper in August 2016 and a gas DPP policy paper in October 2016;
 - A2.3 extensive engagement rolling out the assessment of supplier forecasting process to set expenditure forecasts; and
 - A2.4 sequencing of consultation processes running concurrently with the IM review work stream.

Early engagement with stakeholders through workshops on constant price revenue growth (CPRG) and quality of service

- A3 These were two technical issues we were interested in getting early views from stakeholders on. The CPRG workshop highlighted the difficulties associated with demand forecasting and an initial view of how the previous CPRG forecasts appeared to be performing. The use of regional forecasts was introduced which was supported by stakeholders.
- A4 We used the quality of service workshop (held in conjunction with the Gas Industry Company) to set out our broad approach to quality of service issues, and to encourage discussion of aspects of quality in the transmission and distribution sectors.
- A5 We are interested in understanding your views on the process for establishing these workshops, as well as the content and structure of these sessions, and the areas of focus.

Additional feedback opportunities through the publication of a process and issues paper, workshop presentation material, IM implementation paper and DPP policy paper

A6 Following feedback on previous resets we increased the level of stakeholder engagement by increasing the amount of published material provided throughout the process. We welcome feedback on the value of these additional publications.

Extensive engagement rolling out the assessment of supplier forecasting process to set expenditure forecasts

A7 An increased level of engagement was required with suppliers throughout this process with incremental information being requested from suppliers to support their AMPs.

A8 We welcome feedback on the format and timing of these requests as well as the overall supplier forecasting approach. We equally welcome feedback on the use of a pilot scheme to initiate this process.

Stakeholder briefings

A9 We welcome feedback on the format and timing of the analyst briefings. We held these sessions the morning that our draft and final decisions were released. They were intended to give financial analysts and industry participants an early overview of our decisions and an opportunity to ask any initial questions. We are interested to understand whether stakeholders believe these sessions have value or would they prefer a pre-recorded video, or simply to receive the materials.²

Sequencing of consultation processes running concurrently with the IM review work stream.

A10 We undertook consultation of the input methodologies review alongside the process for resetting default price-quality paths. We appreciate it was quite a staggered consultation process with the gas DPP, to allow interested parties the opportunity to consider a large number of matters. Our intention was to also make it clear with each piece of consultation material which process was being consulted on. We are interested in receiving feedback on this approach, including suggestions on ways in which the consultation process could be staggered if the demands were too great having concurrent consultation processes.

Other areas of interest

A11 In addition to the key features of the process described above, we also welcome other feedback on the process, which could cover the following:

² An example of a pre-recorded commission video can be found at:
<https://www.youtube.com/watch?v=Cf4mLxRhEtM&feature=youtu.be>

- A11.1 our general approach to consultation (including clarity, accessibility, and timeliness of published material);
- A11.2 the format of the consultative material, were the slide packs used in certain situations useful, could we have used them more;
- A11.3 was the infographic published alongside the final decision useful;
- A11.4 scope of changes introduced at this reset in terms of the scale of consultation;
- A11.5 process of requesting supporting documentation for supplier expenditure;
- A11.6 efficiency and effectiveness of consultation; and
- A11.7 keeping stakeholders informed throughout the process.