

Amendments to input methodologies for Gas Distribution Services

Amendments related to the 2026 Gas
default price-quality path

Final decision reasons paper

26 May 2026



Associated documents

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Chapter 1 Overview of this paper

Purpose of this paper

- 1.1 This paper sets out our decision to include a demand variation revenue adjustment mechanism for gas distribution businesses (GDBs) in forth default price-quality path (DPP4) and sets out the gas distribution services input methodologies (IMs) related to this mechanism.
- 1.2 Our decision is to determine the key requirements for the mechanism in the IMs and set out the technical specification for DPP4 in the GDB DPP determination. Our final decisions and reasons for this technical specification will be set out in our final DPP4 reasons paper.¹
- 1.3 This paper sets out our decisions and reasons relating to:
 - 1.3.1 the issue we are addressing;
 - 1.3.2 the current IM requirements;
 - 1.3.3 our assessment of the options to address the issue; and
 - 1.3.4 the IM amendments.
- 1.4 We consider that the IM amendments in our final decision better promote the Part 4 Purpose of the Commerce Act 1986 (the Act), being the long-term benefit of consumers set out in s 52A, and are consistent with our framework for IM amendments outside of statutory IM review processes.

Materials published alongside this paper

- 1.5 We have published alongside this paper the Gas Distribution Services Input Methodologies Amendment (No.1) Determination 2026 [2026] NZCC 17.
- 1.6 On 27 May 2026, we will publish our final decision on the GDB DPP4 price-quality path, which includes the DPP technical implementation of the IM decisions in this paper.

¹ [Commerce Commission “Gas DPP4 reset 2026 – Default price-quality paths for gas pipeline businesses from 1 October 2026 – Final decision reasons paper – Attachments A – H” \(27 May 2026\)](#), Attachment A Regulating prices and revenues, p.16 Uncertainty mechanisms to manage demand risk.

Chapter 2 Gas distribution businesses input methodologies amendments

Summary of the issue and our final decision

- 2.1 Our decision is to introduce a demand variation revenue adjustment mechanism, also referred to as a hybrid mechanism, through targeted out of cycle amendments to the gas distribution services input methodologies (IMs), with its technical specification set out in the GDB DPP4 determination.
- 2.2 While our long-term outlook for the gas sector remains one of gradual decline, we consider that short-term uncertainty and the likelihood of abrupt supply or demand changes within the DPP4 period have increased relative to previous resets.
- 2.3 Under the current IMs, GDBs are subject to a weighted average price cap (WAPC) under which they bear all in-period demand-variation risk. This allocation remains appropriate for normal forecasting error and moderate demand fluctuations. However, large and unforeseen demand shocks could exceed what GDB are reasonably able to manage under existing arrangements, and give rise to consumer harm.² Such possible harms include:
- 2.3.1 weakened incentives for GDBs to invest or maintain assets;
 - 2.3.2 risks to the continued provision of safe and reliable services during and beyond the DPP4 regulatory period;
 - 2.3.3 potential for underservicing of remaining customers, for example through lower service levels or network re-sizing, as GDBs respond to manage expenditure; and
 - 2.3.4 exposure to large price shocks when demand is corrected for at the next price-quality path reset or under a customised price-quality path (CPP).
- 2.4 We have assessed whether existing tools are sufficient to address these risks. GDBs have the ability to respond to demand risk through expenditure management, pricing, commercial arrangements, and the option to apply for a CPP. These tools have limits in their ability to address large, sudden demand shocks in-period or, in the case of a CPP, are a costly means of addressing volume shocks.
- 2.5 Against this background, we assessed three options: maintaining the status quo, which includes the option to apply for a CPP; introducing a revenue-shock reopener; and introducing a hybrid demand variation revenue adjustment mechanism (hybrid mechanism). Each option involves trade-offs between risk allocation, certainty, regulatory burden, costs and consumer outcomes.

² Demand shock here refers to a sudden change in conveyed volumes and/or numbers of consumer connections. This could be positive or negative, and could result from changes in supply or underlying intrinsic demand.

- 2.6 We consider that the hybrid mechanism provides the most proportionate and targeted response of the available alternatives. The availability of a ‘release valve’ will enable GDBs to manage the impact of a significant demand shock and continue providing services to consumers in the event of a significant demand shock event. The mechanism will provide a proportionate and limited intervention to mitigate these events as well as enhancing, to a degree, certainty about allocating the costs and risks associated with demand shocks.
- 2.7 The hybrid mechanism preserves the core features and incentives of the WAPC for normal and moderate demand variations, while providing for limited, predefined in-period risk sharing between GDBs and consumers for large, unforeseen shocks. This reduces the risk of service degradation and sharp price adjustments, while maintaining incentives for efficient operation and investment. It will also to a degree, increase certainty for consumers and suppliers about how volume risks are allocated. There is uncertainty for consumers under the status quo.
- 2.8 For a volume shock under the current IMs, the consumer impact could be no price change under a WAPC if a GDB does not seek a CPP, or the bringing forward of up to the full price impact under a CPP (including the cost of the CPP). A hybrid mechanism may assist in deferring or avoiding the need for a CPP, the application costs of which are treated as a recoverable cost.
- 2.9 As detailed in the section, ‘*The hybrid mechanism better promotes the s 52A purpose*’ below, we consider that the hybrid mechanism better promotes the Part 4 purpose in s 52A than the other two alternatives considered. In particular, it supports the continued provision of safe and reliable services under s 52A(1)(b), promotes efficient investment and expenditure in the long-term interests of consumers under s 52A(1)(a) and (c), and limits the potential for excessive profitability in the event of large positive demand shocks under s 52A(1)(d).

Current regulatory requirements

- 2.10 In the 2023 IM Review, we considered whether a WAPC remained the appropriate form of control in the context of the expected decline in demand for gas in the longer-term. Our 2023 IM decision was to retain the WAPC form of control for GDBs:³

Compared to the alternative of a revenue cap form of control, a WAPC better promotes s 52A(1)(a) and (b) by providing suppliers with a stronger incentive to tailor expenditure to changes in demand, such that consumers that value gas supply enough can continue to benefit from it.

³ [Commerce Commission "IM Review Risks and Incentives topic paper" \(13 December 2023\)](#), pg. 13

- 2.11 In our 2023 IM Review we considered that our risk allocation principle was relevant, under which we ideally allocate risks to suppliers or consumers depending on who is best placed to manage them.⁴ We considered that there was no risk of GDBs under-investing in the network as a result of our choice of form of control.⁵
- 2.12 Under the current IMs, the form of control for GDBs is a WAPC and the form of control for the gas transmission business (GTB) is a revenue cap. We reviewed the form of control for GDBs in the 2023 IM Review.⁶ We are not proposing to revisit this now.
- 2.13 Ahead of each pricing year, GDBs set their prices to comply with the WAPC, which requires the notional revenue not to exceed an allowed notional revenue. The notional revenue is calculated from the prices the supplier has set for that year, and the quantities from two years prior to the pricing year (which are the latest available actual quantities). The allowed notional revenue each year is adjusted for consumer price index (CPI) outturn and accounts for recoverable costs and pass through charges.
- 2.14 Under this approach, GDBs are exposed to demand risk and upside. If actual demand falls below the demand forecasts used to set the price path, the GDBs will not be able to recover the maximum revenues expected when the price path was set. Conversely, if demand is above forecast, the GDBs stand to benefit.

Final decision and implementation

- 2.15 Our final decision is to introduce the demand variation revenue adjustment mechanism, often referred to as a hybrid price path mechanism or simply ‘hybrid mechanism’, and to amend the IM definition of ‘recoverable cost’ to include both negative and positive amounts arising from application of the hybrid mechanism.
- 2.16 The key features of the hybrid mechanism are:
- 2.16.1 GDBs will continue to be subject to the current WAPC;
 - 2.16.2 GDBs will continue to bear all demand risk for variations in actual revenue within a +/- percentage band of CPI-adjusted forecast revenue, assessed on an annual basis;
 - 2.16.3 the revenue impact of revenue shocks that exceed this threshold, in either a negative or positive sense, will be shared between GDBs and consumers; and
 - 2.16.4 The consumer share of any revenue impact beyond the threshold in either direction will be treated as a recoverable cost and will be incorporated in the next price setting process. It will then flow into consumer prices in the following pricing year, ie, two years after the assessment period in which the revenue shock occurred.

⁴ We describe our risk allocation principle and how it works with the Part 4 purpose in [Commerce Commission “IM Review 2023 - Decision-making Framework paper” \(13 October 2022\)](#), para 4.12-4.19.

⁵ [Commerce Commission “IM Review Risks and Incentives topic paper” \(13 December 2023\)](#), Ch. 3, para. 3.469.

⁶ [Ibid](#), Ch. 3, paras 3.448 to 3.517.

- 2.17 As a change to our draft decision implementation, we have decided to specify the key requirements of related to the mechanism in the IMs. This provides more certainty as to the likely form of the mechanism in the default price-quality path (DPP), which better promotes the IM purpose consistent with s 52R. The three key requirements in the IMs are:
- 2.17.1 at each DPP reset, we must include the method for calculating the demand variation revenue adjustment amount;
 - 2.17.2 we must specify the threshold at which the adjustment must be calculated; and
 - 2.17.3 we must specify the sharing proportion of any amount over the threshold.
- 2.18 The parameters for calculating the recoverable cost amount, including the +/- percentage band and the ratio of sharing of any amount of revenue shock in excess of that threshold which are referred to above, will be specified in the GDB DPP determination.

Reasons for our final decision

Context for our decision

- 2.19 Our outlook for the gas sector is for a long-term decline in supply, volumes conveyed and number of gas consumers. However, within this overall view we expect there to be ongoing demand through the next 20 or more years from residential consumers, though residential consumers in aggregate represent less than 5% of current demand by volume, and 90% by number.
- 2.20 The trajectory of this overall decline is unlikely to be smooth and may include large and/or sudden changes in supply and demand within the DPP4 period. Additional and complex uncertainties on the outlook for demand and supply on the distribution networks (both positive and negative) also arise around the Government's decision on liquefied natural gas (LNG), and the imminent ceasing of production from the Maui field.⁷
- 2.21 New Zealand's gas sector is entering a period where structural decline is widely expected, although the path of that decline remains uncertain. With some producing fields and large users approaching renewal or investment decision points, the system is exposed to abrupt shifts in supply and demand. Potential changes in government policy relating to exploration, LNG infrastructure, the wider energy system and emissions settings add further uncertainty. While new discoveries cannot be ruled out, the evidence points to conveyed gas volumes falling over time, and the pattern of that decline is unlikely to be smooth.

⁷ [OMV Aktiengesellschaft "OMV Combined Annual Report 2025" \(2 April 2026\)](#), p.67.

- 2.22 This potential for short-term uncertainty and volatility in the gas sector during the coming regulatory period is increased compared to previous DPP resets, and the 2023 IM Review. A large unforeseen demand shock could create outcomes that neither suppliers nor consumers can reasonably manage under the current settings and give rise to a heightened level of the risks outlined in the preceding section.
- 2.23 Some submitters on our DPP4 draft decision highlighted that the scale and nature of demand volatility within DPP4 may exceed what GDBs can reasonably forecast or manage using existing tools. Several submitters noted that if demand were to fall sharply and unexpectedly, for example due to supply constraints, policy changes, or major industrial disconnections, then GDBs could face a significant revenue shortfall within the regulatory period.⁸ They considered that this could adversely impact the ability of GDBs to maintain service quality for remaining consumers.
- 2.24 Sector developments since our DPP4 draft decision was published include that Methanex, the largest gas consumer and largest provider of flex over a range of timescales, has written down the value of its New Zealand operation to zero.⁹
- 2.25 The 2026 Gas Supply & Demand Study prepared for the Gas Industry Co (GIC) by PwC assumes that Methanex and major gas user Ballance Agri Nutrients will both exit in 2027. The impact of such closures on gas distribution network demand will depend on, amongst other factors, their timing relative to any changes in gas production and LNG availability.
- 2.26 OMV has confirmed that the Maui field is expected to cease production by the end of 2026.¹⁰ This will have implications for major users, particularly Methanex (which has signalled it would likely not be able to operate),¹¹ as well as the electricity generators.
- 2.27 The Government has undertaken preparatory procurement work for an LNG import facility, which may provide an additional supply option as domestic production tightens. The Government has shortlisted proposals and as of May 2026 is assessing its options whether and how to proceed with this work. The facility could be operational by 2027 or early 2028.¹²
- 2.28 Since the publication of our revised draft decision, the Ministry of Business, Innovation and Employment (MBIE) has also published its updated forecasts of petroleum reserves as at 1 January 2026.¹³ As shown in Figure 2.1, forecasts for future gas production have steadily fallen since 2020, with some volatility in the mid-2020s (the context in which we assessed the status quo of the IMs in 2023). Since then, the outlook on gas production appears to be more pessimistic than the previous year, highlighting the uncertainty and difficulty in forecasting likely supply.

⁸ [MBIE "Gas reserves decline to lowest level on record" \(14 May 2026\)](#).

⁹ [Methanex 2025 Annual Report \(3 March 2026\)](#), pg. 38

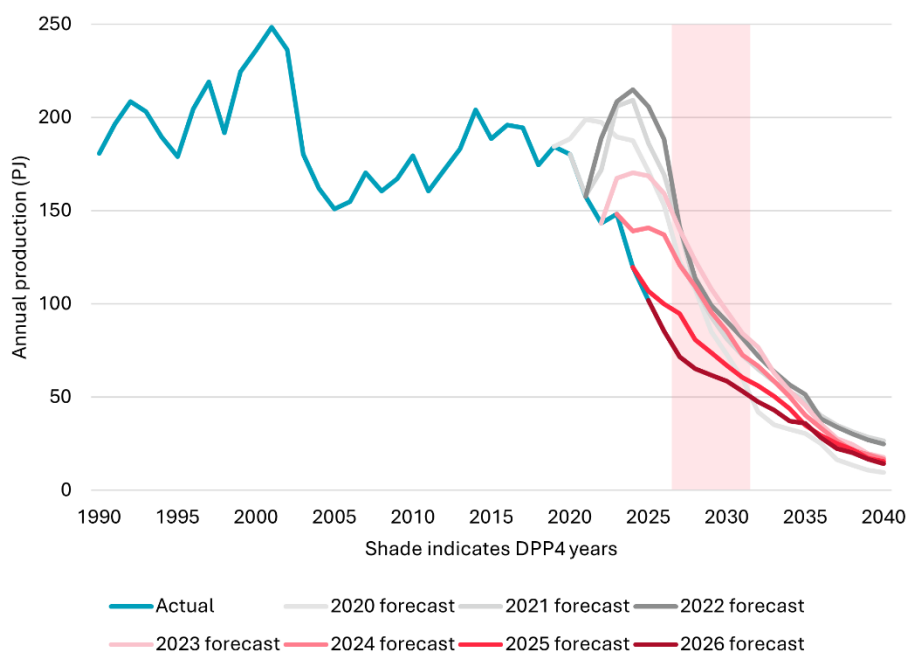
¹⁰ [OMV Aktiengesellschaft "OMV Combined Annual Report 2025" \(2 April 2026\)](#), p. 67

¹¹ [The Post "Methanex confirms its last NZ factory will close if Maui shuts" \(1 May 2026\)](#) – subscription required.

¹² [New Zealand Government, Hon Simon Watts "Delivering LNG to support energy security" \(9 February 2026\)](#) (9 February 2026).

¹³ [MBIE "Gas reserves decline to lowest level on record" \(14 May 2026\)](#).

Figure 2.1 Gas production profiles as reported from 1 January 2020 through 1 January 2026, from MBIE Energy in NZ 2026



2.29 The data MBIE has published shows a decline in forecasted supply and estimated reserves. As shown in Table 2.1, the outlook for total production over the DPP4 period (approximated here as calendar years 2027-2031) has worsened over time, with slowing growth up until 2023, then year on year declines since then.¹⁴

Table 2.1 Change in forecast total gas production (PJ) from MBIE gas statistics¹⁵

Date of forecast	Total Production (PJ) 2027 – 2031	Year on year change
1 Jan 2020	449	
1 Jan 2021	496	11%
1 Jan 2022	526	6%
1 Jan 2023	551	5%
1 Jan 2024	484	-12%
1 Jan 2025	377	-22%
1 Jan 2026	310	-18%

2.30 The recent decline in supply and estimated reserves has increased uncertainty for gas sector participants.

¹⁴ Calendar years 2027-2031 is here the closest match to the DPP4 period 1 October 2026 to 30 September 2031.

¹⁵ [MBIE "Petroleum reserves data" \(1 January 2026\)](#).

- 2.31 Since the DPP3 reset (and the 2023 IM Review) the business environment for GDBs has shifted from an expectation of short-term modest demand growth to actual declines in demand. Our DPP4 expenditure allowance decisions reflect this decline through changes in capex and an associated change in opex practices which reflect more intensive inspecting and maintaining of assets. The context for our decision on the hybrid mechanism therefore reflects an environment where there is likely to be fewer opportunities for the businesses to respond to large demand shocks with reductions in expenditure.
- 2.32 Overall, we consider that, against our expectation of longer-term decline in gas usage, there is an increased likelihood within the DPP4 period of large variations or shocks in supply and/or demand. We are not suggesting such shocks are probable, but rather they are sufficiently increased in likelihood that it is prudent to assess potential impacts and mitigations under the current regime settings.

Addition of a risk sharing mechanism

- 2.33 We consider there is evidence to support the introduction of a hybrid mechanism to avoid harm to consumers that would occur beyond a certain level of demand shock. The evidence since 2023 shows that gas supply and demand is becoming more volatile in the short term and there is an increased likelihood within the DPP4 period of large variations in supply and demand (ie, fluctuations beyond normal forecast error) in the forecast quantities used in setting the price path due to shocks in supply and/or demand. This risk has increased sufficiently so that it is prudent to put in place a mechanism for DPP4 to mitigate the potentially harmful impacts of this risk on consumers.
- 2.34 In terms of the risk allocation between suppliers and consumers, introducing a hybrid mechanism provides the following benefits in terms of the regulatory scheme for GDBs. It:
- 2.34.1 promotes the s 52A purpose by maintaining incentives to invest and to continue supplying services at a quality demanded by consumers, and avoiding outcomes that cause harm to the long-term benefit of consumers;
 - 2.34.2 provides a complementary, intermediate option between the operation of the WAPC and an application for a CPP; and
 - 2.34.3 promotes certainty for suppliers and consumers about how significant demand shocks will be treated under the WAPC.
- 2.35 In the event of a significant shock occurring, GDBs have some tools to manage the effects of a shock but this is subject to limits. Beyond those limits, the incentives for GDBs may lead to outcomes that harm the consumer interest, such as:¹⁶
- 2.35.1 underservicing of remaining customers, for example through lower service levels or potential network re-sizing, as GDBs respond to manage expenditure; and

¹⁶ These risks are outlined in more detail at paragraph 2.3 above.

- 2.35.2 a risk of exposure to large price shocks when demand is corrected for at the next price-quality path reset, being either the next DPP reset or a CPP.
- 2.36 The hybrid mechanism promotes the s 52A purpose by providing short-term certainty for all parties while providing some relief at the margins for GDBs in light of a significant demand shock, so they can continue spending on reliability measures and continue to supply services demanded by consumers within the regulatory period in circumstances where they otherwise may not have been able to absorb the effects of the shock.
- 2.37 Under Part 4 regulation, GDBs have the option to apply for a CPP where they require a more tailored price-quality path in their individual circumstances. An application for a CPP involves significant uncertainty for both consumers and suppliers and the costs of applying are recoverable from consumers.
- 2.38 We consider the CPP is the most appropriate tool to be used to recalibrate the price path when there is a wider and sustained in-period change in the demand for gas. In those instances, we would expect the supplier to apply for a CPP, as we would expect significant adjustments to their business models and plans. This would provide the opportunity for the GDB to seek an adjustment for up to 100% of the volume reduction. However, CPPs are relatively costly undertakings and can be administratively burdensome, and the IMs provide that the costs of preparing and processing a CPP can be recovered through consumer prices as a recoverable cost.
- 2.39 In light of the foreseeable volatility in DPP4, it is prudent for us to provide an intermediate option for managing significant demand shocks above normal forecast error (which is best managed by GDBs under the WAPC) and below the circumstances in which a CPP would be the most appropriate regulatory tool. The hybrid mechanism is intended to be a release valve rather than a full replacement for a CPP (ie, a complementary tool) and is not intended to correct for business-as-usual levels of demand forecast error. Suppliers will retain the ability to apply for a CPP in response to an adverse volume shock.
- 2.40 The hybrid mechanism provides certainty for both suppliers and consumers about the circumstances in which the mechanism will apply and, once that threshold is met, how the revenue impact of any revenue shock will be shared between GDBs and consumers. Because the mechanism is automated through the ordinary operation of the price path, there is more certainty than a discretionary mechanism such as a reopener or CPP. Further, because the hybrid mechanism shares the demand risk between suppliers and consumers, this pushes out the point at which a GDB will be incentivised to apply for a CPP, reducing the likelihood of a significant change in regulatory settings during the period, providing more certainty for consumers overall.
- 2.41 Even without an event occurring, the unmitigated risk of full exposure to a revenue shock event occurring could increase GDB and investor risk assessments. This could potentially lower incentives to invest to provide an ongoing service at the level that consumers demand per s 52A(1)(b). In the long-term, this could harm consumers through a loss of service or lowering of service levels.

- 2.42 We have designed the mechanism to apply symmetrically to both negative and positive shocks. In the event of a positive shock, then consumers would not currently share the upside, with the risk that the GDB would not be appropriately limited in its ability to earn excessive profit, per s 52A(1)(d). If this occurred, consumers may face prices that do not reflect the benefits of higher volumes.
- 2.43 Our decision to introduce a demand variation revenue adjustment mechanism:
- 2.43.1 better promotes the s 52A purpose by addressing these risks better than the status quo, or the alternative we considered of a revenue shock reopener;
 - 2.43.2 is incorporated directly into existing compliance processes, without the additional requirements on GDBs which would apply in a CPP under the status quo, or a price-quality path reopener;
 - 2.43.3 appropriately balances the risks above to consumers' long-term interest from not mitigating the risks above, with the potential impact on consumers should the hybrid mechanism apply to a large negative revenue shock event;
 - 2.43.4 preserves the risk allocation contemplated by the WAPC, leaving demand risk for normal demand variations, and a significant proportion of the overall risk for revenue shocks with the GDBs; and
 - 2.43.5 promotes certainty for consumers and suppliers by predetermining how the price path will deal with significant demand shocks that occur within the regulatory period.
- 2.44 The objective of our DPP4 decision will be for the +/- threshold to be set reasonably high, with the intention that the mechanism is only triggered by shocks of the type that neither GDBs nor consumers would be well placed to manage. The sharing ratio will ensure that both the GDBs and consumers bear an appropriate portion of the incremental impact above the level the GDB alone is exposed to. This reflects that both benefit from stable service provision and price paths.

Assessment that existing tools may not be sufficient

- 2.45 We have considered whether the tools currently available to GDBs remain sufficient to manage our updated view on uncertainty and associated risks, or whether an additional mechanism is required to address the adverse consequences of a significant demand shock on consumers.
- 2.46 Currently GDBs have some ability to manage demand-related risks through expenditure reprioritisation, pricing and commercial arrangements with customers, seek innovation to mitigate negative supply shocks (such as renewable gas) and the option to apply for a CPP. However, as several submitters have noted, these tools have limits particularly where demand changes are large, sudden, or driven by factors outside the control of the GDB.

- 2.47 As GDBs reduce expenditure or adjust pricing to respond to volatility, the likelihood increases that they may be unable to fully absorb or mitigate the effects of a significant demand shock. In such circumstances, the risks of detriment to consumers set out above increase.
- 2.48 We are satisfied that, if this risk eventuates within the period, GDBs have limited existing tools to address this risk in ways that do not cause harm to the consumer interest.
- 2.49 Submissions on our DPP4 draft decisions emphasised that significant uncertainty exists in the gas sector, which GDBs cannot forecast or manage using existing tools. GDBs were concerned that large variations from forecast demand within the DPP4 period could lead to under-recovery of in-period revenue.¹⁷
- 2.50 Several submitters noted that if demand were to fall sharply and unexpectedly, due for example, to supply constraints, policy changes, or major industrial disconnections, then GDBs may face a significant revenue shortfall within the regulatory period. This could adversely impact their ability to maintain service quality for remaining consumers, could lead to consumer harm through reduced incentives to invest and through price spikes at the following reset.
- 2.51 CPPs are available to the GDBs to address volume shocks but may be expensive to prepare and process. CPPs would not workably address positive volume shocks.
- 2.52 In April 2026 we published for consultation our proposed draft IM amendments and a revised draft GDB DPP4 determination setting out our draft decision on the specification of the hybrid price path mechanism.^{18, 19, 20, 21}
- 2.53 In order to be open to submissions on an alternative option, we also published versions of the draft determinations for a revenue shock reopener.^{22, 23}

Stakeholder views were mixed on our draft decision to introduce a hybrid mechanism

- 2.54 We received mixed views in the stakeholder submissions on our draft decision to introduce the hybrid mechanism. Gas users were opposed to our draft decision and GDBs supported introduction of the hybrid mechanism.

¹⁷ Submissions and cross-submissions are on our website, [2026 Gas default price-quality path](#).

¹⁸ [Commerce Commission “Proposed amendments to input methodologies for Gas Distribution Services – Amendments related to the 2026 Gas default price-quality path – Draft decision reasons paper” \(2 April 2026\)](#).

¹⁹ [Commerce Commission “Revised Draft GDB Default Price-Quality Path Determination – Changes related to proposed amendments to input methodologies for gas distribution services – Draft decision reasons paper” \(2 April 2026\)](#).

²⁰ [Commerce Commission “\[DRAFT – option 1\] Gas Distribution Services Input Methodologies Amendment Determination \(No.1\) 2026” \(2 April 2026\)](#).

²¹ [Ibid.](#)

²² [Commerce Commission “\[DRAFT – option 2\] Gas Distribution Services Input Methodologies Amendment Determination \(No.1\) 2026” \(2 April 2026\)](#).

²³ [Ibid.](#)

- 2.55 Major Gas Users' Group (MGUG) rejected our draft decision, submitting that:²⁴
- 2.55.1 the WAPC is designed to allocate demand risk to GDBs and does not distinguish between normal and special risk;²⁵
 - 2.55.2 the hybrid mechanism is inconsistent, with demand shocks singled out but not others, such as price or technology;
 - 2.55.3 it does not consider demand collapse as plausible as the businesses themselves have not factored this into their scenarios.
 - 2.55.4 shifting risk to consumers weakens the incentives on GDBs to retain consumers and manage demand effectively;²⁶ and
 - 2.55.5 the hybrid mechanism is unnecessary, as the CPP already exists to handle demand shocks and allows for scrutiny of the GDB's activities and the hybrid is only used when the GDB does not consider it would be successful in a CPP application.
- 2.56 Fonterra and Greymouth Gas also opposed the draft decision.^{27, 28}
- 2.57 Greymouth Gas noted if we were to implement the hybrid mechanism, we must have regard for GDB gaming risk and details, proposing an alternative solution.²⁹ We consider Greymouth Gas's solution in the DPP4 reasons paper.³⁰
- 2.58 GDBs supported our draft decision:
- 2.58.1 Powerco supported the introduction of a hybrid mechanism as the preferred option because it provides for an automatic adjustment when certain conditions occur. It agreed with us that the automatic nature of the mechanism better promotes the Part 4 purpose by supporting the ongoing provision of safe and reliable services while maintaining incentives for efficient investment. In its view, an automatic adjustment is superior to discretionary reopeners or the CPP because it provides certainty and predictability, reduces administrative burden, and provides customer protection.³¹
 - 2.58.2 Vector noted that the hybrid mechanism is preferable to the alternative approach of a CPP or price-quality path reopener.³² Vector noted that the hybrid mechanism:

²⁴ [MGUG "Re: Revised Draft GDB Default Price-quality Path Determination" \(21 April 2026\)](#), p.1-2.

²⁵ [Ibid](#), p.2.

²⁶ [Ibid](#), p.4.

²⁷ [Fonterra "Submission Draft decisions – Gas DPP4" \(21 April 2026\)](#), p.1.

²⁸ [Greymouth Gas "Re: Gas DPP4 2026 – Hybrid mechanism and IM amendments" \(21 April 2026\)](#), p.1

²⁹ [Ibid](#), p.1.

³⁰ [Ibid](#), p.1.

³¹ [Powerco "Powerco supports the introduction of a hybrid mechanism" \(21 April 2026\)](#), p.2.

³² [Vector "Gas DPP4 – hybrid mechanism and IM amendments" \(21 April 2026\)](#), p.1.

- 2.58.2.1 mitigates the impact of demand shocks in either direction supporting investment incentives if demand falls and avoiding over-recovery and price increases if demand rises; and
 - 2.58.2.2 offers greater certainty, lower administrative burden, and more timely, symmetric risk sharing, ultimately better promoting the long-term benefit of consumers when compared with alternatives such as a reopener.
- 2.58.3 Firstgas, Powerco and Vector jointly submitted that the hybrid mechanism was needed because gas demand risk during DPP4 is systemic, uncertain, largely outside suppliers’ control, and existing tools are not fit-for-purpose. Their view was CPPs are too slow, costly, and asymmetric, while WAPC with smoothing fails under sustained structural decline, allowing under- or over-recovery to accumulate and leading to financeability pressure and sharp price resets for consumers. In contrast, a hybrid mechanism provides a simple, predefined, and symmetric way to share demand risk in real time, reducing price volatility, supporting investment, and delivering more stable and efficient outcomes for consumers over the regulatory period.
- 2.58.4 The GDBs submitted that their analysis indicates that the hybrid mechanism improves outcomes relative to the status quo.³³
- 2.59 Arete Consulting acknowledged that its submission addresses its deeper concerns with our DPP4 draft decision and the Part 4 regulatory framework. Apart from a brief mention in the context of his fundamental challenges to our framework, it does not address our draft decision on the hybrid mechanism.³⁴

Issues we have considered in submissions on our draft decision

- 2.60 We have considered issues raised by submitters of the hybrid mechanism, relative to the status quo or a price-quality path reopener, including:
- 2.60.1 whether the hybrid mechanism inappropriately allocates risk from suppliers to consumers;
 - 2.60.2 the availability of CPP’s to manage the impacts of large demand shocks; and
 - 2.60.3 whether the hybrid mechanism treats different causes of demand shock inconsistently.

³³ [Firstgas, Powerco and Vector “Gas DPP4 – Submission on hybrid mechanism and IM amendments” \(21 April 2026\)](#), p.5.

³⁴ [Arete Consulting “Re: Revised Draft Default Price-Quality Path Determination” \(21 April 2026\)](#).

Whether the hybrid mechanism inappropriately allocates risk from suppliers to consumers

- 2.61 MGUG submitted that the WAPC appropriately allocates all demand risk to GDBs, and that this allocation should not be changed. We acknowledge that under the current IMs, the WAPC does not distinguish between normal and ‘special’ demand variation. Consistent with our 2023 IM Review, this reflects the view that suppliers are generally best placed to manage demand risk under normal circumstances.
- 2.62 However, our assessment is that the current environment is characterised by increased uncertainty and a heightened risk of large demand shocks. While we do not expect such shocks to occur frequently, their potential impact has increased. In these circumstances, we consider that it is unlikely that any single party would be well placed to fully manage the impacts of the shock.
- 2.63 For normal demand variation, our view remains unchanged. The WAPC continues to provide appropriate incentives for suppliers to manage demand risk efficiently. The hybrid mechanism does not alter this core feature. Instead, it introduces a limited and targeted form of risk sharing that applies only where predefined thresholds for a significant, unforeseen demand shock are exceeded.
- 2.64 MGUG noted that a hybrid mechanism should not be implemented as the GPBs themselves do not consider demand collapse as plausible given they have not factored this into their scenarios. The hybrid mechanism is intended to address the unforeseen and unforecasted demand shocks. As noted above, we are not suggesting such shocks are probable, but rather they are sufficiently increased in likelihood that it is prudent to assess potential impacts and mitigations under the current regime settings.
- 2.65 We also recognise MGUG’s concern that the hybrid mechanism may shift some risk onto consumers. Under the proposed design, we have intentionally constrained that risk transfer. On balance, we consider that this limited sharing of demand risk better promotes the long-term benefit of consumers by supporting the continued provision of safe and reliable services, while avoiding outcomes that could undermine investment incentives if suppliers were fully exposed to large and unmanageable shocks.
- 2.66 We consider that a modified approach to risk allocation that provides for full supplier exposure for normal demand variation while introducing limited sharing in moderate circumstances better reflects current conditions and is more likely to promote the purpose in s 52A.

Customised price-quality paths are available to manage the impacts of large demand shocks

- 2.67 MGUG also points to the availability of a CPP or reopener as an appropriate mechanism to address demand shocks. We agree that these mechanisms provide an avenue for addressing material changes in circumstances, and they remain available under the regime. However, we consider that, in the specific case of large, abrupt demand shocks, a pre-specified and automatic mechanism provides greater certainty about how such events will be treated. This certainty supports timely decision-making by suppliers and helps maintain incentives to continue investing in, operating, and maintaining gas distribution networks during periods of stress.
- 2.68 The hybrid mechanism is automated within the operation of the price-quality path. Therefore it involves less scrutiny than a CPP or reopener process. We consider that this reduction in case-by-case assessment is offset by the benefits of having clear, predefined rules that apply only in moderate circumstances. In particular, the hybrid mechanism is designed to operate as a limited ‘release valve’, reducing exposure to unmanageable downside outcomes while preserving the incentive properties of the WAPC in normal conditions.
- 2.69 The CPP process would impose a high regulatory burden and costs on the GDB, consumers and the Commission, and would take longer than the other options. Under the IMs these costs are recoverable costs able to be recovered from consumers by the GDB. The costs of CPPs could be compounded if a large shock event applied to more than one GDB at the same time.
- 2.70 A CPP would provide us with the ability to scrutinise costs and expenditure forecasts bearing in mind the long-term interests of consumers, and reset the price path accordingly. The outcome for consumers under a CPP following a large demand shock would be to reset the price path.
- 2.71 Under the status quo, without a CPP, consumers could face a price uplift at the next DPP. A CPP could bring forward the full extent of any price increases, whereas the hybrid mechanism will effectively bring forward only the consumer share of revenue impact above the threshold, until the next reset.
- 2.72 The trade-off in terms of the consumer interest is that the hybrid mechanism, unlike a CPP, comes with no additional scrutiny of the efficiency of expenditure before additional revenue is recovered from consumers in the event of a qualifying demand shock.
- 2.73 However, under the hybrid mechanism, GDBs will bear all of any demand shock up to the threshold specified in the DPP, which limits the extent to which additional revenue will be recovered from consumers. For intermediate-scale negative demand shocks, this reduces the likelihood of material changes in network scale, as gas consumers are expected to remain widely distributed across networks and associated cost reductions are likely to be modest. In these circumstances, the benefit from additional expenditure scrutiny provided by a CPP may not be significant, particularly given the existing incentives on GDBs to optimise expenditure levels.

- 2.74 On balance, while we consider that the WAPC remains appropriate for normal variations in demand, the status quo is less able to adequately address the risks of unforeseen shocks. If a GDB is faced with a significant demand shock, a CPP application could be a rational response in those circumstances, but would come with additional costs and uncertainty for consumers.
- 2.75 We note that our decision to apply the hybrid mechanism will not preclude a GDB from making its own assessment of the costs and benefits of the CPP process and then applying for a CPP during DPP4, subject to the usual CPP proposal window as set out in the GDB DPP determination. We would expect a sustained change in demand would be the type of outcome a CPP would be best suited for.

Whether the hybrid mechanism is inconsistent, with demand shocks singled out

- 2.76 MGUG also questioned why demand shocks receive special treatment while other shocks such as technology or price shocks are not, making the approach to shock inconsistent. While the hybrid mechanism is designed to address demand, we note that it is measured by a revenue impact compared to forecasted revenue (ie, price x quantity). This means that any revenue shocks directly affecting quantities resulting from technology or price could also be included in the calculation of the hybrid mechanism. The mechanism does not distinguish between shocks based on their cause.

We consider the hybrid mechanism offers advantages compared to the status quo

- 2.77 Taking into consideration all the points above, we consider the hybrid mechanism provides the following advantages compared to the status quo (including application for a CPP) or a price-quality path reopener. It:
- 2.77.1 offers partial, in-period mitigation of large demand shocks while retaining the core incentives and risk-allocation features of the WAPC;
 - 2.77.2 takes effect automatically and quickly, reducing the risk of service degradation or extreme price adjustments at the next reset;
 - 2.77.3 provides greater certainty to consumers and suppliers about how large demand shocks will be treated within a regulatory period, and by providing greater certainty better supports incentives to invest;
 - 2.77.4 has a lower cost and regulatory burden than a CPP or price-quality path reopener for GDBs, consumers and the Commission;
 - 2.77.5 retains incentives under a WAPC for GDBs to manage demand risk. GDBs bear all risk for variations less than the threshold (positive or negative). This ensures that GDBs remain incentivised to manage expenditure, seek efficiencies, and respond to changes in demand, while providing some assurance of mitigation where shocks are too large to reasonably absorb; and

2.77.6 limits the potential for excessive profits in the event of a large positive demand shock by sharing benefits between suppliers and consumers.

The hybrid mechanism better promotes the s 52A purpose

- 2.78 Having considered submissions on our draft decision, we also consider that the hybrid mechanism provides the most balanced and proportionate response to the risks to long-term consumer interests, and better promotes the purpose in s 52A than the status quo or a revenue shock reopener.
- 2.79 The hybrid mechanism preserves the core incentive and risk-allocation features of the WAPC for normal demand variations, reflecting our view that GDBs are generally best placed to manage these risks. At the same time, it introduces limited, in-period mitigation for large, unforeseen demand shocks. This shared approach provides assurance that GDBs will not be fully exposed to revenue impacts arising from risks they may be poorly placed to manage, supporting continued investment and the ongoing provision of safe and reliable services to consumers, consistent with s 52A(1)(b).
- 2.80 By reducing exposure to moderate downside outcomes once predefined parameters are met, the mechanism mitigates the risk that unaddressed revenue volatility could weaken incentives to invest or maintain asset performance. In doing so, it better promotes efficient investment and operational decision-making in the long-term interests of consumers, consistent with s 52A(1)(a) and (c).
- 2.81 Relative to a price-quality path reopener or a CPP, the hybrid mechanism is more certain and less administratively burdensome. This predictability supports efficient expenditure by GDBs and reduces regulatory costs, promoting the IM purpose in s 52R and further promoting s 52A(1)(a).
- 2.82 Although the mechanism allocates some additional short-term risk to consumers, this risk is limited by design. By providing an intermediate ‘release valve’ to the GDBs at a relatively high threshold, it provides the opportunity for the GDBs to remain on the DPP instead of a CPP; under a CPP application, the GDBs could seek to allocate some or all of the impacts of the demand reduction via a reset of the WAPC, resulting in uncertainty as to the extent of additional risk allocation. Also, any price impact under the mechanism will occur at a delayed and predictable time, giving consumers certainty to consider their options. The mechanism will apply only in unlikely circumstances involving significant shocks, and GDBs will remain fully exposed to the risks associated with normal demand variability.
- 2.83 The mechanism also promotes s 52A(1)(d) by limiting the potential for excessive profitability in the event of a large positive demand shock. Consumers could benefit in this case in a way that they might not under the status quo or by providing a new discretionary reopener.

2.84 Overall, we consider that the hybrid mechanism best promotes the long-term benefit of consumers under s 52A. It provides a targeted and proportionate response to moderate demand shocks, in an environment where the evidence supports that such shocks are more likely. More effective management of such shocks supports the continued provision of safe and reliable gas services, and maintains incentives for efficient operation and investment, while preserving the core features of the WAPC.

We also considered the option of introducing a price-quality path reopener

2.85 We considered the option of a price-quality path reopener for revenue shock, which would have allowed a GDB to apply to reopen its price path ahead of the next reset if the revenue impact of a demand shock exceeded a threshold. We considered as a working example a qualifying condition for a reopener to include a +/- 15% revenue shock.

Stakeholder views on whether to introduce a demand shock reopener

2.86 We received the following submissions with respect to the reopener option:

2.86.1 Vector submitted that a hybrid mechanism is preferable to the alternative proposed approach of a reopener, as it will have less administrative burden and provide greater certainty for suppliers and consumers;³⁵

2.86.2 In its cross-submission Vector picked up on the Greymouth Gas “Potential Solution” discussed above with respect to the hybrid mechanism and it submitted that there could be benefits for the IMs by including both the hybrid mechanism and “a separate discretionary reopener pathway where needed to support investment and service continuity”;³⁶ and

2.86.3 Powerco submitted that while the hybrid mechanism is its preference, a reopener could also be workable.³⁷

Our analysis

2.87 The price-quality path reopener option would have provided a scrutiny benefit like a CPP under the status quo, but with more flexibility and a significantly lower regulatory burden on the GDB and the Commission. The key advantages of a reopener being:

2.87.1 we are required to reassess expenditure, demand forecasts, and allowable revenue in deciding if and how the price path ought to be reopened in the long-term interests of consumers; and

2.87.2 this consideration is contained in scope compared to a full CPP reset.

³⁵ [Vector “Gas DPP4 – hybrid mechanism and IM amendments” \(21 April 2026\)](#), p.1.

³⁶ [Vector “Cross-submission on Gas DPP4 – Hybrid mechanism and IM amendments” \(29 April 2026\)](#), p.3.

³⁷ [Powerco “Powerco supports the introduction of a hybrid mechanism” \(21 April 2026\)](#), p.2.

- 2.88 As with other reopeners, a GDB would need to submit a reopener application, and we would need to assess it. We would reopen the price-quality path only if we were satisfied that it would promote the long-term benefit of consumers to do so, and if so, only to the extent that is reasonably necessary to mitigate the effect of the reopener event on the DPP.
- 2.89 However, reopeners have several downsides relative to a hybrid mechanism:
- 2.89.1 they are not ‘automatic’ in the way the hybrid mechanism is, and they involve greater cost and administrative burden for both GDBs and the Commission;
 - 2.89.2 they involve greater uncertainty for consumers, as the timing and outcome of a reopener are not prescribed as they will be under the hybrid mechanism;
 - 2.89.3 there is potential for the price increases brought forward into the regulatory period to be larger than those under a hybrid mechanism; and
 - 2.89.4 there is the potential for full risk transfer to consumers, as a reopener may allow 100% of the revenue impact to be recovered from consumers compared to only a share of the revenue impact exceeding the threshold under the hybrid mechanism.

Chapter 3 Decision-making framework

Purpose and structure of this chapter

- 3.1 This chapter sets out the framework we have applied in reaching our decisions. In doing so, it explains:
- 3.1.1 our framework for considering IM amendments, which is relevant in considering what IMs may be appropriate to amend outside of the statutory IM review cycle under s 52Y of the Act; and
 - 3.1.2 the decision-making framework we have applied in making the IM amendments.

Framework for considering the scope of input methodologies amendments

- 3.2 Our framework considers:
- 3.2.1 the statutory context;
 - 3.2.2 our specific powers to amend IMs; and
 - 3.2.3 what we must take account of when amending IMs outside of the statutory IM review cycle under s 52Y of the Act.

Statutory context

- 3.3 When considering amendments to IMs, we must consider the purpose of IMs and the purpose of Part 4 of the Act. This section discusses the tensions between making changes to improve the regime and the certainty intended by the IMs.
- 3.4 The purpose of IMs, set out in s 52R of the Act, is to promote certainty for suppliers and consumers in relation to the rules, requirements and processes applying to the regulation, or proposed regulation, of goods or services under Part 4. To that end, s 52T(2)(a) requires all IMs, as far as is reasonably practicable, to set out relevant matters in sufficient detail so that each affected supplier is reasonably able to estimate the material effects of the methodology on the supplier. In that way, the IMs constrain our evaluative judgements in subsequent regulatory decisions and increase predictability.³⁸
- 3.5 However, some uncertainty remains inevitable.³⁹ As the Court of Appeal observed (in relation to a judicial review against decisions made in the IMs under Part 4) “certainty is a relative rather than an absolute value”,⁴⁰ and “there is a continuum between complete certainty at one end and complete flexibility at the other”.⁴¹

³⁸ *Wellington International Airport Ltd & others v Commerce Commission* [2013] NZHC 3289 at [213].

³⁹ *Wellington International Airport Ltd & others v Commerce Commission* [2013] NZHC 3289 at [214].

⁴⁰ *Commerce Commission v Vector Ltd* [2012] NZCA 220 [2012] 2 NZLR 525 at [34].

⁴¹ *Ibid* at [60].

- 3.6 The s 52R purpose is primarily promoted by having the rules, processes and requirements set upfront prior to being applied by regulated suppliers or us.
- 3.7 However, as recognised in ss 52X and 52Y, these rules, processes and requirements may change over time.
- 3.8 The power to amend an IM must be used to promote the policy and objectives of Part 4 of the Act as ascertained by reading it as a whole. It is clear that Parliament saw the promotion of certainty as being important to the achievement of the purposes of price-quality regulation. While this is to an extent implicitly inherent in s 52A (for example, providing suppliers with incentives to invest in accordance with s 52A(1)(a)), it is also expressed in s 52R in relation to the purpose of IMs, and also in other aspects of the regime, such as the restrictions on reopening DPPs during their regulatory periods.⁴²
- 3.9 When considering IM amendments, we must therefore be mindful that this may have a detrimental effect on:
- 3.9.1 the role that predictability plays in providing suppliers with incentives to invest in accordance with s 52A(1)(a); and
 - 3.9.2 the role that the IMs play in promoting certainty for suppliers and consumers in relation to the rules, requirements, and processes in advance of being applied by us and suppliers in setting the DPP or CPP, as applicable.
- 3.10 At times there will be tension between making changes to improve the regime and better promote the s 52A purpose on the one hand, and certainty on the other.
- 3.11 While we will have regard to the s 52R purpose (and the other indications of the importance of promoting certainty), ultimately, we must nevertheless make decisions that we consider promote the s 52A purpose.
- 3.12 Section 52A governs all of our decision-making processes under Part 4, including our IM decisions. The other purpose statements within Part 4 are relevant matters, but they should be applied consistently with s 52A.⁴³
- 3.13 When making our decisions we must only give effect to these other purposes to the extent that doing so does not detract from our overriding obligation to promote the purpose set out in s 52A.
- 3.14 Therefore, where the promotion of s 52A requires amendment to an IM, s 52R does not prevent us from making a change that is consistent with s 52A.

⁴² For further discussion see *Wellington International Airport Ltd & others v Commerce Commission* [2013] NZHC 3289 at [213]-[221].

⁴³ We note that the High Court, in *Wellington International Airport Ltd & Ors v Commerce Commission* considered that the purpose of IMs, set out in s 52R, is “conceptually subordinate” to the purpose of Part 4 as set out in s 52A when applying the “materially better” test. See *Wellington International Airport Ltd & others v Commerce Commission* [2013] NZHC 3289 at [165].

Amendments inside and outside of the IM statutory review cycle

- 3.15 This section considers the circumstances in which IMs may be amended and what must be taken into account when making amendments to IMs outside the statutory review cycle.
- 3.16 All IMs must be reviewed at least once every seven years, as mandated by s 52Y.⁴⁴ This process is key to delivering on the s 52R certainty purpose of IMs, while at the same time allowing the regime to mature and evolve in response to changing circumstances.
- 3.17 Given the certainty purpose of the IMs and the scheme set out in the Act to promote this purpose, we must carefully assess what amendments are appropriate to consider outside the statutory IM review cycle. As noted previously, the predictability the IMs provide is key to promoting the s 52A purpose and, in particular, incentives to invest as required under s 52A(1)(a).
- 3.18 On the other hand, it is important that the IMs are fit-for-purpose going into a price-quality path reset, particularly as under s 53ZB(1) IM amendments made after a price-quality path is determined (other than in limited circumstances) will not affect the price-quality path until the next reset.⁴⁵
- 3.19 Leading up to a price-quality path reset, we may therefore need to consider which topics are appropriate to consult on as potential s 52X amendments in order to identify changes to the IMs that are necessary to ensure that the DPPs are workable and effective in promoting the outcomes in s 52A.

Amendments outside of the statutory input methodologies review cycle

- 3.20 We generally focus on two types of amendments outside of the statutory IM review cycle:
- 3.20.1 those that support incremental improvements to price-quality paths; and
 - 3.20.2 those that enhance certainty about – or correct technical errors in – the existing IMs.
- 3.21 We do not generally consider it appropriate to consider 'fundamental' changes outside of the statutory IM review cycle. Fundamental IMs are generally those that define the fundamental building blocks used to set price-quality paths (listed in s 52T(1)(a)), and that are central to defining the balance of risk and benefits between suppliers and consumers.

⁴⁴ The next statutory Part 4 IM review is due to be completed by 2030.

⁴⁵ Under s 53ZB(2) a price-quality path must be reset by us with a new price-quality path made by amending the price-quality path determination if: an IM changes as a result of an appeal under s 52Z; and that changed IM would have resulted in a materially different price-quality path being set had the changed IM applied at the time the price-quality path was set.

3.22 However, we can and will reconsider fundamental building blocks IMs where there is a compelling and urgent rationale for doing so.⁴⁶

The amendments relate to incremental changes to price-quality paths

3.23 The IM amendments for the demand variation revenue adjustment mechanism amend the definition of recoverable cost, which flows through to the ‘specification of price’ IM.

3.24 In our view, this change supports incremental changes to price-quality paths and is not a ‘fundamental’ change to the IMs. It does not amend the core building blocks and makes an incremental adjustment to the balance of risk between consumers and suppliers, which will apply only if an uncertain event eventuates.

The decision-making framework we have applied

3.25 In deciding whether to make IM amendments as part of the Gas DPP4 price-quality path setting processes, we used a decision-making framework that we have developed over time to support our decision-making under Part 4 of the Act.⁴⁷ This has been consulted on and used as part of prior processes, and it helps provide consistency and transparency in our decision-making.

3.26 Specifically, in respect of each amendment we considered whether the amendment will:

3.26.1 promote the Part 4 purpose in s 52A of the Act more effectively;

3.26.2 promote the IMs purpose in s 52R of the Act more effectively (without detrimentally affecting the promotion of the s 52A purpose); and/or

3.26.3 significantly reduce compliance costs, other regulatory costs, or complexity (without detrimentally affecting the promotion of the s 52A purpose).

3.27 We also took into account the following where they were relevant and where taking them into account did not compromise our achievement of the s 52A purpose of Part 4:

3.27.1 whether there were alternative ways to address the identified issues without changing the IMs;

⁴⁶ An example of this was the reconsideration of the Part 4 WACC percentile decision in 2014. The compelling reason was criticism by the High Court of this decision in the IM merits appeal process, and the urgency was due to the upcoming default price-quality path and individual price-quality resets for EDBs and Transpower New Zealand Limited.

⁴⁷ See [“Commerce Commission: Part 4 Input Methodologies Review 2023 Framework paper” \(13 October 2022\)](#), para X20-X21

- 3.27.2 the permissive considerations under s 5ZN of the Climate Change Response Act 2002;⁴⁸ and
- 3.27.3 other Part 4 provisions, namely:
 - 3.27.3.1 the purpose of information disclosure (s 53A); and
 - 3.27.3.2 the purpose of default/customised price-quality regulation (DPP/ CPP regulation) (s 53K).

⁴⁸ [Commerce Commission, “Default price-quality paths for gas pipeline businesses from 1 October 2022 – Final reasons paper” \(31 May 2022\)](#) (Gas DPP3 final decision), at paras 2.24-2.25; [Note of clarification – our Part 4 Input Methodologies Review 2023 Framework paper \(21 December 2022\)](#).