

Commerce Commission

By email: Infrastructure.regulation@comcom.govt.nz

16 January 2026

Submission on Gas DPP4 draft decision

Thank you for the opportunity to comment on your draft decision on the default price-quality path (DPP4) for gas pipeline businesses (GPBs) that will apply from 1 October 2026.

Mercury buys and resells reticulated gas for ~90,000 residential customers, with total annual gas usage of 490 GWh. and 640 commercial customers, with total annual gas usage of 82 GWh. As a retailer serving a large gas customer base, we have a strong interest in how the gas sector transitions over time.

The gas market is changing rapidly, driven by declining natural gas supply from ageing fields and shifting demand as customers either exit New Zealand or move to alternative fuels. In this context we support a managed, fair transition that enables our customers to electrify when it suits their circumstances, while ensuring those that are unable to afford the up-front capital costs of electrification are not left bearing a disproportionate share of GPBs' costs.

In relation to the Commission's draft DPP4 decision, Mercury:

- Agrees that it is prudent to assume that gas will be around for the next 20 years, taking into account the prospects of further production from existing wells, LNG imports and biogas development;
- Agrees that the actual economic life of existing gas infrastructure is likely to be much shorter than its physical life and that it is appropriate to continue the accelerated depreciation approved in DPP3 so as to reduce the risks of costs being recovered primarily from a smaller future customer base;
- Notes that for all GPBs except Vector these increased depreciation costs are largely offset by reductions in other expenditure allowances;
- Acknowledges that as Vector has already made a number of cost reductions in DPP3, the increased depreciation allowances will result in price increases for this GPB in DPP4;
- Agrees the Commission should set a rate of change for Vector that would spread the recovery of the accelerated depreciation over the first two years of DPP4 to mitigate consumer impact;
- Agrees that it is not appropriate to provide for any system growth capex for any GPB in the context of a future outlook of declining gas use;
- Agrees that existing customers should not bear any costs associated with new gas connections and that all new connections be self-funded; and
- Supports the Commission's decision to only allow well justified opex.



However, we have some concerns about the incentives of GPBs in the context of a sunset industry. On behalf of our retail customers, we would support:

- Close monitoring of pipeline pressures to ensure there is no derogation in the quality of service being supplied to customers;
- More work being done on identifying those parts of the network which could become uneconomic to supply due to a lack of sufficient customers. A staged and well-planned retirement of these segments is preferable to disorderly “death spiral”;
- Specific obligations on GPBs to make relevant information available to consumers to help them with their energy supply choices, including in relation to their connection and disconnection practices and any future intention they might have to downsize parts of the network; and
- The early development of a withdrawal of service code so consumers are protected from network resizing which may trigger significant capital costs for them. A similar approach was established for the withdrawal of copper by Chorus¹ and may be appropriate for the gas sector, along with broader consideration of appropriate arrangements to safeguard consumers during the transition.

We also have some concerns that the Commission’s cautious approach of collecting information on disconnections and monitoring outcomes over the five years of DPP4 may result in a “too little too late” intervention in DPP5. It may be prudent to adopt a quality standard within DPP4 to prevent customers facing high disconnection costs and delays in disconnection activity which make electrifying more challenging.

Please let me know if you would like to discuss any aspects of this submission,

Regards



Fiona Wiseman
Head of Regulation

¹ [Copper Withdrawal Code | Commerce Commission](#)

