

28 March 2022

Matthew Clark
Manager, Price-Quality Regulation
Commerce Commission
By email to regulation.branch@comcom.govt.nz

Dear Matthew

GPB DPP3 reset

1. This is a cross-submission from the Major Electricity Users' Group (MEUG) on the submissions of 17-other parties that submitted, along with MEUG, on the Commerce Commission Draft reasons paper "Default price-quality paths for gas pipeline businesses from 1 October 2022" dated 10 February 2022.¹
2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Members may lodge separate submissions.
3. MEUG agrees with the submission of Pat Duignan:²

"The IMs that result from the complete IM review that is currently under way will likely be materially better still at meeting the purpose of Part 4. Thus the essence of this submission that adoption of the time-pressured piecemeal change currently proposed will detract from achievement of the Part 4 objective "to promote the long-term benefit of consumers" by promoting "outcomes that are consistent with outcomes produced in competitive markets".
4. Mr Duignan's opposition to adopting a change to IM to allow accelerated depreciation to be introduced for Gas DPP3 aligns with the submissions of MEUG and all the other submitters that were not gas pipeline service providers or owners of gas line businesses.
5. MEUG does not support the second-best option suggested by Mr Duignan of allowing accelerated depreciation on assets built in Gas DPP3. We do agree it is an idea that should be considered in the general review of IM along with other opportunities to differentiate how risk and incentives are considered for existing and new investments, such as differing WACC percentile uplifts.
6. MEUG believes the quality of the submissions opposing the unprecedented and rushed adoption of such a major change to IM's as accelerated depreciation for Gas DPP3, have provided sufficient evidence to support the Commission withdrawing that proposal.

¹ <https://comcom.govt.nz/regulated-industries/gas-pipelines/gas-pipelines-price-quality-paths/gas-pipelines-default-price-quality-path/2022-2027-gas-default-price-quality-path>

² Munro Duignan, p1.

However, if the Commission is still uncertain on whether to proceed or not, then we agree a workshop would be appropriate for the Commission to test the proposal as suggested by Pat Duignan as follows:³

“As indicated in the summary I recognise that the analysis in this submission results in unorthodox conclusions. That reflects the unprecedented situation. It may be therefore that the Commission identifies weaknesses in this analysis which refute this submission’s conclusions. Arguably, a one day workshop would be useful – not because my analysis is important enough to warrant that but because the issue itself is unprecedented and therefore warrants the full consideration a workshop would provide.”

Yours sincerely



Ralph Matthes
Executive Director

³ Ibid, p6.